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EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2016-17)

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 4th Report (17th Lok Sabha)]

PUBLIC ACCOUNTS COMMITTEE (2020-21)

THIRTIETH REPORT

SEVENTEETNH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2238

THIRTIETH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2020-21)

(SEVENTEENTH LOK SABHA)

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सत्यमेव जयते

Presented to Lok Sabha on: ....

Laid in Rajya Sabha on: ....

LOK SABHA SECRETARIAT
NEW DELHI

February, 2021/Magha, 1942 (Saka)

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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

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2020-21), having been authorised by the Committee, do present this Thirtieth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fourth Report (Seventeenth Lok Sabha) on **'Excesses Over Voted Grants and Charged Appropriations (2016-17)"** relating to various Ministries/Departments.

2. The Fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 4th February, 2020. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Thirtieth Report at their Sitting held on 4th February, 2021. Minutes of the Sitting are given at Appendix I.

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

4. The Committee 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.

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

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

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

REPORT

PART – I

INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Fourth Report (17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2016-17)".

2. The Fourth Report (17th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 4th February, 2020, contained 9 Observations and Recommendations. The Action Taken Notes in respect of all the Observations and Recommendations have been received from the concerned Ministries/Departments and are broadly categorized as under :

(i) Observations/Recommendations which have been accepted by the Government:

***Para Nos.* 1-9**

Total: 9
Chapter - II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Para No. NIL

Total: NIL
Chapter - III

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Para No. NIL

Total: *NIL*
Chapter - IV

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para No. NIL

Total: *NIL*
Chapter – V

3. The Action Taken Notes furnished by the concerned Ministries/Departments on the Observations/Recommendations of the Committee contained in the Report have been reproduced in the relevant chapters of this Report. In the succeeding Paragraphs, the Committee deal with the action taken by the Government on some of their Recommendations.

A. Excess expenditure incurred during the year 2016-17

(Recommendation Para No. 1)

4. The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 revealed that a total excess expenditure of ₹ 190,247.84 crore was incurred in 12 cases under seven Grants/Appropriations. Upon noticing that this amount of excess expenditure incurred revealed a steep increase during the last ten years, the Committee felt that incurring of such a huge amount of excess expenditure over and above the budgetary provisions sanctioned by the Parliament is contrary to the principle of ensuring proper and judicious utilisation of public funds besides undermining the Parliamentary financial control. While observing that the unabated large excess expenditure is self-manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow, the Committee impressed upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.

5. The Ministry of Finance (Department of Economic Affairs - Budget Division), in their Action Taken Note have stated as under:

> "National Institute of Financial Management (NIFM), which conducted a study to analyse the issue of excess expenditure over the Budget, and to propose an informed system of budgeting and controlling excess expenditure based on analysis of Indian experience and global best practices, has submitted its report.
>
> NIFM has made numerous recommendations such as Centralised Monitoring System, reduction in number of Supplementary Demands for Grants, increase the accountability of the Chief Accounting Authorities, re-definition of unit of appropriation to higher level, align the powers for re-appropriation of funds, revise the definition of New Service/New Instrument of Service, categorisation of charged expenditure as standing appropriations, multi-year budget allocations, simple chart of accounts, etc.
>
> NIFM also brought out findings from Desk Study on excess expenditure in (i) Australia (ii) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom.
>
> These recommendations of NIFM are being studied in this Ministry.
>
> Department of Expenditure was requested to issue instructions to all Ministries/Departments to avoid excess expenditure. Department of Expenditure has, vide its O.M. dated 10.09.2020, requested Chief Accounting Authorities to take all

measures to ensure proper planning and monitoring of expenditure so that excess is avoided. Scrupulous scrutiny of the budget proposal, both at the time of preparation of budget and supplementary with the objective of eliminating excess expenditure, under-spending, wrongful re-appropriations have also been emphasized."

6. **The Committee are pleased to note that pursuant to their recommendations contained in their earlier Reports to avoid the excess expenditure, the National Institute of Financial Management (NIFM) conducted a study to analyse the issue of excess expenditure and submitted its Report, wherein NIFM had made several recommendations to control excess expenditure which are being studied in the Ministry of Finance (Department of Economic Affairs). While appreciating this, the Committee would like to know as to when the Report of the NIFM was received and what action has since been taken by the Ministry of Finance (Department of Economic Affairs) to implement the recommendations made therein. The Committee expect that the Ministry of Finance (Department of Economic Affairs) would take all necessary measures to implement the recommendations of NIFM within definite time-limit. The Committee would also desire to be apprised of the findings reached by NIFM on the basis of the Desk Study on excess expenditure in Australia, Canada, Republic of Ireland, New Zealand and United Kingdom. They further find that the Department of Expenditure has requested the Chief Accounting Authorities to take all measures to ensure proper planning and monitoring of expenditure so that excess expenditure is avoided. The Committee would also like the Ministry of Finance (Department of Expenditure) to monitor and ensure scrupulous adherence to the instructions issued in this regard by the Chief Accounting Authorities in all the Ministries/Departments, so as to avoid the incurrence of excess expenditure on a recurrent basis.**

B. Incurring of excess expenditure despite obtaining Supplementary Grants

(Recommendation Para No. 3)

7. In their Fourth Report (17th Lok Sabha) the Committee were concerned to note that during the financial year 2016-17, excess expenditure was incurred even after obtaining Supplementary Grants/Appropriations in all the eleven cases by the respective Ministries/Departments to meet their additional requirements. As the trend of incurring excess expenditure despite obtaining Supplementary Grants continues despite the recommendations of the Public Accounts Committee, year after year, the Committee were inclined to believe that no sincere efforts have been made by the Ministries/Departments to adequately visualize

and prepare their Budget Estimates even at the Supplementary Grant stage. As a result in most of the cases, Supplementary Grants were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/Departments concerned. The Committee, therefore, desired that Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should realistically assess their requirement of funds in advance and approach Parliament by presenting Supplementary Grants in time. The Committee also recommended that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not over shoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants.

8. While explaining the reasons for incurring excess expenditure despite obtaining Supplementary Grant during the year 2016-17, the Department of Posts, in their Action Taken Note have stated as under:

> "The Department had sought Supplementary Grants in view of the trend of the expenditure and demands preferred by the circles. It has already been mentioned that the amount projected was not provided in full by the Ministry of Finance, which contributed to the incurring of excess expenditure.

SUPPLEMENTARY BATCH	DEMAND PROJECTED BY DEPARTMENT (₹ in crores)	SUPPL. APPROVED BY MoF (₹ in crores)
1st	645.00	150.00 for IPPB only
2nd	902.53	NIL

> It is pertinent to add here that unless the department is given sufficient funds by the Ministry of Finance for operational expenses it becomes difficult to extend the obligatory services and maintain the functional efficiency of India Posts. Out of total excess expenditure around 90% expenditure pertained to salary and pension which are mandatory in nature and cannot be curtailed. However, efforts have been made through close monitoring to keep excess expenditure to the minimum. All Heads of circles are also advised from time to time to limit their expenditure within the budgetary allocations and to ensure that no expenditure is incurred in absence of funds allocation. Moreover, subordinate units of Departments of Posts are also being instructed regularly to project realistic demands for funds."

9. **The Committee observe that according to Department of Posts, the amount of Supplementary Grants as projected by them, was not provided in full by the Ministry of**

Finance, which largely contributed to the incurring of excess expenditure under the Grant operated by them during the year 2016-17. The Committee regret to note from the reply that Department of Posts has chosen not to take any specific measures for streamlining/critically examine their existing procedures for seeking Supplementary Grants while placing the onus on Ministry of Finance for not adequately providing funds at Supplementary Grants stage. The Committee are of the considered view that either the funds were sought by the Department of Posts without proper assessment or the demands were not placed before the Ministry of Finance in time. The Committee, therefore, recommend that the Department of Posts should evolve an effective coordination mechanism with Ministry of Finance and place their demands well in advance with proper assessment, so as to get all the demands provisioned in their Demands for Grants by Ministry of Finance in future and no excess expenditure is incurred in the absence of fund allocation. They should also make thorough scrutiny of the budget as well as supplementary proposals with the objective of eliminating excess expenditure.

C. <u>Persistent Excess Expenditure</u>
(Recommendation Para No. 4)

10. In Para 4 of their original Report, the Committee observed that the various Civil Ministries/Departments and the Ministry of Railways had been incurring large amount of excess expenditure continuously. The Committee were surprised to note that the existing budgeting mechanism in these Ministries/Departments still suffers from various loopholes and lacunae even after constitution of High Level Committee. While noticing that the problem of exceeding budgetary provisions can easily be traceable with the use of IT and e-governance the Committee impressed upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under any Grant/Appropriation of the Ministries.

11. The Ministry of Defence in their Action Taken Note on the aforesaid recommendation have submitted as follows:

> "In this Para the Committee observed that the scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed in the Revenue-Charged Section of Grant-Defence Pension, persistent excess occurred.
> In this regard, this Ministry is of the view that it is not possible to accurately forecast court decrees and their impact in terms of charged expenditure during the year.

Whenever more court cases were anticipated, a Supplementary Grant has been obtained for materialization of more court cases. However, despite obtaining Supplementary Grant, excess occurred in the previous year due to finalization of more court cases and the booking of this obligatory expenditure by certain Controllers towards the fag end of the financial year leading to the said excess.

As a measure of control, the Ministry of Defence have been advising the budget estimating authorities of all the Services, to prepare their budget exercising utmost caution and accuracy while estimating and projecting the requirement of funds. While intimating the ceilings of Budget Estimates as well as Revised Estimates, it is reiterated time and again that expenditure should not exceed the allocation. Latest such instruction was issued by MoD (Fin) vide I.D No. 1(11)/Bud.I/2019 dated 16.01.2020.

Further, in pursuance of the recommendations of the Public Accounts Committee (PAC) under Para 6 of 68th Report on Excess over Voted Grants and Charged Appropriation (2014-15) a High Level committee was constituted to identify the loopholes in the budgeting procedure of the Ministry of Defence under the Chairmanship of AS & FA. Seven meetings of the Committee have been convened till date, where important decisions on reviewing the pace of expenditure progress and monitoring the booking and compilation status, to avoid excess expenditure, have been spelt out."

12. **The Committee wish to highlight the fact that the instructions issued by Ministry of Defence time and again to avoid the excess expenditure incurred under the Grants operated by them have not produced tangible results. The Committee feel that mere issuing of instructions would not provide desired results unless some stringent measures are taken against the concerned officers for inaccuracies and errors in their budgetary estimates leading to recurring excess expenditure under the Grants of Ministry of Defence. Moreover, in the present age of technological advancement and instant connectivity between all the services, there is no valid justification for incurring excess expenditure year after year. Upon noticing that seven meetings of the High Level Committee constituted by Ministry of Defence have been convened till date, where important decisions to avoid excess expenditure have been spelt out, the Committee recommend that sincere efforts should be made to implement the decisions of the High Level Committee besides establishing sound and efficacious budgetary mechanism to ward off incidents of excess expenditure under the Grants operated by Ministry of Defence in future.**

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CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation/Observation of the Estimates Committee

The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 has revealed that a total excess expenditure of ₹ 190,247.84 190270.18 crore was incurred in 12 cases under seven Grants/Appropriations. The defaulting Ministries are Ministry of Finance (Appropriation No.33- Repayment of Debt), Ministry of Defence (Grant No.21- Defence Pensions and Grant No. 23- Cabinet outlay on Defence Services), Ministry of Communications (Department of Posts) (Grant No.13- Department of Posts) and Ministry of Railways–six cases under three Grants/Appropriations. This amount of excess expenditure incurred during the financial year under review has revealed a steep increase during the last ten years. The Committee note that bulk of the excess expenditure was on the civil side viz ₹ 186954.42 crore under one Appropriation i.e. Appropriation No. 33– Repayment of Debt. The Committee feel that incurring such huge amount of excess expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of budget are contrary to the principle of ensuring proper and judicious utilization of Public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self-manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee have repeatedly been emphasizing over the years for plugging the extant loopholes and impediments with a view to restricting the quantum of excess expenditure to the barest minimum. To illustrate in their 36th Report (16th Lok sabha), the Committee had desired that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure trend of various Ministries/Departments. The Ministry of Finance (Department of Economic Affairs) have informed that they are awaiting the report from National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendation from High Level Inter-Ministerial Group is also expected. The Committee would like to be apprised of the salient features of the report on study being undertaken by the NIFM, as and when completed. In the meantime, the Committee would like to impress upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.

[Paragraph 1 of 4th Report (2016-17) (17th Lok Sabha) of the Public Accounts Committee]

Action Taken by the Government :

1. The observations/recommendations of the Committee have been noted.

2. National Institute of Financial Management (NIFM), which conducted a study to analyse the issue of excess expenditure over the Budget, and to propose an informed system of budgeting and controlling excess expenditure based on analysis of Indian experience and global best practices, has submitted its report.

3. NIFM has made numerous recommendations such as Centralised Monitoring System, reduction in number of Supplementary Demands for Grants, increase the accountability of the Chief Accounting Authorities, re-definition of unit of appropriation to higher level, align the powers for re-appropriation of funds, revise the definition of New Service/New Instrument of Service, categorisation of *charged* expenditure as standing appropriations, multi-year budget allocations, simple chart of accounts, etc.

4. NIFM also brought out findings from Desk Study on excess expenditure in (i) Australia (ii) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom.

5. These recommendations of NIFM are being studied in this Ministry.

6. Department of Expenditure was requested to issue instructions to all Ministries/Departments to avoid excess expenditure. Department of Expenditure has, vide its O.M. dated 10.9.2020 (copy enclosed), requested Chief Accounting Authorities to take all measures to ensure proper planning and monitoring of expenditure so that excess is avoided. Scrupulous scrutiny of the budget proposal, both at the time of preparation of budget and supplementary with the objective of eliminating excess expenditure, under-spending, wrongful re-appropriations have also been emphasized.

7. This has been vetted by Audit vide their U.O. No. dated .2020.

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House Annexe, New Delhi

F.No. 6(1)-B(AC)/2020 dated 17.9.2020

Ministry of Finance
Department of Economic Affairs
(*Budget Division*)
...

Recommendation/Observation of the Estimates Committee

The Committee are seriously concerned to find that during the financial year 2016-17, excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in all the eleven cases by the respective Ministries/Departments to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these 11 cases ranged from 2.46 percent (in Appropriation No. 7- Working Expenses-Repair and Maintenance of Plant and Equipment) to 1045470.01 percent (in Capital Voted section of Grant No. 23- Capital outlay on Defence Services). To illustrate the sector–wise details, Supplementary Grants to the tune of ₹ 1088731.00 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 189154.26 crore. In case of Postal Services Supplementary Grants of ₹ 150.41 crore was obtained which fell short by ₹ 936.48 core. Further, in case of Defence Services Supplementary Grants of ₹ 2.47 crore was obtained in two cases of one Grant operated by Ministry of Defence, still an excess expenditure of ₹ 146.31 crore was incurred. In respect of Railways, even though Supplementary Grants of ₹ 195.95 crore was obtained in five cases, an excess expenditure of ₹ 10.71 crore was incurred. As the trend of incurring excess expenditure despite obtaining Supplementary Grants still continues despite the recommendations of the PAC, year after year, the Committee are inclined to believe that no sincere efforts have been made by the Ministries/Departments to adequately visualize and prepare their Budget Estimates even at the Supplementary Grants stage. As a result in most of the cases, Supplementary Grants were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/Departments concerned. It is, therefore, imperative that Ministries/Department should keep close watch over the trend of expenditure and when any need for additional funds arises they should realistically assess their requirement of funds in advance and approach Parliament by presenting Supplementary Grants in time. The Committee also recommend that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants.

The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations under Capital-charged section of Appropriation No.-33 – Repayment of Debt, the Ministry of Finance had incurred an expenditure of ₹ 567,8,82.32 crore, over and above the total sanctioned provision of ₹ 54,91,868.78 crore which included Supplementary Appropriation of ₹ 10,85,437.70 crore. Excess expenditure under this appropriation was the net result of total savings of ₹ 5,10,303.11 crore and total excess of ₹ 6,97,257.52 crore under various sub-

heads of this appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. The contributory reasons as stated by the Ministry for this excess expenditure are higher payments on account of large volume of buybacks, switching and claims of outstanding amounts of matured Government securities by the investors which remained not claimed in the previous years and due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. The Ministry have further submitted that efforts are being made to keep the variations to the minimum, but it is difficult to precisely estimate these repayment requirements as the same 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 though take into consideration the difficulties expressed by the Ministry, they are, however, of the view that excess expenditure of such large magnitude in spite of a huge amount of Supplementary Appropriation is tantamount to bad budgeting. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should set an example for the other Ministries/Departments to follow to contain huge excesses.

[*Paragraph 3 and 6 of 4th Report (2016-17) (17th Lok Sabha) of the Public Accounts Committee*]

Action Taken by the Government :

1. The observations/recommendations of the Committee have been noted.

2. It may be submitted that of the total excess expenditure of ₹ 1,90,247.84 crore occurred in 2016-17, an amount of ₹ 1,87,007.25 crore is on account of *charged* expenditure. Of ₹ 1,87,007.25 crore, ₹ 1,86,954.42 crore was from Appropriation No.33 – Repayment of Debt, mainly due to higher volume of amount withdrawn by the State Governments in the penultimate days of the financial year to meet its cash requirement. The excess expenditure of ₹ 1,86,954.42 crore in Appropriation No.33 – Repayment of Debt occurred despite obtaining a Supplementary appropriation for ₹10,85,437.69 crore in the year 2016-17. Excess expenditure of ₹ 6,97,088.43 crore was on account of repayment of 14-Days Treasury Bills. This was partially off-set by savings occurred in other heads, which resulted into a net excess expenditure of ₹ 1,86,954.42 crore in the Appropriation No.33-Repayment of Debt. The instrument '14-Days Treasury Bills' is for keeping the surplus amount of State Governments with Union Government. As the tenor of the instrument is too short, the pattern of investment in the instrument and withdrawal therefrom on maturity by the State Governments is highly unpredictable. In certain cases, the amounts deposited by State Governments in the last month of any fiscal are also withdrawn before maturity. Despite obtaining a supplementary appropriation for the instrument '14-Days Treasury Bills' for ₹ 5,63,742 crore, excess expenditure occurred in this Appropriation. The balance excess expenditure of ₹ 52.83 crore under *charged* category was mainly due to payments arising out of Court orders.

(Contd..2/-)

3. With the corrective action taken by this Ministry, the excess expenditure occurring in centralised Appropriation – Repayment of Debt has been declining over the years, as is evident from the following Table:

(₹ *crore*)

Year	Excess Expenditure in Appropriation -Repayment of Debt
2016-17	1,86,954.42
2017-18	92,333.69
2018-19	0.00
2019-20	0.00

4. The excess expenditure of ₹ 3,240.58 crore under voted section is mainly due to payment of pension (₹ 2,199.56 crore) to Defence retirees due to increased rate of relief in Pensions and Gratuity arising out of implementation of the recommendation of 7th Central Pay Commission, salary/personal entitlements/operational expenses of Department of Posts (₹ 936.48 crore) and payments arising out of contractual obligations, supplies, construction, purchase of land and other capital expenditure of Defence Services (₹104.54 crore).

5. In compliance with the observations of the Committee, Department of Expenditure has, vide its O.M. dated 10.9.2020 (copy enclosed), issued necessary instructions to the Chief Accounting Authorities to regulate and monitor the progress of expenditure.

6. This Ministry has been keeping strict vigil on the progress of expenditure of the Government throughout the year and after mid-year review, Ministries/Departments are advised to seek approval of Parliament through Supplementary Demands for Grants wherever additional funds have been provided over and above budgeted estimates.

7. This has been vetted by Audit vide their U.O. No. dated .2020.

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House Annexe, New Delhi

F.No. 6(1)-B(AC)/2020 dated 17.9.2020

Ministry of Finance
Department of Economic Affairs
(*Budget Division*)
...

Recommendation/Observation of the Estimates Committee

The Committee's examination of excess expenditure over the past few years has revealed that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously. However, while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/Departments indicates steep rise during the year under review. Further, in case of Defence Services and Postal Services, excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the fiscal 2016-17. Further, scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed that in Revenue-Charged Section of Grant-Defence Pensions, persistent excess occurred. In response to the Committee's recommendations contained in their 88th Report (16th Lok Sabha), the Ministry of Finance apprised that a high level Committee with AS & FA(Acquisition) as Chairperson and representatives from Army, Navy, Air Force and representatives from Department of Economic Affairs and CGA has been setup to identify the loopholes in the budgetary process. It is surprising that the existing budgeting mechanism in these Ministries/Departments still suffers from various loopholes and lacunae even after the constitution of High Level Committee. As the problem of exceeding budgetary provisions can easily be traceable with the use of IT and e-governance and the Committee impress upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under any Grant/Appropriation of the Ministries.

[*Paragraph 4 of 4th Report (2016-17) (17th Lok Sabha) of the Public Accounts Committee*]

Action Taken by the Government :

The observations/recommendations of the Committee have been noted.

2. It may be pertinent to submit that Ministry of Railways, while reducing the incidence of excess expenditure over the years, did not incur any excess expenditure in the year 2017-18. This was largely due to merger of 16 Demands for Grants of Ministry of Railways into one single Demand for Grants for Ministry of Railways on merger of Railway Budget with Union Budget from Budget for 2017-2018.

3. As regards excess expenditure occurred in the Demands for Grants of Civil and Defence Ministries, the excess expenditure in 2016-17 was largely due to Defence Pensions (₹ 2,199.84 crore), Capital Outlay on Defence Services (₹146.31 crore) and centralised Appropriation – Repayment of Debt (₹1,86,954.42 crore).

(Contd..2/-)

4. It may further be submitted that while expenditure of Ministries/Departments are, at present, monitored by the respective Chief Accounting Authorities, Ministry of Finance also regulates expenditure of Ministries/Departments through stipulation of Monthly Expenditure Plan (MEP) under Cash Management Guidelines.

5. In addition, this Ministry has also issued instructions to Ministries that the provisions under Rule 209(6)(iii) of GFR shall strictly be complied so that the releases to the various implementing agencies (IAs) have to be regulated/rationalised keeping in view the bank balance of the recipients before making every fresh release. Specific instructions were also issued for use of PFMS portal for all types of payments, including 'just in time releases' to the extent possible.

6. This has been vetted by Audit vide their U.O. No. dated .2020.

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House Annexe, New Delhi

F.No. 6(1)-B(AC)/2020 dated17.9.2020

Ministry of Finance
Department of Economic Affairs
(*Budget Division*)
...

Recommendation/Observation of the Estimates Committee

The Committee note that pursuant to their recommendation in an earlier Report the Ministry of Finance have constituted a high level Inter-Ministerial Group under the Chairmanship of Cabinet Secretary on 20.06.2018 to review the excess expenditure and to recommend measures and mechanism of eliminating occurrence of such excess expenditure. While appreciating the steps taken by the Ministry of Finance to overcome the problem of excess expenditure, the Committee expect that the high-level Inter Ministerial Group will hasten up their review and submit their report within a defined time-limit by recommending prudent measures to avoid recurrence of excess expenditure in future. The Committee would like to be apprised of the outcome of the study being conducted in this regard by National Institute of Financial Management and the approximate time for completion of the study. The Committee would also like the Ministry of Defence to monitor and ensure scrupulous adherence to the instructions issued to the Vice Chiefs of the Services so as to contain the expenditure within the approved ceilings. Instructions in this regard issued to all field formations may be furnished to the Committee.

[*Paragraph 8 of 6th Report (2016-17) (17th Lok Sabha) of the Public Accounts Committee*]

Action Taken by the Government :

1. The observations/recommendations of the Committee have been noted.

2. National Institute of Financial Management (NIFM), which conducted a study to analyse the issue of excess expenditure over the Budget, and to propose an informed system of budgeting and controlling excess expenditure based on analysis of Indian experience and global best practices, has submitted its report.

3. NIFM has made numerous recommendations such as Centralised Monitoring System, reduction in number of Supplementary Demands for Grants, increase the accountability of the Chief Accounting Authorities, re-definition of unit of appropriation to higher level, align the powers for re-appropriation of funds, revise the definition of New Service/New Instrument of Service, categorisation of *charged* expenditure as standing appropriations, multi-year budget allocations, simple chart of accounts, etc.

4. NIFM also brought out findings from Desk Study on excess expenditure in (i) Australia (ii) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom.

5. These recommendations of NIFM are being studied in this Ministry.

6. This has been vetted by Audit vide their U.O. No. dated .2020.

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House Annexe, New Delhi
F.No. 6(1)-B(AC)/2020 dated 17.9.2020

Ministry of Finance
Department of Economic Affairs
(*Budget Division*)
...

Recommendation/Observation of the Estimates Committee

The Committee note that pursuant to their recommendation in an earlier Report the Ministry of Finance have constituted a high level Inter-Ministerial Group under the Chairmanship of Cabinet Secretary on 20.06.2018 to review the excess expenditure and to recommend measures and mechanism of eliminating occurrence of such excess expenditure. While appreciating the steps taken by the Ministry of Finance to overcome the problem of excess expenditure, the Committee expect that the high-level Inter Ministerial Group will hasten up their review and submit their report within a defined time-limit by recommending prudent measures to avoid recurrence of excess expenditure in future. The Committee would like to be apprised of the outcome of the study being conducted in this regard by National Institute of Financial Management and the approximate time for completion of the study. The Committee would also like the Ministry of Defence to monitor and ensure scrupulous adherence to the instructions issued to the Vice Chiefs of the Services so as to contain the expenditure within the approved ceilings. Instructions in this regard issued to all field formations may be furnished to the Committee.

[*Paragraph 8 of 6th Report (2016-17) (17th Lok Sabha) of the Public Accounts Committee*]

Action Taken by the Government :

1. The observations/recommendations of the Committee have been noted.

2. National Institute of Financial Management (NIFM), which conducted a study to analyse the issue of excess expenditure over the Budget, and to propose an informed system of budgeting and controlling excess expenditure based on analysis of Indian experience and global best practices, has submitted its report.

3. NIFM has made numerous recommendations such as Centralised Monitoring System, reduction in number of Supplementary Demands for Grants, increase the accountability of the Chief Accounting Authorities, re-definition of unit of appropriation to higher level, align the powers for re-appropriation of funds, revise the definition of New Service/New Instrument of Service, categorisation of *charged* expenditure as standing appropriations, multi-year budget allocations, simple chart of accounts, etc.

4. NIFM also brought out findings from Desk Study on excess expenditure in (i) Australia (ii) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom.

5. These recommendations of NIFM are being studied in this Ministry.

6. This has been vetted by Audit vide their U.O. No. dated .2020.

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House Annexe, New Delhi
F.No. 6(1)-B(AC)/2020 dated 17.9.2020

PAC MATTER/MOST IMMEDIATE

Ministry of Finance,
Department of Economic Affairs
(Budget Division)

Recommendation

Subject to the Observations/Recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 13 of Part - I of this Report be regularized in the manner prescribed in Article 115(1) (b) of the Constitution of India.

{Paragraph 2 & 9
of Fourth Report of PAC
(Seventeeth Lok Sabha)}

Ministry of Finance
Department of Economic Affairs
(Budget Division)

Action Taken Note(On Paragraph 9)

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government relating to 2016-2017 was submitted to Parliament in the Monsoon Session, 2020. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularizing the money drawn in excess of the amounts authorized by the Parliament for the year 2016-2017, has also been passed and the corresponding Act published in the Gazette of India (Extra-ordinary) Part II, Section 1 dated 28th September, 2020 as Act No.27 of 2020, after obtaining assent of the President. In view of this, the excess amount drawn in 2016-2017 stands regularized. Action taken in this regard is, therefore, completed.

This Note has been vetted by Audit, vide their U.O. No. Para selection & MIP/ 2020-21/357 dated 23.11.2020.

(Rajat Kumar Mishra)
Additional Secretary (Budget)

Lok Sabha Secretariat (PAC Branch), Parliament House Annexe, New Delhi-1

MOF, DEA (Budget Division) ID No.7 (1)-B (SD)/2020 dated 2nd December, 2020

ACTION TAKEN REPORT ON OBSERVATIONS/RECOMMENDATIONS ON EXCESS OVER VOTED GRANTS AND CHARGED APPROPRIATIONS 2016-17

(FINAL)

1. The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 has revealed that a total excess expenditure of ₹190270.18 crore was incurred in 12 cases under seven Grants/Appropriations. The defaulting Ministries are Ministry of Finance (Appropriation No. 33 — Repayment of Debt), Ministry of Defence (Grant No. 21 — Defence Pensions and Grant No. 23 — Cabinet outlay on Defence Services), Ministry of Communications (Department of Posts) (Grant No. 13 — Department of Posts) and Ministry of Railways- six cases under three Grants/Appropriations. This amount of excess expenditure incurred during the financial year under review has revealed a steep increase during the last ten years. The Committee note that bulk of the excess expenditure was on the civil side viz ₹ 186954.42 crore under one Appropriation i.e. Appropriation No. 33 — Repayment of Debt. The Committee feel that incurring such huge amount of excess expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of budget are contrary to the principle of ensuring proper and judicious utilization of Public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee have repeatedly been emphasizing over the years for plugging the extant loopholes and impediments with a view to restricting the quantum of excess expenditure to the barest minimum. To illustrate in their 36th Report (16th Lok Sabha), the Committee had desired that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure trend of various Ministries/Departments. The Ministry of Finance (Department of Economic Affairs) have informed that they are awaiting the report from National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendation from High Level Inter-Ministerial Group is also expected. The Committee would like to be apprised of the salient features of the report on study being undertaken by the NIFM, as and when completed. In the meantime, the Committee would like to impress upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.

(Sl. No.1; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken

The original Grant of ₹23122.00 crore under Revenue Section (Voted) was augmented to ₹23272.41 crore by obtaining supplementary grant of ₹150.41 crore. Against this, the actual expenditure of the Department was ₹24208.89 Crore which resulted in excess expenditure by ₹936.48 Crore during the financial year 2016-17. The excess expenditure is 4.02% of the total Grant and and is accepted. As per recommendation of the PAC, the department has constituted an "Expert Group" to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure under the Chairmanship of Sr. DDG(PAF). Minutes of first meeting of the expert group were conveyed to PAC vide this department letter No. 25-1/2017-18/BGT/ Dated: 20.12.2017 and another report including issues discussed during the Second meeting of Expert Group which was conducted on 19.06.2018 was submitted to Hon'ble Chairman PAC vide this department letter of even No. dated 19.11.2018. The 'Expert Group' emphasized that monitoring at apex level through video conference with heads of circles to review expenditure regularly has proved to be an effective expenditure management tool and it is helping the department in controlling the expenditure and keeping it within budgetary allotment. It has been directed to the circle offices to project realistic demand at BE/RE/FG stage in consultation with their IFAs, in view of MEP/QEP of the circle and saving noticed may be surrendered immediately without waiting for the year end. The department has also undertaken the monthly exercise of head wise expenditure monitoring for all the circles for financial year 2019-20 onwards.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020- 21 dated 08.10.2020).

2. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2016-17 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/charged Appropriations has revealed that there was a misclassification of expenditure of ₹ (+) 7,99,433 under Appropriation No.-16- Assets, Acquisition, Construction and Replacement - capital and Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2016-17 works out to ₹ 33,21,47,541 instead of ₹ 33,13,48,108 as indicated in Indian Railways Appropriation Accounts (2016-17). Thus, the total amount of actual excess expenditure incurred during the financial year 2016-17, which requires regularization by Parliament under Article 115 (1) (b) of the Constitution is of the order of ₹ 1902,70,26,06,087 incurred in eleven cases of seven excess registering Grants/Appropriations.

(Sl. No.2; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken
It does not relate to Department of Posts.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020-21 dated 08.10.2020).

3. The Committee are seriously concerned to find that during the financial year 2016-17, excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in all the eleven cases by the respective Ministries/Departments to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these 11 cases ranged from 2.46 percent (in Appropriation No. 7 -Working Expenses -Repair and Maintenance of Plant and Equipment) to 1045470.01 percent (in Capital Voted section of Grant No. 23 - Capital outlay on Defence Services). To illustrate the sector-wise details, Supplementary Grants to the tune of ₹1088731.00 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹189154.26 crore. In case of Postal Services Supplementary Grants of ₹ 150.41 crore was obtained which fell short by ₹936.48 crore. Further, in case of Defence Services Supplementary Grants of ₹ 72.47 crore was obtained in two cases of one Grant operated by Ministry of Defence, still an excess expenditure of ₹ 146.31 crore was incurred. In respect of Railways, even though Supplementary Grants of ₹ 195.95 crore was obtained in five cases, an excess expenditure of ₹ 10.71 crore was incurred. As the trend of incurring excess expenditure despite obtaining Supplementary Grants still continues despite the recommendations of the PAC, year after year, the Committee are inclined to believe that no sincere efforts have been made by the Ministries/Departments to adequately visualize and prepare their Budget Estimates even at the Supplementary Grants stage. As a result in most of the cases, Supplementary Grants were obtained without proper assessment with the result that even the additional provision proved inadequate to .meet the actual requirement of funds by the Ministries/Departments concerned. It is, therefore, imperative that Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should realistically assess their requirement of funds in advance and approach Parliament by presenting Supplementary Grants in time. The Committee also recommends that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants.

(Sl. No.3; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken

The Department had sought supplementary grants in view of the trend of the expenditure and demands preferred by the circles. It has already been mentioned that the amount projected was not provided in full by the Ministry of Finance, which contributed to the incurring of excess expenditure.

SUPPLEMENTARY BATCH	*DEMAND PROJECTED BY DEPARTMENT (₹in crores)*	*SUPPL. APPROVED BY MoF (₹in crores)*
1st	*645.00*	*150.00 for IPPB only*
2nd	*902.53*	*NIL*

It is pertinent to add here that unless the department is given sufficient funds by the Ministry of Finance for operational expenses it becomes difficult to extend the obligatory services and maintain the functional efficiency of India Posts. Out of total excess expenditure around 90% expenditure pertained to salary and pension which are mandatory in nature and cannot be curtailed. However, efforts have been made through close monitoring to keep excess expenditure to the minimum. All Heads of circles are also advised from time to time to limit their expenditure within the budgetary allocations and to ensure that no expenditure is incurred in absence of fund allocation. Moreover, subordinate units of Department of Posts are also being instructed regularly to project realistic demands for funds.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020-21 dated 08.10.2020).

4. The Committee's examination of excess expenditure over the past few years has revealed that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously. However, while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/Departments indicates steep rise during the year under review. Further, in case of Defence Services and Postal Services, excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the fiscal 2016-17. Further, scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed that in Revenue-Charged Section of Grant- Defence Pensions, persistent excess occurred. In response to the Committee's recommendations contained in their 88th Report (16th Lok Sabha), the Ministry of Finance apprised that a high level Committee with AS & FA (Acquisition) as Chairperson and representatives from Army, Navy, Air Force and representatives from Department of Economic Affairs and CGA has been setup to identify the loopholes in the budgetary process. It is surprising that the existing budgeting mechanism in these Ministries/Departments still suffers from various loopholes and lacunae even after the constitution of the High Level Committee. As the problem of exceeding budgetary provision can easily be traceable with the use of IT and e-governance and the Committee impress upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under any Grant/Appropriation of the Ministries.

(Sl. No.4; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken

It is a fact that department has incurred NIL excess expenditure during the year 2015-16. But it is again to point out that out of total excess expenditure around 90% expenditure pertained to salary and pension which are mandatory in nature. Remaining expenditure was incurred for operating the functional units of the Department. As it has already been stated, the increase in expenditure under salaries was due to revision of Pay & allowances consequent upon implementation of 7th Central Pay commission recommendations. Increase in pension was due to revision of pension on account of implementation of 7th CPC recommendations. The excess expenditure during the year 2016-17 was thus mainly because of implementation of 7th CPC recommendations. Moreover, the concerned divisions have been instructed to look into the information in respect of new recruits and likely retirements during the current financial year which is an essential requirement for realistic projection of fund for salary and pension and to avoid excess expenditure. It is also to bring to your kind notice that the department has not incurred excess expenditure in the year 2017-18.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020-21 dated 08.10.2020)

5. The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 2199.56 crore under revenue-voted section of Grant No. 21-Defence Pensions and ₹ 104.55 crore under capital-voted section of Grant No. 23-Capital Outlay on Defence services has been incurred. In respect of Grant No. 21, the contributory reasons, according to the Ministry of Defence, were booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance (Department of Economic Affairs) O.M. dated 05.09.2017 and due to implementation of 7th Central Pay Commission orders in case of Defence Civilians. As regards Grant No. 23, the main contributory reasons adduced were payment of Customs and Excise duties; Committed Liabilities; payment in respect of Cabinet Committee of Secretaries approved contracts for Rockets for Smerch; payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect of emergency procurement; committed liabilities; payment for rolling stock; additional requirement sought for carry over works; China Study Group (CSG) Roads; Infra Development in Eastern Sector and Married Accommodation Project; land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur); enhancement of requirement in respect of specialist and general purpose vehicles; higher outgo due to payment of Customs duty on imported equipment; substantial increase in expenditure under Annual Maintenance Work Plan 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 finalisation of Grants and obtaining Supplementary Grants three times. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative on the part of 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.

(Sl. No.5; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken

It does not relate to Department of Posts.
This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications. (Department of Posts) OM No.25-2/2020-21 dated 08.10.2020).

6. The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations under Capital-charged section of Appropriation No. 33-Repayment of Debt, the Ministry of Finance had incurred an expenditure of₹567,8,82.32 crore, over and above the total sanctioned provision of ₹5491868.78 crore which included Supplementary Appropriation of ₹1085,437.70 crore. Excess expenditure under this appropriation was the net result of total savings of ₹ 510303.11 crore and total excess of ₹ 697257.52 crore under various sub-heads of this appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. The contributory reasons as stated by the Ministry for this excess expenditure are higher payments on account of large volume of buybacks, switching and claims of outstanding amounts of matured Government securities by the investors which remained not claimed in the previous years and due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. The Ministry have further submitted that efforts are being made to keep the variations to the minimum, but 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 Treasury bills and schedule of payments set by the International Financial Institutions. The Committee though take into consideration the difficulties expressed by the Ministry, they are, however, of the view that excess expenditure of such large magnitude inspite of a huge amount of Supplementary Appropriation is tantamount to bad budgeting. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should set an example for the other Ministries/Departments to follow to contain huge excesses.

(Sl. No.6; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken

It does not relate to Department of Posts.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020-21 08.10.2020).

7. During the financial year under review, the Department of Posts incurred an excess expenditure of ₹936.48 crore under Revenue-Voted section of Grant No. 13-Postal Services. This excess expenditure was despite obtaining Supplementary Grants to the tune of ₹150.41 crore. Scrutiny of the Explanatory Note furnished by the Department indicates that the excess expenditure was mainly due to increase in the expenditure under salaries and pension on account of revision of pay and allowances consequent upon implementation of 7th Pay Commission. Excess under Travelling Expense (TE) was due to carrying out of more inspection work, monitoring project roll out and hike in Travelling Allowance (TA) rates, etc. The Committee were earlier informed that a detailed review of expenditure was undertaken at the Head Quarter level based on which exhaustive instructions were issued. The Committee are, however, skeptical of the efficacy of the instructions issued by the Department in checking excess expenditure as would be corroborated from the above facts. The Committee, therefore, urge the Department to overhaul their prevailing expenditure review mechanism and evolve a system to enforce sufficient checks and balances against any wanton sanction and excess expenditure under this Grant.

(Sl. No.6; Appendix II; Para 1 of the 4th Report of the Public Accounts Committee 17th Lok Sabha)

Action Taken

Department of Posts is pleased to inform the committee that department has implemented its IT project Core System integrator (CSI) from 2017. Further data sharing through server to server integration with PFMS has started from 1st October 2019. Steps have been taken to make available the revenue and expenditure data on real time basis to monitor excess expenditure. Efforts have been made to bring in stringent and effective monitoring mechanisms to ensure that in future no such excess expenditure takes place. Department would like to emphasize that the video conferencing done with heads of circles to review expenditure regularly has proved to be an effective expenditure management tool and it is helping the department in controlling the expenditure and keeping the same with in budgetary allotment. As such the department of Posts has managed to register NIL excess expenditure during 2017-18.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020-21 dated 08.10.2020).

8. The Committee are displeased to note that despite their repeated caution, the Ministry of Railways have not been able to eliminate misclassification of expenditure in their accounts. During the last 10 financial years, the Committee have come across 48 cases of misclassification of expenditure. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Ministry of Railways. The Committee while taking a serious view of such recurring phenomenon of misclassification recommend that the officers responsible for such malady should be given adequate opportunities to enhance their budgeting skills failing which responsibility be fixed for such repeated lapses.

Action Taken

It does not relate to Department of Posts.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020-21 dated 08.10.2020).

9. Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 14 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

Action Taken

It does not relate to Department of Posts.

This Action Taken Report has been approved by Secretary (Posts) and vetted by Pr. Director Audit, (Finance & Communication) vide their letter No. Para Selection & MIP/2020-21/180 dated 22.09.2020.

Signature of Additional Secretary/Joint Secretary
Ministry of Communications
Department of Posts

(Ministry of Communications, (Department of Posts) OM No.25-2/2020- 21 dated 08.10.2020).

ACTION TAKEN IN RESPECT OF GRANT NO. 21- DEFECE PENSIONS ON THE FOURTH REPORT (SEVENTEENTH LOK SABHA) OF THE PUBLIC ACCOUNTS COMMITTEE ON "EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2016-17)".

Name of the Ministry **Ministry of Defence**

OBSERVATION/RECOMMENDATIONS

The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 has revealed that a total excess expenditure of ₹ 190270.18 crore was incurred in 12 cases under seven Grants/Appropriations. The defaulting Ministries are Ministry of Finance (Appropriation No. 33-Repayment of Debt), Ministry of Defence(Grant No. 21-Defence Pensions and Grant No. 23-Capital outlay on Defence Services), Ministry of Communications (Department of Posts) (Grant No. 13-Department of Posts) and Ministry of Railways-six cases under three Grants/Appropriations. This amount of excess expenditure incurred during the financial year under review has revealed a steep increase during the last ten years. The Committee note that bulk of the excess expenditure was on the civil side viz ₹ 186954.42 crore under one Appropriation i.e. Appropriation no. 33- Repayment of Debt. The Committee feel that incurring such huge amount of excess expenditure over and above the budgetary provisions sanctioned by parliament at different stages of budget are contrary to the principle of ensuring proper and judicious utilization of Public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self-manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee have repeatedly been emphasizing over the years for plugging the extant loopholes and impediments with a view to restricting the quantum of excess expenditure to the barest minimum. To illustrate in their 36th Report (16th Lok Sabha), the Committee had desired that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure trend to various Ministries/Departments. The Ministry of Finance (Department of Economic Affairs) have informed that they are awaiting the report from National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendation from High Level Inter Ministerial Group is also expected. The Committee would like to be apprised of the salient features of the report on study being undertaken by the NIFM, as and when completed. In the meantime, the Committee would like to impress upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.

[Para No. 1 of 4th Report of PAC 2016-17 (17th Lok Sabha)]

ACTION TAKEN BY THE MINISTRY

In this Para the Committee observed that out of total excess expenditure of ₹ 190270.18 crore incurred in 12 cases under seven Grans/Appropriations, an excess expenditure of ₹ 2199.84 crore only was incurred under Grant No.-21, Defence Pensions during the year 2016-17.

- In the Financial Year 2016-17 the actual Position under Grant No.-21- Defence Pensions is as under : (₹ in Crs.)

MH	Approved BE 2016-17	Ceiling Fixed RE 2016-17	Actual Expenditure	Excess/ Savings
2071-02	82332.66	85625.96	87825.80	2199.84

- The Excess expenditure under the Grant occurred was mainly due to increased rate of relief of Pensions/Growth in Pensions and implementations of various Govt Orders/7th CPC orders for revision of pensions and booking of pending pension scrolls received from banks to clear amount under suspense. The booking of expenditure over RE 2016-17 has been made on the advice/direction of Ministry of Finance.
- Moreover, the expenditure for which cash flow had already taken place in the books of RBI, was required to be brought to account, the pending pension scrolls had to be booked under the Defence Pensions Head to clear the amount lying under RBI/PSB Suspense to reflect the true picture of cash flow from the Govt account.
- Further, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for want of Budget.
- As a measure of control, time and again, the Govt. of India in the Ministry of Defence have been advising all the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure.
- In addition to above the following measures have been adopted to improve the preparation of budget estimates for Defence pensions:

(a) Computerized Database of Pensioners

Computerization of pensioners data in respect of old defence pensioners has been completed, implementing "Project Sangam", which aimed at issue of Corrigendum PPOs in respect of pre-2006 defence pensioners.. This database of pensioners is available for improved budget estimation and accounting.

(b) Pension Accounting System

E-pension accounting system using electronic scrolls has been successfully implemented by PCDA(P) Allahabad w.e.f. November 2013. consequent upon the merger of five associate banks of SBI namely State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Travancore, State Bank of Patiala and State Bank of Mysore in State Bank of India, at present, 24 banks are in existence. All 24 banks are submitting e-scrolls in the desired format. Percentage of the e-scrolls from the banks is almost 99% against the RBI advise. This will ensure a robust and efficient pension accounting system.

- In pursuance of the recommendation of the Public Account Committee(PAC) under Para 6 of the 68th Report on Excess over Voted Grants and Charged Appropriation (2014-15) a High Level Committee was constituted to identify the loopholes in the budgeting procedure of the Ministry of Defence under the Chairmanship of AS & FA vide MoD(Fin) ID No. 6(3)/Bud-I/2015 dt. 14/08/2017(copy enclosed).
- Seven meetings of this Committee have been convened till date, where important decisions on reviewing the progressive pace of expenditure and monitoring the booking and compilation status, to avoid excess expenditure, have been spelt out.
- Any directions/guidelines issued by Ministry of Finance in future to improve the budgetary system in Defence Pensions will also be followed strictly.

(A.N. Das)
Addl. FA& JS

ACTION TAKEN IN RESPECT OF GRANT NO. 21- DEFECE PENSIONS ON THE FOURTH REPORT (SEVENTEENTH LOK SABHA) OF THE PUBLIC ACCOUNTS COMMITTEE ON "EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2016-17)".

Name of the Ministry **Ministry of Defence**

OBSERVATION/RECOMMENDATIONS

The Committee's examination of excess expenditure over the past few years has revealed that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously. However, while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/Departments indicates steep rise during the year under review. Further, in case of Defence Services and Postal Services, excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the fiscal 2016-17. Further, scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed in the Revenue –Charged Section of Grant-Defence Pensions, persistent excess occurred. In response to the Committee's recommendations contained in their 88th Report(16th Lok Sabha), the Ministry of Finance apprised that a high level Committee with AS&FA (Acquisition) as Chairperson and representatives from Army, Navy, Air Force and representatives from Department of Economic Affairs and CGA has been setup to identify the loopholes in the budgetary process. It is surprising that the existing budgeting mechanism in these Ministries / Departments still suffers from various loopholes and lacunae even after the constitution of the High Level Committee. As the problem of exceeding budgetary provision can easily be traceable with the use of IT and e-governance and the Committee impress upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under any Grant/Appropriation of the Ministries.

[Para No. 4 of 4th Report of PAC 2016-17 (17th Lok Sabha)]

ACTION TAKEN BY THE MINISTRY

In this Para the Committee observed that the scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed in the Revenue –Charged Section of Grant-Defence Pensions, persistent excess occurred.

In this regard, this Ministry is of the view that it is not possible to accurately forecast court decrees and their impact in terms of charged expenditure during the year. Whenever more court cases were anticipated, a Supplementary Grant has been obtained for materialization of more court cases. However, despite obtaining Supplementary Grant, excess occurred in the previous years due to finalization of more court cases and the booking of this obligatory expenditure by certain Controllers towards the fag end of the financial year leading to the said excess.

- As a measure of control, the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget exercising utmost caution and accuracy while estimating and projecting the requirement of funds. The latest instructions in this regard has been issued vide MoD(Fin) ID No. 2(6)/Fin/Bud-II/2018-19 dt.1/10/2019.

• Further, in pursuance of the recommendation of the Public Account Committee(PAC) under Para 6 of the 68th Report on Excess over Voted Grants and Charged Appropriation (2014-15) a High Level Committee was constituted to identify the loopholes in the budgeting procedure of the Ministry of Defence under the Chairmanship of AS & FA. Seven meetings of this Committee have been convened till date, where important decisions on reviewing the progressive pace of expenditure and monitoring the booking and compilation status, to avoid excess expenditure, have been spelt out.

(A.N.Das)
Addl. FA& JS

ACTION TAKEN IN RESPECT OF GRANT NO. 21- DEFECE PENSIONS ON THE FOURTH REPORT (SEVENTEENTH LOK SABHA) OF THE PUBLIC ACCOUNTS COMMITTEE ON "EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2016-17)".

Name of the Ministry **Ministry of Defence**

OBSERVATION/RECOMMENDATIONS

The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 2199.56 crore under revenue-Voted section of the Grant No. 21- Defence Pensions and ₹104.55 crore under capital –voted section of Grant No. 23- Capital Outlay on Defence Services has been incurred. In respect of Grant No.-21, the contributory reasons, according to the Ministry of Defence, were booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance (Department of Economic Affairs) O.M. dt. 05.09.2017 and due to implementation of 7th Central Pay Commission orders in case of Defence Civilians. As regards Grant No. 23, the main contributory reasons adduced were payment of Customs and Excise duties; Committed Liabilities; payment in respect of Cabinet Committee of Secretaries approved contract for Rockets for SMERCH; payment of excise duty by Director General of Ordinance Factories as well as advance payment in respect of emergency procurement; committed liabilities; payment for rolling stock; additional requirement sought for carry over works; China Study Group (CSG) Roads; Infra Development in Eastern Sector and Married Accommodation Project; land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur); enhancement of requirement in respect of specialist and general purpose vehicles; higher outgo due to payment of Customs duty on imported equipment; substantial increase in expenditure under Annual Maintenance Work Plan etc. The Committee do not considers 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 Grants and obtaining Supplementary Grants three times. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine circulation old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative on the part of 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.

[Para No. 5 of 4th Report of PAC 2016-17 (17th Lok Sabha)]

ACTION TAKEN BY THE MINISTRY

The actual Position under under Revenue –Voted Section of Grant No.-21- Defence Pensions for the Financial Year 2016-17 is as under :

(₹ in thousands)

Revenue Section	Total Approved Amount	Actual Expenditure	Saving(-) Excess (+)
Voted	O- 82331,66,00 S - 3292,94,00 85624,60,00	87824,15,77	+2199,55,77

- The Excess expenditure under the Grant occurred was mainly due to increased rate of relief of Pensions/Growth in Pensions and implementations of various Govt Orders/7th CPC orders for revision of pensions and booking of pending pension scrolls received from banks to clear amount under suspense. The booking of expenditure over RE 2016-17 has been made on the advice/direction of Ministry of Finance.
- Moreover, the expenditure for which cash flow had already taken place in the books of RBI, was required to be brought to account, the pending

pension scrolls had to be booked under the Defence Pensions Head to clear the amount lying under RBI/PSB Suspense to reflect the true picture of cash flow from the Govt account.

- Further, the payment of pension to the Defence Pensioners is a committed expenditure and can not be stopped for want of Budget.
- As a measure of control, time and again, the Govt. of India in the Ministry of Defence have been advising all the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure.
- In addition to above the following measures have been adopted to improve the preparation of budget estimates for Defence pensions:

(a) Computerized Database of Pensioners

Computerization of pensioners data in respect of old defence pensioners has been completed, implementing "Project Sangam", which aimed at issue of Corrigendum PPOs in respect of pre-2006 defence pensioners. This database of pensioners is available for improved budget estimation and accounting.

(b) Pension Accounting System

E-pension accounting system using electronic scrolls has been successfully implemented by PCDA(P) Allahabad w.e.f. November 2013. consequent upon the merger of five associate banks of SBI namely State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Travancore, State Bank of Patiala and State Bank of Mysore in State Bank of India, at present, 24 banks are in existence. All 24 banks are submitting e-scrolls in the desired format. Percentage of the e-scrolls from the banks is almost 99% against the RBI advise. This will ensure a robust and efficient pension accounting system.

- In pursuance of the recommendation of the Public Account Committee(PAC) under Para 6 of the 68th Report on Excess over Voted Grants and Charged Appropriation (2014-15) a High Level Committee was constituted to identify the loopholes in the budgeting procedure of the Ministry of Defence under the Chairmanship of AS & FA vide MoD(Fin) ID No. 6(3)/Bud-I/2015 dt. 14/08/2017(copy enclosed).

- Seven meetings of this Committee have been convened till date, where important decisions on reviewing the progressive pace of expenditure and monitoring the booking and compilation status, to avoid excess expenditure, have been spelt out.

- Any directions/guidelines issued by Ministry of Finance in future to improve the budgetary system in Defence Pensions will also be followed strictly.

(A.N.Das)
Addl. FA& JS

Ministry of Railways

Recommendation No. 1

The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 has revealed that a total excess expenditure of Rs. 190270.18 crore was incurred in 12 cases under seven Grants/Appropriations. The defaulting Ministries are Ministry of Finance (Appropriation No. 33 - Repayment of Debt), Ministry of Defence (Grant No. 21 -Defence Pensions and Grant No. 23 - Cabinet outlay on Defence Services), Ministry of Communications (Department of Posts) (Grant No. 13 - Department of Posts) and Ministry of Railways- six cases under three Grants/Appropriations. This amount of excess expenditure incurred during the financial year under review has revealed a steep increase during the last ten years. The Committee note that bulk of the excess expenditure was on the civil side viz Rs. 186954.42 crore under one Appropriation i.e. Appropriation No. 33 - Repayment of Debt. The Committee feel that incurring such huge amount of excess expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of budget are contrary to the principle of ensuring proper and judicious utilization of Public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee have repeatedly been emphasizing over the years for plugging the extant loopholes and impediments with a view to restricting the quantum of excess expenditure to the barest minimum. To illustrate in their 36th Report (16th Lok Sabha), the Committee had desired that an Expert Group in each Ministry/ Department representing all the budget controlling authorities be constituted in order to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure trend of various Ministries/Departments. The Ministry of Finance (Department of Economic Affairs) have informed that they are awaiting the report from National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendation from High Level Inter-Ministerial Group is also expected. The Committee would like to be apprised of the salient features of the report on study being undertaken by the NIFM, as and when completed. In the meantime, the Committee would like to impress upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.

Recommendation No. 1 of 4th Report of
Public Accounts Committee

(17th Lok Sabha)

<u>Action Taken Note</u>

The above recommendation takes into account the excess expenditure incurred by various Central Ministries as a whole including Railways. It is to be mentioned here that the excess expenditure has been incurred under five cases in three Appropriations i.e. appropriations no. 4, 7 & 16 instead of six cases mentioned in the para. It may also be mentioned that the incidence of excess expenditure on Railways at Rs.10.79 cr has registered noticeable decline in 2016-17. The observation of the Committee nonetheless is noted.

Audit vide their U.O. No. 113-RA-111/2-1/18 dated 07.07.2020 vetted the Action Taken Note with the following remarks:-

"No further comments."

Digitally signed by BASAN
KUMAR SINGH
Date:Tue Jul 28 13:11:45 IST
2020
Reason: Approved

(B. K. Singh)
Exe. Director Finance (E)

(Ministry of Railway's Case No. 2020-BC-PAC/XVII/4 dated 29.07.2020)

Ministry of Railways

Recommendation No. 2

A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2016-17 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/ charged Appropriations has revealed that there was a misclassification of expenditure of Rs. (+) 7,99,433 under Appropriation No. -16- Assets, Acquisition, Construction and Replacement - capital and Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2016-17 works out to Rs. 33,21,47,541 instead of Rs. 33,13,48,108 as indicated in Indian Railways Appropriation Accounts (2016-17). Thus, the total amount of actual excess expenditure incurred during the financial year 2016-17, which requires regularization by Parliament under Article 115 (1) (b) of the Constitution is of the order of Rs. 1902,70,26,06,087 incurred in eleven cases of seven excess registering Grants/Appropriations.

Recommendation No. 2 of 4th Report of
Public Accounts Committee
(17th Lok Sabha)

Action Taken Note

Regularization of excess expenditure is considered after taking into account the Gross Excess and Misclassification, if any. Accordingly, the total amount of excess required to be regularized is Rs. 107917697/- only under Charged Appropriations as proposed in the Explanatory Note submitted by the Ministry of Railways. The excess of Rs. 224229844/- under Voted Grant pointed out by the committee turned into 'Saving' of Rs. 572563156/- after taking into account the misclassification and will, therefore, not require regularization. The detailed position of excess to be regularized is as under:

Charged Appropriation: (Amt. in Rs.)

S. No.	Grant No.	Gross Excess	Misclassification	Excess to be regularized
1	4	777229	0	777229
2	7	52739	0	52739
3	16- Cap.	80475428	237798	80713226
4	16-Rly. Fund	4399326	561635	4960961
5	16-RSF	21413542	0	21413542
Total		**107118264**	**799433**	**107917697**

Voted Grant:

S. No.	Grant No.	Gross Excess	Misclassification	Saving
1	16- RSF	224229844	(-) 796793000	572563156

Audit vide their U.O. No. 113-RA-111/2-1/18 dated 07.07.2020 vetted the Action Taken Note with the following remarks:-

"No further comments."

Digitally signed by BASANT KUMAR SINGH
Date:Tue Jul 28 13:08:32 IST 2020
Reason: Approved

(B. K. Singh)
Exe. Director Finance (E)

(Ministry of Railway's Case No. 2020-BC-PAC/XVII/4 dated 29 .07.2020)

Ministry of Railways

Recommendation No. 3

The Committee are seriously concerned to find that during the financial year 2016-17, excess expenditure had been incurred even after obtaining Supplementary Grants/ Appropriations in all the eleven cases by the respective Ministries/Departments to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these 11 cases ranged from 2.46 percent (in Appropriation No. 7 – Working Expenses – Repair and Maintenance of Plant and Equipment) to 1045470.01 percent (in Capital Voted section of Grant No. 23 – Capital outlay on Defence Services). To illustrate the sector-wise details, Supplementary Grants to the tune of Rs.1088731.00 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by Rs. 189154.26 crore. In case of Postal Services Supplementary Grants of Rs.150.41 crore was obtained which fell short by Rs.936.48 crore. Further, in case of Defence Services Supplementary Grants of Rs.2.47 crore was obtained in two cases of one Grant operated by Ministry of Defence, still an excess expenditure of Rs. 146.31 crore was incurred. In respect of Railways, even though Supplementary Grants of Rs. 195.95 crore was obtained in five cases, an excess expenditure of Rs.10.71 crore was incurred. As the trend of incurring excess expenditure despite obtaining Supplementary Grants still continues despite the recommendations of the PAC, year after year, the Committee are inclined to believe that no sincere efforts have been made by the Ministries/Departments to adequately visualize and prepare their Budget Estimates even at the Supplementary Grants stage. As a result in most of the cases, Supplementary Grants were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/Departments concerned. It is, therefore, imperative that Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should realistically assess their requirement of funds in advance and approach Parliament by presenting Supplementary Grants in time. The Committee also recommend that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants.

Recommendation No. 3 of 4th Report of Public Accounts Committee (17th Lok Sabha)

Action Taken Note

The instances and amount of excess expenditure on Railways both in term of number of instances and total amount involved have registered noticeable decline in 2016-17. However, the concern of the committee is noted for further reducing the same in future.

Audit vide their U.O. No. 113-RA-111/2-1/18 dated 07.07.2020 vetted the Action Taken Note with the following remarks:-

"No further comments."

Digitally signed by BASANT KUMAR SINGH
Date:Tue Jul 28 12:39:49 IST 2020
Reason: Approved

(B. K. Singh)
Exe. Director Finance (E)

(Ministry of Railway's Case No. 2020-BC-PAC/XVII/4 dated 29 .07.2020)

Ministry of Railways

Recommendation No. 4

The Committee's examination of excess expenditure over the past few years has revealed that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously. However, while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/ Departments indicates steep rise during the year under review. Further, in case of Defence Services and Postal Services, excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the fiscal 2016-17. Further, scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed that in Revenue-Charged Section of Grant-Defence Pensions, persistent excess occurred. In response to the Committee's recommendations contained in their 88th Report (16th Lok Sabha), the Ministry of Finance apprised that a high level Committee with AS& FA (Acquisition) as Chairperson and representatives from Army, Navy, Air Force and representatives from Department of Economic Affairs and CGA has been setup to identify the loopholes in the budgetary process. It is surprising that the existing budgeting mechanism in these Ministries/Departments still suffers from various loopholes and lacunae even after the constitution of the High Level Committee. As the problem of exceeding budgetary provision can easily be traceable with the use of IT and e-governance and the Committee impress upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under any Grant/Appropriation of the Ministries.

Recommendation No. 4 of 4th Report of
Public Accounts Committee
(17th Lok Sabha)

<u>Action Taken Note</u>

The observation of the committee is noted for being more careful in future. Railway is making all efforts to control expenditure within the sanctioned grant. The Committee has appreciated that there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17.

Audit vide their U.O. No. 113-RA-111/2-1/18 dated 07.07.2020 vetted the Action Taken Note with the following remarks:-

"No further comments."

Digitally signed by BASANT KUMAR SINGH
Date:Tue Jul 28 12:35:58 IST 2020
Reason: Approved

(B. K. Singh)
Exe. Director Finance (E)

(Ministry of Railway's Case No. 2020-BC-PAC/XVII/4 dated 29 .07.2020)

Ministry of Railways

Recommendation No. 8

The Committee are displeased to note that despite their repeated caution, the Ministry of Railways have not been able to eliminate misclassification of expenditure in their accounts. During the last 10 financial years, the Committee have come across 48 cases of misclassification of expenditure. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Ministry of Railways. The Committee while taking a serious view of such recurring phenomenon of misclassification recommend that the officers responsible for such malady should be given adequate opportunities to enhance their budgeting skills failing which responsibility be fixed for such repeated lapses.

Recommendation No. 8 of 4th Report of
Public Accounts Committee
(17th Lok Sabha)

<u>Action Taken:</u>

Railways are monitoring the position on misclassification of expenditure, as a part of internal control mechanism. Railway Board issue suitable directives from time to time to strengthen the internal check mechanism to avoid instances of misclassification. As a result, Railways have achieved significant improvement in controlling misclassifications as would be evident from the following: -

(Rs. in crore)

Year	No. of Items	Amount	Total Exp.	% of Total Exp.
2016-17	128	367.75	324255.88	0.113
2017-18	22	61.20	381567.61	0.016
2018-19	11	6.18	428203.44	0.0014

Audit vide their U.O. No. 113-RA-111/2-1/18 dated 07.07.2020 vetted the Action Taken Note with the following remarks:-

"No further comments."

(B. K. Singh)
Exe. Director Finance (E)

(Ministry of Railway's Case No. 2020-BC-PAC/XVII/4 dated 29 .07.2020)

CHAPTER III

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

-Nil-

CHAPTER IV

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

-Nil-

CHAPTER V

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

-Nil-

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

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

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.	*****	*****	*****
ii.	*****	*****	*****
iii.	*****	*****	*****
iv.	*****	*****	*****
v.	*****	*****	*****
vi.	*****	*****	*****

vii. Draft Report on the Action Taken by the Government on the observations/Recommendations contained in 4th Report (17th Lok Sabha) on the subject "Excesses over Voted Grants and Charged Appropriations (2016-17)".

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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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 FOURTH REPORT (SEVENTEENTH LOK SABHA)

(i)	Total number of Observations/Recommendations	09
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1 to 09	Total : 09 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