

**EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS (2018-19)**

**PUBLIC ACCOUNTS COMMITTEE  
(2021-22)**

**FORTY-SECOND REPORT**

---

**SEVENTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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**PUBLIC ACCOUNTS COMMITTEE**  
**(2021-22)**

(SEVENTEENTH LOK SABHA)

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AND CHARGED APPROPRIATIONS  
(2018-19)**



सत्यमेव जयते

*Presented to Lok Sabha on:* 08-12-2021

*Laid in Rajya Sabha on:* 08-12-2021

**LOK SABHA SECRETARIAT  
NEW DELHI**

08 December 2021/ Agrahayana 1943 (Saka)

(1)

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## APPENDICES

\*Minutes of the Sixth Sitting of Public Accounts Committee (2021-22) held on 15.09.2021.

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\*Not appended to the cyclostyled copy of the Report

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2021-22)**

Shri Adhir Ranjan Chowdhury - Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Shri Bhartruhari Mahtab
6. Shri Jagdambika Pal
7. Shri Vishnu Dayal Ram
8. Shri Pratap Chandra Sarangi<sup>\*</sup>
9. Shri Rahul Ramesh Shewale
10. Shri Gowdar Mallikarjunappa Siddeshwara<sup>†</sup>
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 Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. C.M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Dr. M. Thambidurai
21. Shri V. Vijayasai Reddy<sup>‡</sup>
22. Dr. Sudhanshu Trivedi<sup>§</sup>

**SECRETARIAT**

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri Tirthankar Das - Director
3. Smt. Anju Kukreja - Under Secretary

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\* Elected w.e.f. 29.07.2021 vice Smt. Darshana Jardosh, MP appointed as Minister of State w.e.f. 07.07.2021.

† Elected w.e.f. 29.07.2021 vice Shri Ajay Kumar Mishra, MP appointed as Minister of State w.e.f. 07.07.2021.

‡ Elected w.e.f. 09.08.2021 vice Shri Rajeev Chandrasekhar, MP appointed as Minister of State w.e.f. 07.07.2021.

§ Elected w.e.f. 09.08.2021 vice Shri Bhupender Yadav, MP appointed as Union Minister w.e.f. 07.07.2021.

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2021-22), having been authorised by the Committee, do present on their behalf this Forty-second Report (Seventeenth Lok Sabha) on "**Excesses over Voted Grants and Charged Appropriations (2018-19)**".

2. The Union Government Appropriation Accounts relating to Civil, Defence Services, Postal Services and Railways for the year 2018-19 were laid on the Table of the House on 23 September, 2020.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Housing and Urban Affairs, Defence and Railways of the Union Government in the 2018-19 fiscal on the basis of the Appropriation Accounts; observations of Audit as contained in the relevant Reports of the Comptroller & Auditor General of India; and the Explanatory Notes furnished by the Ministries/Departments concerned. The Committee considered and finalised this Report at their sitting held on 15 September, 2021. Minutes of the sitting are given at Appendix-I.

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

5. The Committee would like to express their thanks to the representatives of the Ministries of Housing and Urban Affairs, Defence and Railways for the cooperation extended by them in furnishing the requisite information to the Committee.

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

NEW DELHI;  
07 December, 2021  
16 Agrahayana, 1943 (Saka)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

# REPORT

## PART-I

### A. INTRODUCTORY

#### (a) Annual Appropriation Accounts of the Union Government

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

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

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

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

- (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;
- (b) that the expenditure conforms to the authority which governs it; and
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under Rules framed by the competent authority.

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

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

<sup>†</sup> This Rule defines the functions of the Public Accounts Committee.

**(b) Rules/Provisions for controlling excess expenditure**

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

- (i) Article 114 (3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.
- (ii) Further, Rule 52 (3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.
- (iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.
- (iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over Grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

**(c) Procedure for regularization of excess expenditure**

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

**(d) Union Government Appropriation Accounts (2018-19)**

8. The details of the four Union Government Appropriation Accounts (2018-19) viz. the dates of laying of these Accounts on the Table of the House, the number of Grants/Appropriations operated under each of the four Appropriation Accounts and the relevant Chapters/Paragraphs of the Audit Reports highlighting the Audit findings are given below:-

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/Appropriations highlighted	C&AG's Report in which audit findings highlighted
1.	Civil	23.09.2020	95	Chapter 3 (Para 3.2.1) of C&AG's Report No. 4 of 2020, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	23.09.2020	2	Chapter 3 (Para 3.2.1) of C&AG's Report No. 4 of 2020, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	23.09.2020	1	Chapter 3 (Para 3.2.1) of C&AG's Report No. 4 of 2020, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	23.09.2020	1	Chapter 3 (Para 3.2.1) of C&AG's Report No. 4 of 2020, Union Government, Accounts of the Union Government, (Financial Audit)
<b>Total No. of Grants/Appropriations:</b>			<b>99</b>	

9. In this Report, the Committee have examined those Grants/ Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2018-19 and which require regularization by Parliament under Article 115(1)(b) of the Constitution of India.

**B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2018-19)**

10. Scrutiny of the four Appropriation Accounts (2018-19) revealed that, there was an excess disbursement of ₹ 5,204.57 crore over the authorization from the CFI during 2018-19 out of which an excess disbursement of ₹ 5098.61 crore occurred in two Grants/Appropriations operated by Ministry of Defence, ₹ 0.22 crore under one Grant operated by Ministry of Housing and Urban Affairs and ₹ 105.74 crore under one Grant operated by Ministry of Railways.

(In unit of ₹)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	1	1	22,43,039
2.	Defence Services	2	2	5098,61,40,123

3.	Posts	Nil	Nil	Nil
4.	Railways	1	1	105,73,52,001
<b>Total</b>		<b>4</b>	<b>4</b>	<b>5204,57,35,163</b>

**(a) Details of Excess Disbursement over Voted Grants/Charged Appropriations (2018-19)**

11. The details of four cases of four Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2018-19 as shown in the relevant Union Government Appropriation Accounts/Explanatory Notes furnished by the Ministries/Departments concerned are given below:-

(In unit of ₹)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Original Grant/Appropriation (O) Supplementary Grant/Appropriation (S) Total Grant/ Appropriation (T)	Actual Expenditure	Excess Expenditure	Percentage of excess expenditure over total Grant/ Appropriation
1	2	3	4	5	6	7
<b>I – APPROPRIATION ACCOUNTS - CIVIL</b>						
<b>Revenue (Charged)</b>						
1.	56 – Ministry of Housing and Urban Affairs	Housing and Urban Affairs	O-88,22,00,000 S-4,00,00,000 T-92,22,00,000	92,44,43,039	22,43,039	0.24
<b>Total (Civil) -</b>			<b>92,22,00,000</b>	<b>92,44,43,039</b>	<b>22,43,039</b>	<b>0.24</b>
<b>II. APPROPRIATION ACCOUNTS –DEFENCE SERVICES</b>						
<b>Revenue Voted</b>						
2.	20- Defence Services	Defence	O-205018,34,60,000 S-2803,97,00,000 T-207822,31,60,000	211663,64,10,000	3841,32,51,641	1.84
<b>Capital (Voted)</b>						
3.	21- Capital outlay on Defence Services	Defence	O-93897,78,48,000 S-0 T-93897,78,48,000	95155,07,37,000	1257,28,88,482	1.33
<b>Total (Defence Services)</b>			<b>301720,10,08,000</b>	<b>306818,71,47,000</b>	<b>5098,61,40,123</b>	<b>1.68</b>
<b>III. APPROPRIATION ACCOUNTS - RAILWAYS</b>						
<b>Capital (Charged)</b>						
4.	80 – Ministry of Railways	Railways	O-167,46,00,000 S-191,65,00,000 T-359,11,00,000	464,84,52,001	105,73,52,001	29.44
<b>Total (Railways)</b>			<b>359,11,00,000</b>	<b>464,84,52,001</b>	<b>105,73,52,001</b>	<b>29.44</b>
<b>Grand Total</b>			<b>302171,43,08,000</b>	<b>307376,00,42,040</b>	<b>5204,57,35,163</b>	<b>1.72</b>

**(b) Total Actual Excess Expenditure for the financial year 2018-19 requiring regularization under Article 115(1)(b) of the Constitution.**

12. Thus, the total amount of actual excess expenditure incurred during the financial year 2018-19, which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 5204,57,35,163 incurred in four cases of four excess registering Grants/Appropriations.

**(c) Reasons for incurring Excess Expenditure**

Sl. No.	No. and name of Grant/Appropriation	Excess Expenditure incurred (in unit of ₹)	Reasons for excess as stated by the Ministries/Departments concerned
1.	56 – Ministry of Housing and Urban Affairs	22,43,039	Due to payment of Arbitration Award to avoid excess interest payment.
2.	20 – Defence Services	3841,32,51,641	Due to increase in payment of salaries, due to enhance entitlements/Dearness Allowance, to meet operational requirements; hike in prices of Ration; Fuel; Oil and Lubricants products; Medical Equipment; Medical Store; emergent requirement for payments to Hindustan Aeronautical Limited; increase in the cost and scope of essential repair of ships, submarines, aircraft and other equipment; procurement of critical ammunition and stores; statutory Customs Duties on imported stores; exchange rate variations; enhanced requirement for outsourcing, training and sports activities; maintenance of aircraft; Replenishment/procurement of airborne and ground based weapon armaments; increased expenditure on electricity and water tariff, repair and upkeep of buildings and payment of

			rents, rates and taxes segments, etc.
3.	21- Capital outlay on Defence Services	1257,28,88,482	Due to release of payments for Committed Liabilities and Planned New Schemes, as allocation made at Budget Estimates stage was insufficient; additional payment of Cabinet Committee on Securities approved contract to Advanced Light Helicopter (ALH) & Maintenance Reserve & Strike Off Wastage (MRSOW); payment of Component Level Repair for T-90 tanks to Russia subsequent to finalization of modalities for payment to Russian Original Equipment Manufacturer (OEM); progress of Rohtang Tunnel and CSG Roads; carry over liabilities under Annual Maintenance Work Plan and Low Budget Works (LBW) of HQ Andaman & Nicobar Command; National War Museum & Memorial (NWM&M); obligatory contractual payments for new ship building contracts; strategic infrastructure projects; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the banks; urgency of execution of special projects within stipulated time and to abide Contractual Obligations (Runway Projects at Air Force Station Chandigarh monitored by Hon'ble High Court of Punjab and Haryana), etc.

4.	80- Ministry of Railways	105,73,52,001	For payments towards satisfaction of Court decrees.
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**(d) Excess Expenditure despite obtaining Supplementary Grants**

13. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2018-19, the excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in three cases by the respective Ministries/Departments to meet their additional requirements:

(In unit of ₹)

Sl. No.	No. and name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred	Percentage of excess over Supplementary Grants/Appropriations
1	2	3	4	5
<b>I. APPROPRIATION ACCOUNTS - CIVIL</b>				
<b>Capital (charged)</b>				
1.	56- Ministry of Housing and Urban Affairs (Revenue- Charged)	4,00,00,000	22,43,039	5.60
<b>II. APPROPRIATION ACCOUNTS - DEFENCE SERVICES</b>				
<b>Revenue (Voted)</b>				
2.	20- Defence Services (Revenue- Voted)	2803,97,00,000	3841,32,51,641	136.99
<b>III. APPROPRIATION ACCOUNTS- RAILWAYS</b>				
3.	80-Ministry of Railways (Capital-Charged)	191,65,00,000	105,73,52,001	55.17
<b>Grand Total</b>		<b>2999,62,00,000</b>	<b>3947,28,46,681</b>	<b>131.59</b>

14. Scrutiny of the above statement has revealed that in the fiscal year 2018-19, excess expenditure was incurred even after obtaining large sums as Supplementary Grants. To illustrate, Supplementary Grant to the tune of ₹ four crore was allocated for the Grant no. - 56 operated by the Ministry of Housing and Urban Affairs but this fell short by ₹ 0.22 crore. In case of Defence Services Supplementary Grant of ₹ 2803.97 crore was obtained in Grant no. – 20, still an excess expenditure of ₹ 3841.33 crore was incurred. Further, in case of Grant no. – 80 operated by Ministry of Railways Supplementary Grant of ₹ 191.65 crore was obtained, but this fell short by ₹ 105.74 crore.

**(e) Recurring Excess Expenditure**

15. Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 52(3) stipulates that no disbursement be made which might have the effect of exceeding

the total Grant or Appropriation authorized by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund. Contrary to this, the incurrence of excess expenditure has been a recurring phenomenon in the past despite recommendations of the Public Accounts Committee and subsequent issuance of instructions by the Ministry of Finance from time to time. The comparative data given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years:

(₹ in crore)

Year	Appropriation Accounts -Civil		Appropriation Accounts - Defence Services		Appropriation Accounts Postal Services		Appropriation Accounts - Railways		Total	
	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	Total of Columns 2, 4, 6, 8	Total of Columns 3, 5, 7, 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2009-10	4	9218.89	2	2615.23	1	818.13	9	1922.84	16	14575.08
2010-11	7	3384.10	4	4239.34	1	366.63	10	3056.86	22	11046.93
2011-12	5	6545.33	1	567.91	1	400.04	4	1049.86	11	8563.14
2012-13	4	4565.39	3	195.53	1	160.14	8	1675.96	16	6597.02
2013-14	3	39.59	3	733.72	-	-	12	2734.91	18	3508.22
2014-15	3	15640.55	1	0.001	1	70.41	6	496.99	11	16207.95
2015-16	2	210.37	-	-	-	-	6	76.07	8	286.44
2016-17	2	189154.26	1	146.31	1	936.48	3	33.21	7	190270.26
2017-18	2	92461.31	2	7149.00	-	-	-	-	-	99610.30
2018-19	1	0.22	2	5098.61	-	-	1	105.74	4	5204.57

16. It is seen from above that there has been drastic reduction during the fiscal 2018-19 in the number of Grants/Appropriations as well as amount of excess expenditure incurred by the Civil Ministries/Departments during the last ten fiscals. In case of Defence Services, though the excess expenditure has been reduced in comparison to the last fiscal, it is still more than five thousand crore during the year 2018-19 under two Grants/Appropriations operated by Ministry of Defence. Further, in case of Appropriation Accounts – Railways, during the last year i.e. 2017-18 the Ministry of Railways have not witnessed any excess expenditure under the Grants/Appropriations operated by them, but during the fiscal 2018-19, it has also registered excess expenditure of ₹ 105.74 crore.

(f) Recurring Excess Expenditure under Grants/Appropriations

Sl. No.	No. and name of Grant	Year	Excess Expenditure (₹ in crore)
1	20 – Defence Services (Revenue – Voted)	(i) 2017-18	(i) 3391.93
		(ii) 2018-19	(ii) 3841.33
2	21 – Capital Outlay on Defence Services (Capital – Voted)	(i) 2016-17	(i) 104.55
		(ii) 2017-18	(ii) 3552.72
		(iii) 2018-19	(iii) 1257.29

(C) EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

17. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2018-19 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon, Explanatory Notes and written replies furnished by the Ministries/Departments concerned.

(a) APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

(i) GRANT NO. 20 –Defence Services (Revenue-Voted)

18. Under Revenue Section (Voted) of Grant No. 20- Defence Services for the year 2018-19, the total provision was ₹ 20782231 crore. Against this, the expenditure of ₹ 211663.64 crore was incurred resulting in an excess of ₹ 3841.33 crore.

19. The excess of ₹ 3841.33 crore was the net effect of total excesses of ₹5849.97 crore and total savings of ₹ 1334.12 crore as well as surrender of ₹ 674.53 crore. The reasons for excess expenditure under this Grant as attributed by the Ministry of Defence are as under:

“Due to increase in payment of salaries, due to enhance entitlements/Dearness Allowance, to meet operational requirements; hike in prices of Ration; Fuel; Oil and Lubricants products; Medical Equipment; Medical Store; emergent requirement for payments to Hindustan Aeronautical Limited; increase in the cost and scope of essential repair of ships, submarines, aircraft and other equipment; procurement of critical ammunition and stores; statutory Customs Duties on imported stores; exchange rate variations; enhanced requirement for outsourcing, training and sports activities; maintenance of aircraft; Replenishment/procurement of airborne and ground based weapon armaments;

increased expenditure on electricity and water tariff, repair and upkeep of buildings and payment of rents, rates and taxes segments, etc.”

20. Details of Minor Heads under which excess of ₹ 100 crore and above occurred and reasons therefore are explained below:

Sl. No.	Major/Minor Head	Excess expenditure (₹ in crore)	Contributory reasons
<b>1. Major Head – 2076 – Defence Services – Revenue – Army</b>			
(i)	Minor Head – 101	6075.70	Due to payment of salaries, being first charge which cannot be controlled and were disbursed based on actual.
(ii)	Minor Head – 105	499.81	Due to booking occurred in Personnel Move, Temporary duties, Rail charges (Permanent move) and Air Transportation Charges (Permanent move)
(iii)	Minor Head- 110	567.19	Due to hike in prices of Ration; Fuel Oil and Lubricants products; Medical Equipment; Medical Store; emergent requirement for payments to Hindustan Aeronautical Limited; opening of Letter of Credit (LC) payments made for Ordnance Stores etc.
(iv)	Minor Head -112	273.48	To cater for increase in salaries which cannot be controlled being first charge and were disbursed based on actual.
<b>2. Major Head – 2077- Defence Services – Revenue- Navy</b>			
(i)	Minor Head – 106	347.40	Due to increase in the cost and scope of essential repair of ships, submarines, aircrafts and other equipment.
(ii)	Minor Head – 110	957.77	Due to additional outgo on procurement of critical ammunition and stores; and statutory Customs Duties on imported stores; outgo towards 10(i) procurements; increase in Global crude oil prices and

			exchange rate variations.
<b>3. Major Head – 2078- Defence Services – Revenue – Air Force</b>			
(i)	Minor Head – 110	506.70	Due to additional fuel/Petrol, Oil and Lubricant uses, maintenance of aircrafts; early achievement of Milestone payments and inclusion of emergent procurement cases; increased flying effort during operations requirement and variation in exchange rate; Replenishment/procurement of airborne and ground based weapon armaments; procurement of additional clothing, ration and medical store; additional burden on payment of Custom Duty.
(iii)	Minor Head – 111	280.73	Due to increased expenditure on electricity and water tariff, repair and upkeep of buildings and payment of rents, rates and taxes segments due to increase in the rates and additional Demands/Projections by Directorate General, Defence Estates.

21. Apprising the Committee about the measures initiated in order to avoid excess/saving, the Ministry of Defence in their explanatory Note stated as under:

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

**(ii) Grant No. 21 – Capital Outlay on Defence Services (Capital - Voted)**

22. Under Capital Section (Voted) of Grant No. 21- Capital outlay on Defence Services for the year 2018-19 the total provision was ₹93897.78 crore. Against this, the expenditure of ₹ 95155.07 crore was incurred resulting in excess of ₹ 1257.29 crore.

23. The excess of ₹ 1257.29 crore was the net effect of total excesses of ₹ 1822.95 crore and total savings of ₹ 468.24 crore as well as surrender of ₹ 927.42 crore.

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

“Due to release of payments for Committed Liabilities and Planned New Schemes, as allocation made at Budget Estimates stage was insufficient; additional payment of Cabinet Committee on Securities approved contract to Advanced Light Helicopter (ALH) & Maintenance Reserve & Strike Off Wastage (MRSOW); payment of Component Level Repair for T-90 tanks to Russia subsequent to finalization of modalities for payment to Russian Original Equipment Manufacturer (OEM); progress of Rohtang Tunnel and CSG Roads; carry over liabilities under Annual Maintenance Work Plan and Low Budget Works (LBW) of HQ Andaman & Nicobar Command; National War Museum & Memorial (NWM&M); obligatory contractual payments for new ship building contracts; strategic infrastructure projects; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the banks; urgency of execution of special projects within stipulated time and to abide Contractual Obligations (Runway Projects at Air Force Station Chandigarh monitored by Hon’ble High Court of Punjab and Haryana), etc.”

25. Details of Minor Heads under which excess of ₹100 crore and more have occurred and reasons therefore are explained below:

Sl. No.	Minor Head	Excess expenditure (₹ in crore)	Contributory reasons
1.	<b><u>Major Head-4076-Sub Major Head 01 –Army</u></b>		
(i)	Minor Head – 101	570.37	To cater for Committed Liabilities and Planned New Schemes, as allocation made at Budget Estimates stage was insufficient. Moreover, additional payment of Cabinet Committee on Securities approved contract to Advanced Light Helicopter (ALH) & Maintenance Reserve & Strike Off Wastage (MRSOW) and carry over liabilities due to paucity of funds in FY 2017-18 led to additional committed payments in the existing contracts.
(ii)	Minor Head – 103	725.67	Due to payment of Component Level Repair for T-90 tanks to Russia subsequent to finalization of modalities for payment to Russian Original Equipment Manufacturer (OEM); payment against their outstanding claims were made on priority.

(iii)	Minor Head -202	249.55	Due to additional requirement of funds required for the progress of Rohtang Tunnel and CSG Road.
<b>2. <u>Sub-Major Head – 02- Navy</u></b>			
(i)	Minor Head – 204	1155.59	Due to obligatory contractual payments for new ship building contracts.
(ii)	Minor Head – 205	753.39	Due to more expenditure on strategic infrastructure projects than anticipated.
<b>3. <u>Sub-Major Head – 03- Air Force</u></b>			
(i)	Minor Head – 101	617.95	Due to obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the banks; Exchange Rate Variation and Custom Duty.
(ii)	Minor Head – 103	285.12	Due to obligatory contractual Foreign and Indian payment through Letter of Credit and Direct Benefit Transfer.
(iii)	Minor Head – 206	258.91	Due to urgency of execution of special projects within stipulated time and to abide Contractual Obligations (Runway Projects at Air Force Station Chandigarh monitored by Hon'ble High Court of Punjab and Haryana) and non-availability of funds.

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

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

**(b) APPROPRIATION ACCOUNTS (RAILWAYS)**

**(iii) Grant No. 80 – Ministry of Railways (Capital – Charged)**

27. During the fiscal year 2018-19, there was an excess expenditure of ₹ 105.75 crore incurred under Grant No. 80(Capital – Charged) operated by Ministry of Railways. Scrutiny of this Grant revealed that under Major Head 5002 & 5003: Assets – Acquisition, Construction and replacement, ₹ 167.46 crore was obtained at the Budget Estimate stage for payment towards satisfaction of Court decrees. A Supplementary Grant of ₹ 191.65 crore was sanctioned for decretal payments not anticipated earlier. The actual payments exceeded the provision by ₹ 105.74 crore to satisfy the Court decrees made after supplementary stage.

**Surrender of funds despite incurring excess expenditure**

28. It has been observed that the Ministry of Defence have surrendered the funds despite incurring excess expenditure during the year 2018-19, under the Grant/Appropriations operated by them. Details in this regard are given below:

(₹ in crore)

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred	Surrender of funds during the year 2018-19
1.	20- Defence Service (Revenue –Voted)	3841.33	674.53
2.	21- Capital Outlay on Defence Services (Capital – Voted)	1257.29	97.42

PART-II

Observations/Recommendations

1. The examination of the four Appropriation Accounts of Union Government viz Civil, Defence Services, Postal Services and Railways for the year 2018-19 has revealed that an expenditure of ₹ 5204.57 crore has been incurred in excess of the provisions sanctioned under four sections of four Grants/Appropriations. The excess expenditure incurred during the year under review pertains to the Grants/Appropriations operated by the Ministries of Housing and Urban Affairs, Defence and Railways. Bulk of the excess expenditure i.e. ₹ 5098.61 crore was incurred under two Grants i.e. Grant No. 20 – Defence Services (₹ 3841.33 crore) and Grant No. 21 – Capital outlay on Defence Services (₹ 1257.29 crore) operated by the Ministry of Defence which amounts to over 97 percent of the total excess expenditure incurred during the year under review i.e. 2018-19. Whilst scrutinizing the Appropriation Accounts, the Committee have noted that there has been substantial reduction during the fiscal 2018-19 in the number of Grants/Appropriations as well as amount of excess expenditure incurred by the Civil Ministries/Departments in comparison to the previous two fiscals. There is an excess expenditure of ₹ 0.22 crore only under Grant No. 56 – Ministry of Housing and Urban Affairs, which is also the least during the last ten fiscals under the Grants/Appropriations operated by Civil Ministries/Departments. In case of Defence Services, though there has been a reduction in excess expenditure in comparison to the last fiscal, it is still more than ₹ 5000 crore during the year 2018-19 under two Grants/Appropriations operated by Ministry of Defence. Further, while during the earlier year i.e. 2017-18 the Ministry of Railways have not witnessed any excess expenditure under the Grants operated by them, however, during the year under review, the Railways too have registered excess expenditure of ₹ 105.74 crore under Grant no. 80 – Ministry of Railways.

The Committee note that incurring of large amounts of excess expenditure is a regular feature by various Ministries/Departments despite issuance of elaborate instructions at regular intervals by the Government in pursuance of the

recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. From the fact that identical reasons are attributed for the excess expenditure year after year in the explanatory notes furnished by the Ministries/Departments concerned, it is evident that the matter is not being considered seriously. In the opinion of the Committee, such negligence on the part of different Ministries/Departments particularly the Ministry of Defence is indicative of the scant regard towards maintaining financial discipline. Needless to say, excess expenditure is 'unauthorised expenditure' which betrays lack of financial discipline as this fact ought to be kept in mind by all the Ministries/Departments concerned. Considering the persistent trend of incurring excess expenditure going unchecked, the Committee, in their 36<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) had recommended that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons for failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the trend of monthly expenditure of various Ministries/Departments. In response thereto, the Ministry of Finance (Department of Economic Affairs) had informed that they were awaiting the report from the National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendations of the High Level Inter-Ministerial Group was also expected. The Committee, in their 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had desired to be apprised of the salient features of the report on the study undertaken by the NIFM. In the meantime, the Committee had 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. However, details of the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) thereon are awaited. While reiterating their earlier recommendation, the Committee would desire to be apprised of the current status of the Report from National Institute of Financial Management (NIFM) and the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) so as to enable in taking measures towards avoidance of excess expenditure in future.

2. Another disquieting aspect observed by the Committee is that out of the four cases of excess registering Grants/Appropriations during the year 2018-19, the excess expenditure in three cases had occurred despite obtaining supplementary provisions of ₹ 2999.62 crore. To illustrate, Supplementary Grant to the tune of four crore rupees was allocated for Grant No. 56 – Ministry of Housing and Urban Affairs but this fell short by ₹ 0.22 crore. In case of Defence Services, Supplementary Grant of ₹ 2803.97 crore was obtained for Grant No. 20 – Defence Services, yet, excess expenditure of ₹ 3841.33 crore was incurred which is 136.99 percent of the Supplementary Provisions obtained under this Grant. Further, in case of Grant No. 80 operated by Ministry of Railways, Supplementary Grant of ₹ 191.65 crore was obtained, but this fell short by ₹ 105.74 crore. This clearly reveals not only the failure of the Ministries/Departments concerned to assess the requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure throughout the year under various Grants/Appropriations. As the trend of incurring excess expenditure despite obtaining Supplementary Grants continues year after year, the Committee are inclined to conclude that no serious efforts seem to have been made for putting in place firm measures by the Ministries/Departments concerned to assess the actual requirement of funds even at the stage of Supplementary Grants. The Committee find no cogent reason, explaining the inevitability of excess expenditure, in a situation where the Government gets opportunities to obtain Supplementary Grants during the three Sessions of Parliament that are usually held in a year. The Committee consider this to be reflecting negatively on the accounting system and also a failure on the part of Budget Controlling Authorities. The Committee, therefore, emphasize that it is imperative on the part of the Ministry of Finance, being the nodal Ministry for overall general financial management, to put in place a robust and fool – proof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments. While examining such type of cases during the year 2017-18, the Committee, in their 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had 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 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 would like to be apprised of the Action Taken by the Ministry of Finance in this regard and desire that the Ministry should tighten their financial control over the mechanism of obtaining Supplementary Grant and to deal sternly with those cases where any deviations are noticed in following the prescribed financial rules for having Supplementary Grant by the Ministries/Departments.

3. The Committee find that the incurring of excess expenditure is a recurring phenomenon in all the sectors of economy viz. Civil, Defence Services, Postal Services and Railways. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years reveals that in all the sectors, the excess expenditure which came down by a considerable extent during the year 2015-16 i.e. ₹ 286.44 crore had again shot up to the extent of ₹ 190270.26 crore in case of seven Grants/Appropriations during the year 2016-17. This had, however, once again shown a downward trend, as during the year 2017-18, the excess expenditure was ₹ 99610.30 crore in case of four Grants/Appropriations and in the year 2018-19 it was ₹ 5204.57 crore in case of four Grants/Appropriations. The Committee express concern over the fact that though the excess expenditure during the year 2018-19 is lower in comparison to earlier two years, it continues to be in excess of ₹ 5000 crore under the Grants operated by Ministry of Defence.

From the sector-wise scrutiny of Appropriation Accounts for the last ten years, the Committee are pleased to note that the excess expenditure under the Civil sector has been substantially reduced during the year 2018-19 i.e. ₹ 0.22 crore incurred under one Grant only. In case of Defence Services sector it reveals that though the Ministry of Defence have not shown any excess expenditure during the year 2015-16 under the Grants/Appropriations operated by them, it has shown an increasing trend during the years 2016-17 (₹ 146.31 crore) and 2017-18

(₹ 7149.00 crore). However, during the year 2018-19 the amount of excess expenditure incurred by Ministry of Defence has shown some decline but it continues to be in excess of ₹ 5000 crore. In case of Grants/Appropriations operated by Ministry of Railways it is seen that the Ministry had witnessed a decreasing trend of excess expenditure incurred during the years 2014-15 to 2016-17. While the Ministry of Railways had not witnessed any excess expenditure in the year 2017-18, during the fiscal 2018-19, the Ministry has, however, registered an excess expenditure of ₹ 105.74 crore.

Thus, the scrutiny of excess expenditure incurred during the last ten years revealed that none of the aforesaid sectors have witnessed or shown 'nil' excess expenditure recurringly for a minimum of three years. The Committee are concerned to note that in any particular sector, when there is no excess expenditure during one year, the Ministry concerned witnesses an excess expenditure of a huge amount for the next year. The Committee are, therefore, inclined to gather the impression that adequate and serious attention is not being paid by the Ministries/Departments to streamline and strengthen the extant mechanism so as to tighten the budgetary control to effectively check the trend of excess expenditure.

Emphasizing the need for exercising effective control over expenditure, the Committee in their 36<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) recommended constituting an Expert Group in each Ministry/Department representing all the budget controlling authorities which undertake a thorough study of the instances where expenditure had exceeded the budgetary provision during the last five years. This recommendation was again reiterated in the 68<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) but no sincere efforts seem to have been taken by the Ministries/Departments in regard to constitution of the Expert Groups. While expressing their dissatisfaction over this state of affairs, the Committee strongly recommend that Expert Groups be constituted in each Ministry with immediate effect to find ways and means to curb the tendency of incurring excess expenditure to the barest minimum, if not eliminated altogether, and responsibility be fixed against the Budget Controlling Authorities for incurring excess expenditure continuously for two years under the

same Grant/Appropriation administered by them. The Committee would like to be apprised of the Ministries/Departments which have constituted these Groups and action taken by them on the recommendations of the Expert Groups. The Committee would also like to be informed about the Ministries/Departments who have not constituted the same so far and the remedial action taken by the Ministry of Finance (Department of Economic Affairs).

4. The Committee further find that in regard to the Defence Services sector, the Ministry of Defence had incurred excess expenditure of ₹ 3391.93 crore and ₹ 3841.33 crore during the years 2017-18 and 2018-19 respectively under Revenue-Voted section of Grant no. 20 – Defence Services. In case of Capital-Voted section of Grant no. 21 – Capital outlay on Defence Services, the Ministry of Defence incurred excess expenditure recurringly for last three years i.e. ₹ 104.55 crore in 2016-17, ₹ 3552.72 crore in 2017-18 and ₹ 1257.29 crore during the year 2018-19. In pursuance of the recommendations of PAC, a High Level Committee was constituted in the year 2017 to identify the loopholes in the budgeting procedures of the Ministry of Defence. Upon noticing the recurring phenomenon of excess expenditure incurred under the Grants operated by Ministry of Defence despite constitution of the High Level Committee, the Committee, in para 8 of the 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had called upon the Ministry of Defence to introspect on the inadequacies of their extant mechanism and devise some concrete ways and means in consultation with the High Level Committee as well as Ministry of Finance to overhaul the budgeting mechanism; and evolve an effective means to bring continual and progressive improvement in operation of their Grants in future. The Committee would like to be apprised of the results of the efforts undertaken by the Ministry of Defence in pursuance of the aforesaid recommendation in containing the excess expenditure under these Grants in future.

5. A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the fiscal 2018-19, the Ministry of Defence incurred an excess expenditure of ₹ 3841.33 crore under the Revenue-Voted section of Grant No. 20 – Defence Services. The excess expenditure under this Grant was the net effect of

total excesses of ₹ 5849.97 crore and total savings of ₹ 1334.12 crore. The Committee are perturbed to know that excess expenditure of ₹ 3841.33 crore under Revenue-Voted section of this Grant was incurred despite obtaining Supplementary Grant of ₹ 2803.97 crore, which is 136.99 percent of the Supplementary Grants. Another disquieting feature observed by the Committee is that despite incurring excess expenditure under this Grant the Ministry of Defence have surrendered ₹ 674.53 crore during the year 2018-19. Thus, the Committee feel that operation of this Grant by the Ministry of Defence is not being down conducively. The Committee are disappointed to know that during the year 2017-18 also the Ministry of Defence incurred excess expenditure of ₹ 3391.93 crore under this Grant. However, it appears that no measures towards betterment of the operation of this Grant seems to have been undertaken by the Ministry.

According to Ministry of Defence, the excess expenditure under Revenue-Voted section of this Grant which is mainly under 'Pay and Allowances' as unavoidable due to the personnel in position and the excess under 'Stores' as including expenditure on items such as armaments, ammunition and spares and obligatory contractual payments. The Ministry of Defence have further submitted that though they had projected these additional requirements at the Budget Estimates and Supplementary Grants stage, the Ministry did not include these in the Demands for Grants made to Parliament. The Committee are not convinced with these reasons as attributable for incurring excess expenditure under this Grant as these do not fall under the category of 'Unforeseen' or 'Unanticipated' expenditure. Further, as regards non-inclusion of additional requirement of funds by the Ministry of Finance, the Committee desire to know the reasons for refusal as attributed by the Ministry of Finance on this count and action taken thereon by the Ministry of Defence to resolve the same. In the opinion of the Committee, if the additional requirements were genuine and factual, the Ministry of Defence should have timely approached the Ministry of Finance and convinced them to include those in the Demands for Grants made to Parliament. The Committee, therefore, desire to know the specific measures initiated by the Ministry of Defence to remedy the situation.

The Committee have further been informed that in order to avoid excess expenditure under this Grant instructions have been issued from time to time to all concerned emphasizing the need to monitor progress of expenditure apart from projecting demands on factual basis depending on the actual requirements/obligations. The Committee are constrained to observe in this regard that instructions which are issued on the same lines year after year have had little effect on the estimating and disbursing authorities. Going by the persistent trend of excess expenditure under this Grant, the Committee feel that the fresh instructions may also meet the same fate as those of the past unless some concrete measures are taken to ensure effective implementation. The Committee, therefore, urge the Ministry of Defence to critically examine the specific steps taken towards implementation of the instructions and identify additional measures to contain/curtail the recurring phenomenon of excess expenditure under this Grant.

6. During the financial year under review, the Ministry of Defence incurred an excess expenditure of ₹ 1257.29 crore under capital voted section of Grant No. 21 – Capital outlay on Defence Services. The Committee's examination of the matter has revealed that under this section of Grant No. 21, the Ministry of Defence had not obtained any Supplementary Grant. The excess expenditure under this Grant was primarily due to release of payments for Committed Liabilities and Planned New Schemes; additional payment towards Cabinet Committee on Security approved contract for Advanced Light Helicopter (ALH); payment of Component Level Repair for T-90 tanks to Russia; progress of Rohtang Tunnel and CSG Roads; obligatory contractual payments for new ship building contracts; strategic infrastructure projects, etc. The Committee are of the view that these cannot be termed as compelling reasons for incurring excess expenditure as many of these could have been anticipated in advance and factored into at the time of finalization of Budget Estimates/Supplementary Grants. The Committee note that incurring of excess expenditure by the Ministry of Defence under this Grant is a recurring phenomenon despite repeatedly being pointed out and recommended upon by the Committee, as well as the instructions issued by

Ministry of Finance and the Ministry of Defence. The Ministry of Defence also incurred excess expenditure of ₹ 104.55 crore during the year 2016-17 and ₹ 3552.72 crore during the year 2017-18. The Committee wonder as to why the Ministry which is responsible for the Defence of the country has not been successful in streamlining their budgetary process over the year.

The Committee are concerned to note that as in the past, the Ministry of Defence have merely re-circulated their instructions emphasizing the need to monitor progress of expenditure instead of taking any concrete measures towards improving their budgetary as well as monitoring processes so as to check such incidents. Only last year, while highlighting the aspect of excess expenditure under this Grant, the Committee in para 8 of the 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had recommended that instead of repeatedly issuing instructions for controlling excess expenditure, the Ministry should introduce progressive and effective methods of budgetary control. The Committee had also urged that the Ministry of Defence should adopt the good practices followed by other Ministries/Departments and stride towards reporting a 'nil' Report on excess expenditure under this Grant in future. While reiterating their earlier recommendation, the Committee once again emphasize upon the Ministry of Defence to overhaul their prevailing expenditure review mechanism so that recurring excess expenditure under this Grant is avoided altogether. The Committee would like to be apprised of the specific additional corrective measures taken by the Ministry in this direction.

7. The Committee note that during the fiscal year 2018-19, there was an excess expenditure of ₹ 105.74 crore incurred under Capital-Charged section of Grant No. 80 operated by Ministry of Railways. Scrutiny of this Grant revealed that under Major Head 5002 and 5003 – Assets – Acquisition, Construction and replacement, charged Appropriation of ₹ 167.46 crore was obtained at the Budget Estimate stage for payment towards settlement satisfaction of Court decrees. The Committee are concerned to note that the excess expenditure under this Grant was incurred despite obtaining Supplementary Grant of ₹ 191.65 crore for decretal payments not anticipated earlier. The Committee had also observed that

the Ministry of Railways had not incurred any excess expenditure during the year 2017-18, yet, during the year 2018-19 despite obtaining Supplementary Grants excess expenditure was incurred. Thus, remedial measures need to be taken to avoid instances of excess expenditure despite obtaining Supplementary Grants. The Committee are concerned over such a state of affairs and recommend that the Ministry of Railways should thrive towards realistically assessing their requirement of funds even at the Supplementary Grant stage, which can be obtained three times in a year, and thereby avoid excess expenditure, as far as possible.

8. Surrendering of funds is yet another indication of bad budgeting. The General Financial Rules (GFR) clearly stipulate that the portion of a Grant or Appropriation not utilized by the spending Ministries/Departments has to be communicated to the Ministry of Finance for its reallocation elsewhere. The Committee are constrained to observe that during the year 2018-19 in excess registering Grants i.e. Grant No. 20 – Defence Services and Grant No. 21 – Capital outlay on Defence Services, to the tune of ₹ 674.53 crore and ₹ 97.42 crore respectively were surrendered though there are no provisions for surrender under these Grants. The Committee are of the view that this reflects on the adequacy of coordination and information accounting system and is also indicative of collective failure on the part of programme division and Budget Controlling Authorities in the Ministry of Defence. Considering the fact that the same position prevailed during the year 2017-18, the Committee, in their 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had expected the Ministry of Defence to introspect on the adequacy of their extant financial arrangements and devise some concrete ways and means in consultation with the High Level Committee constituted to identify the loopholes in the budgeting procedure, as well as the Ministry of Finance to overhaul their budgeting mechanism so as to bringing continual and progressive improvement in the operation of the Grants in future. However, no improvement has been made in the Ministry of Defence in this connection. The Committee, while reiterating their earlier recommendation, once again emphasize upon the Ministry of Defence to devise suitable and effective measures with a view to

removing inherent defects in the existing system. The Committee would like to be apprised of the steps taken in this regard.

9. Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 12 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

NEW DELHI;  
07 December, 2021  
16 Agrahayana, 1943 (*Saka*)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

**Explanatory Note on Excess under Revenue Section (Charged) of Grant No. 56- Ministry of Housing and Urban Affairs for the year ended 31.03.2019. The Excess Note has been vetted and head wise vetting audit comment(s) and Ministry's further submission(s) wherever required are given below:**

Excess Note under Revenue Section (Charged Portion) of Grant No. 56 - Ministry of Housing and Urban Affairs for the year ended on 31.03.2019.

<b><u>Revenue Section (Charged)</u></b>	<b>Figures in unit value ( in ₹ )</b>
Original Grant	88,22,00,000
Supplementary Grant	4,00,00,000
Total Grant	92,22,00,000
Actual	92,44,43,039
Excess	(+) 22,43,039

2. Under Revenue Section (Charged) of Demand No. 56 - Ministry of Housing and Urban Affairs for the year 2018-19, the original grant was ₹ 88,22,00,000. This was augmented to ₹ 92,22,00,000 through obtaining of Supplementary Grant of ₹ 4,00,00,000. Against this, the actual expenditure incurred was ₹ 92,44,43,039, resulting in an Excess of ₹ (+) 22,43,039.

3. The Excess of ₹ (+) 22,43,039 is the net result of Savings and Excess under various sub heads in the Revenue Section (Charged) of the Grant. There was Nil surrenders or withdrawals within the Grant under the Revenue Section (Charged). The excess has occurred in one sub-head under the Revenue Section (Charged) which is minor and amounts to 0.25% of the Grant under the Revenue Section (Charged) of Grant No. 56 – Ministry of Housing and Urban Affairs for the year 2018-19. The sub head(s) under which the Excess has occurred and reasons therefore, are as explained below:-

**Vetting Comments of Audit-** The facts and figures of the Explanatory Note have been verified with reference to Stage-III Appropriation Accounts and comments are offered.

**Revenue Section (Charged)**

**(1) 2059.01.799.02  
Miscellaneous Works Advances**

	<b>Figures in unit value ( in ₹ )</b>
Original Grant	5,00,00,000
Supplementary	4,00,00,000
Total Grant	9,00,00,000
Actual	10,53,23,152
Excess	(+) 1,53,23,152

**Reasons for excess** – Excess was occurred during the end of financial year 2018-19 due to payment of Arbitration Award to avoid excess interest payment.

**Vetting Comments of Audit-** Reasons not verified. Director (Fin.) stated in their reply dated 18.09.2019 that "the division has entered excess budget in the system against the budget allotment. Such excess feeding of budget by F.O. could not be cross checked against the overall budget available to CPWD in that head. Concerned F.O. has accepted the irregularity occurred.

**Ministry's Submission-** The concerned Officer has regretted the above incidence of irregular payment caused inadvertently and apologised.

**Remedial Action Taken:**

Instructions have been issued to all concerned to strengthen the monitoring of expenditure to cap expenditure within the budgeted allocation and no excess over the grant or appropriation is allowed to occur (Annexure-I).

**Vetting Comments of Audit-** No further comments

Encl: As above.

This has been vetted by Audit vide their U.O. No. App. Accounts/Min. of H.U.A./Saving Note/A.T.N./2019-20/596-98 dated 13.12.2019.



Joint Secretary & Financial Advisor

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
(FINANCE/BUDGET)

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARIZATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER GRANT NO.20-DEFENCE SERVICES (REVENUE), AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2018-2019.

GRANT No.20- Defence Services (Revenue)

Revenue (Voted)

(₹In thousands)

Original Grant	2050183460
Supplementary Grant	28039700
Total Grant	2078223160
Actual Expenditure	2116636410
Excess	38413250
Surrender during the year	6745300

2. Under Revenue Section (Voted) of Grant No.20- Defence Services for the year 2018-2019 the total provision was ₹ 2078223160 thousands (Voted). Against this, the expenditure of ₹ 2116636410 thousands was incurred resulting in excess of ₹ 38413250 thousands (₹3841,32,51,641/-).

3. The excess of ₹ 38413250 thousands (Voted) was the net effect of total excesses of ₹ 58499739 thousands (Voted) and total savings of ₹ 13341189 thousands (Voted) as well as surrender of ₹ 6745300 thousands, which occurred due to: increase in payment of Salaries, due to Enhanced Entitlements/Dearness Allowance; to meet operational requirements; hike in prices of Ration, Fuel, Oil and Lubricants products; Medical Equipment; Medical Store; emergent requirement for payments to Hindustan Aeronautical Limited; increase in the cost and scope of essential repair of ships, submarines, aircraft and other equipment; procurement of critical ammunition and stores; statutory Customs Duties on imported stores; outgo towards 10(i) procurements; exchange rate variations; enhanced requirement for outsourcing, training & sports activities; maintenance of aircraft; early achievement of Milestone payments and inclusion of emergent procurement cases; increased flying effort during Operations requirement; Replenishment/ procurement of airborne and ground based weapon armaments; Procurement of additional clothing; increased expenditure on electricity and water tariff, repair and upkeep of buildings and

payment of rents, rates and taxes segments etc. Details of Minor Heads under which excess of ₹ Five Lakh and above occurred and reasons therefor are explained below:

**MAJOR HEAD-2076**

**Defence Services – Revenue**

**Army**

(i) <b>Minor Head-101</b>	(₹in thousands)
Original Grant	809000600
Supplementary Grant	91400
Total Grant	809092000
Actual Expenditure	869849014
Excess	60757014

The excess of ₹ 60,75,70 lakh (Voted) (against the sanctioned provision of ₹ 8,09,09,20 lakh) was due to payment of Salaries, being first charge which cannot be controlled and were disbursed based on actual.

(ii) <b>Minor Head-105</b>	(₹in thousands)
Original Grant	32669800
Supplementary Grant	9000000
Total Grant	41669800
Actual Expenditure	46667856
Excess	4998056

The excess of ₹ 4,99,81 lakh (Voted) (against the sanctioned provision of ₹ 41,66,98 lakh) was due to booking occurred in Personnel Move, Temporary duties, Rail charges (Move of Personnel) and Air Transportation Charges (Move of Personnel).

(iii) <b>Minor Head-110</b>	(₹in thousands)
Original Grant	183347397
Supplementary Grant	5313300
Total Grant	188660697
Actual Expenditure	194332557
Excess	5671860

The excess of ₹ 5,67,19 lakh (Voted) (against the sanctioned provision of ₹ 1,88,66,07 lakh) was due to hike in prices of Ration; Fuel, Oil and Lubricants products; Medical Equipment; Medical Store; emergent requirement for payments to Hindustan Aeronautical Limited; opening of Letter of Credit (LC) payments made for Ordnance Stores etc.

(iv) <u>Minor Head-112</u>	(₹in thousands)
Original Grant	66085100
Supplementary Grant	0
Total Grant	66085100
Actual Expenditure	68819943
Excess	2734843

The excess of ₹ 2,73,48 lakh (Voted) (against the sanctioned provision of ₹ 66,08,51 lakh) was to cater for increase in Salaries which cannot be controlled being first charge and were disbursed based on actual.

**MAJOR HEAD-2077**

**Defence Services – Revenue**

**Navy**

(i) <u>Minor Head-101</u>	(₹in thousands)
Original Grant	60167700
Supplementary Grant	20350
Total Grant	60188050
Actual Expenditure	60460651
Excess	272601

The excess of ₹ 27,26 lakh (Voted) (against the sanctioned provision of ₹ 60,18,81 lakh) was to cater for increase in Salaries and rates of Dearness Allowances and enhanced entitlements of Indian Navy personnel.

(ii) <u>Minor Head-106</u>	(₹in thousands)
Original Grant	10059500
Supplementary Grant	20350
Total Grant	10079850
Actual Expenditure	13553809
Excess	3473959

The excess of ₹ 3,47,40 lakh (Voted) (against the sanctioned provision of ₹ 10,07,99 lakh) was due to increase in the cost and scope of essential repair of ships, submarines, aircraft and other equipment.

(iii) <u>Minor Head-110</u>	(₹in thousands)
Original Grant	49473500
Supplementary Grant	3620350
Total Grant	53093850
Actual Expenditure	62671511
Excess	9577661

The excess of ₹ 9,57,77 lakh (Voted) (against the sanctioned provision of ₹ 53,09,39 lakh) was due to additional outgo on procurement of critical ammunition and stores; statutory

Customs Duties on imported stores; outgo towards 10(i) procurements; increase in global crude oil prices and exchange rate variations.

(iv) <u>Minor Head-800</u>	(₹in thousands)
Original Grant	6859100
Supplementary Grant	800200
Total Grant	7659300
Actual Expenditure	7697274
Excess	37974

The excess of ₹ 3,80 lakh (Voted) (against the sanctioned provision of ₹ 7,65,93 lakh) was to meet the enhanced requirement for outsourcing, training & sports activities and other miscellaneous expenditure.

**MAJOR HEAD-2078**

**Defence Services – Revenue**

**Air Force**

(i) <u>Minor Head-110</u>	(₹in thousands)
Original Grant	82333500
Supplementary Grant	2051200
Total Grant	84384700
Actual Expenditure	89451708
Excess	5067008

The excess of ₹ 5,06,70 lakh (Voted) (against the sanctioned provision of ₹ 84,38,47 lakh) was due to additional fuel/ Petrol, Oil and Lubricant usage, maintenance of aircraft; early achievement of Milestone payments and inclusion of emergent procurement cases; increased flying effort during Operations requirement and variation in exchange rate; Replenishment/ procurement of airborne and ground based weapon armaments; Procurement of additional clothing, ration and medical store; additional burden on payment of custom duty.

(ii) <u>Minor Head-111</u>	(₹in thousands)
Original Grant	25661200
Supplementary Grant	0
Total Grant	25661200
Actual Expenditure	28468490
Excess	2807290

The excess of ₹ 2,80,73 lakh (Voted) (against the sanctioned provision of ₹ 25,66,12 lakh) was due to increased expenditure on electricity and water tariff, repair and upkeep of buildings and payment of rents, rates and taxes segments due to increase in the rates and additional Demands/Projections by Directorate General, Defence Estates.

(iii) <u>Minor Head-800</u>	(₹in thousands)
Original Grant	6903400
Supplementary Grant	0
Total Grant	6903400
Actual Expenditure	7564046
Excess	660646

The excess of ₹ 66,06 lakh (Voted) (against the sanctioned provision of ₹ 6,90,34 lakh) was due to less allocation made at Budget Estimate stage.

**MAJOR HEAD-2080**

**Defence Services – Revenue**  
**Research and Development**

(i) <u>Minor Head-102</u>	(₹in thousands)
Original Grant	28647600
Supplementary Grant	1017900
Total Grant	29665500
Actual Expenditure	30639286
Excess	973786

The excess of ₹ 97,38 lakh (Voted) (against the sanctioned provision of ₹ 29,66,55 lakh) was due to anticipation of additional requirement on pay and allowances on two increments to Scientist 'C' to Scientist 'F' and enhancement of rate of payment of variable increments as per 7th Central Pay Commission recommendations.

(ii) <u>Minor Head-800</u>	(₹in thousands)
Original Grant	3202000
Supplementary Grant	398000
Total Grant	3600000
Actual Expenditure	3705569
Excess	105569

The excess of ₹ 10,56 lakh (Voted) (against the sanctioned provision of ₹ 3,60,00 lakh) was due to support enhanced requirements for Fellowship & Research stipends and also contractual obligations.

4. Instructions already exist to formulate the Budget Estimates on realistic basis and the need to constantly review the expenditure in order to conform to the allocations made and to ensure that there is neither any excess nor large scale savings over the sanctioned budgetary provisions.

5. In order to avoid recurrence of any savings/ excess, instructions have been issued from time to time to all concerned, emphasizing the need to monitor progress of expenditure, apart

from projecting demands on factual basis depending on the actual requirements/ obligations. To achieve this objective, Service HQrs / Departments were also requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess.

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

File No. 6(2)/Budget-I/2019

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
(FINANCE/BUDGET)

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARIZATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER GRANT NO.21- CAPITAL OUTLAY ON DEFENCE SERVICES (VOTED), AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2018-2019.

GRANT No.21- Capital Outlay on Defence Services (Voted)

Capital (Voted)

(₹In thousands)

Original Grant	938977848
Supplementary Grant	0
Total Grant	938977848
Actual Expenditure	951550737
Excess	12572889
Surrender during the year	974200

2. Under Capital Section (Voted) of Grant No.21- Capital Outlay on Defence Services for the year 2018-2019 the total provision was ₹ 938977848 thousands (Voted). Against this, the expenditure of ₹ 951550737 thousands was incurred resulting in excess of ₹ 12572889 thousands (₹ 125728,88,482/-).

3. The excess of ₹ 12572889 thousands (Voted) was the net effect of total excesses of ₹ 18229523 thousands (Voted) and total savings of ₹ 4682434 thousands (Voted) as well as surrender of ₹ 974200 thousands, which occurred due to : release of payment for Committed Liabilities and Planned New Schemes, as allocation made at Budget Estimates stage was insufficient; additional payment of Cabinet Committee on Securities approved contract to Advanced Light Helicopter (ALH) & Maintenance Reserve & Strike Off Wastage (MRSOW); payment of Component Level Repair for T-90 tanks to Russia subsequent to finalization of modalities for payment to Russian Original Equipment Manufacturer (OEM); progress of Rohtang Tunnel and CSG Roads; faster than anticipated progress of vehicle procurement cases; carry over liabilities under Annual Maintenance Work Plan and Low Budget Works (LBW) of HQ Andaman & Nicobar Command; National War Museum & Memorial (NWM&M); obligatory contractual payments for new shipbuilding contracts; strategic infrastructure projects; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks; Exchange Rate Variation;

Custom Duty; urgency of execution of Special Projects within stipulated time and to abide Contractual Obligations (Runway projects at Air Force Station Chandigarh monitored by Hon'ble High Court of Punjab and Haryana) etc. Details of Minor Heads under which excess of ₹ Five Lakh and above occurred and reasons therefor are explained below:

**MAJOR HEAD-4076**

**Sub Major Head 01- Army**

(i) <b><u>Minor Head-101</u></b>	(₹in thousands)
Original Grant	18129200
Supplementary Grant	0
Total Grant	18129200
Actual Expenditure	23832886
Excess	5703686

The excess of ₹ 5,70,37 lakh (Voted) (against the sanctioned provision of ₹ 18,12,92 lakh) was to cater for Committed Liabilities and Planned New Schemes, as allocation made at Budget Estimates stage was insufficient. Moreover, additional payment of Cabinet Committee on Securities approved contract to Advanced Light Helicopter (ALH) & Maintenance Reserve & Strike Off Wastage (MRSOW) and carry over liabilities due to paucity of funds in FY 2017-18 led to additional committed payments in the existing contracts.

(ii) <b><u>Minor Head-103</u></b>	(₹in thousands)
Original Grant	171976800
Supplementary Grant	0
Total Grant	171976800
Actual Expenditure	179233518
Excess	7256718

The excess of ₹ 7,25,67 lakh (Voted) (against the sanctioned provision of ₹ 1,71,97,68 lakh) was due to payment of Component Level Repair for T-90 tanks to Russia subsequent to finalization of modalities for payment to Russian Original Equipment Manufacturer (OEM); payment against their outstanding claims were made on priority.

(iii) <b><u>Minor Head-202</u></b>	(₹in thousands)
Original Grant	51522710
Supplementary Grant	0
Total Grant	51522710
Actual Expenditure	54018192
Excess	2495482

The excess of ₹ 2,49,55 lakh (Voted) (against the sanctioned provision of ₹ 51,52,27 lakh) was due to additional requirement of funds required for the progress of Rohtang Tunnel and CSG Roads.

**Sub Major Head 02- Navy**

(i) <b>Minor Head-102</b>	(₹ in thousands)
Original Grant	200000
Supplementary Grant	0
Total Grant	200000
Actual Expenditure	482593
Excess	282593

The excess of ₹ 28.26 lakh (Voted) (against the sanctioned provision of ₹ 20.00 lakh) was due to faster than anticipated progress of vehicle procurement cases and minor variation due to tax adjustments in Bills.

(ii) <b>Minor Head-104</b>	(₹ in thousands)
Original Grant	8444500
Supplementary Grant	0
Total Grant	8444500
Actual Expenditure	8811457
Excess	366957

The excess of ₹ 36.70 lakh (Voted) (against the sanctioned provision of ₹ 8.44,45 lakh) was due to carry over liabilities under Annual Maintenance Work Plan and Low Budget Works (LBW) of HQ Andaman & Nicobar Command and expenditure under National War Museum & Memorial (NWM&M).

(iii) <b>Minor Head-204</b>	(₹ in thousands)
Original Grant	103000000
Supplementary Grant	0
Total Grant	103000000
Actual Expenditure	114555936
Excess	11555936

The excess of ₹ 11,55,59 lakh (Voted) (against the sanctioned provision of ₹ 1,03,00,00 lakh) was due to obligatory contractual payments for new shipbuilding contracts.

(iv) <b>Minor Head-205</b>	(₹ in thousands)
Original Grant	19950000
Supplementary Grant	0
Total Grant	19950000
Actual Expenditure	27483949
Excess	7533949

The excess of ₹ 7,53,39 lakh (Voted) (against the sanctioned provision of ₹ 19,95,00 lakh) was due to more expenditure on strategic infrastructure projects than anticipated.

**Sub Major Head 03- Air Force**

(i) <u>Minor Head-101</u>	(₹ in thousands)
Original Grant	247089700
Supplementary Grant	0
Total Grant	247089700
Actual Expenditure	253269164
Excess	6179464

The excess of ₹ 6,17,95 lakh (Voted) (against the sanctioned provision of ₹ 2,47,08,97 lakh) was due to obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks; Exchange Rate Variation; Custom Duty.

(ii) <u>Minor Head-103</u>	(₹ in thousands)
Original Grant	81743300
Supplementary Grant	0
Total Grant	81743300
Actual Expenditure	84594471
Excess	2851171

The excess of ₹ 2,85,12 lakh (Voted) (against the sanctioned provision of ₹ 81,74,33 lakh) was due to obligatory contractual foreign and Indian payment through Letter of Credit and Direct Benefit Transfer.

(iii) <u>Minor Head-206</u>	(₹ in thousands)
Original Grant	6489000
Supplementary Grant	0
Total Grant	6489000
Actual Expenditure	9078125
Excess	2589125

The excess of ₹ 2,58,91 lakh (Voted) (against the sanctioned provision of ₹ 6,48,90 lakh) was due to urgency of execution of Special Projects within stipulated time and to abide Contractual Obligations (Runway projects at Air Force Station Chandigarh monitored by Hon'ble High Court of Punjab and Haryana) and non availability of funds.

**Sub Major Head 06- Inspection Organisation**

(i) <u>Minor Head-111</u>	(₹ in thousands)
Original Grant	99600
Supplementary Grant	0
Total Grant	99600
Actual Expenditure	122351 *
Excess	22751

The excess of ₹ 2.28 lakh (Voted) (against the sanctioned provision of ₹ 9.96 lakh) was for making payment towards Committed Liabilities.

4. Instructions already exist to formulate the Budget Estimates on realistic basis and the need to constantly review the expenditure in order to conform to the allocations made and to ensure that there is neither any excess nor large scale savings over the sanctioned budgetary provisions.

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

  
\_\_\_\_\_  
(A.N. Das)  
JS & Addl. FA (AN)

File No. 6(2)/Budget-I/2019

**EXPLANATORY NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR**  
**REGULARISATION OF EXCESS OVER VOTED/CHARGED PORTION OF GRANT**  
**DURING THE YEAR 2018-19**

During the year 2018-19, there was net saving of Rs. 18404.03 crore under Grant No. 80 (Railways) and Appropriations, which constitutes 4.12 percent of the total provision of Rs. 446607.47 crore. The net saving of Rs. 18404.03 Crore was the result of saving of Rs. 18451.92 crore under Voted portion of the Grant and excess of Rs. 47.89 crore under charged portion of the Grant.

Excess of Rs. 47.89 crore under Charged Appropriation includes excess of Rs. 105.73 Crore under Capital Charged Appropriation and saving of Rs. 57.84 Crore under Revenue Charged Appropriation. Savings of Rs. 18451.92 Crore comprises saving of Rs. 10497.85 Crore under Revenue and Rs. 7954.07 Crore under Capital portion of Grants, mainly due to less appropriation to Railway Funds as result of lesser generation of internal resources and resultant lesser expenditure incurred against these funds.

(Reference Para. 24 to 27 - Excess/Saving over Voted Grants and Charged Appropriations of the Appropriation Accounts of Indian Railways for the year 2018-19 – Part - I - Review).

All savings involving Rs. 100 crore and above and all excesses are explained in detail in the ensuing paras.

**1.2 Excess under Charged Appropriations & Voted Grants**

There is an excess under Capital Charged Appropriations, explained as under:-

**Charged Appropriations**

**Major Head 5002 & 5003: Assets- Acquisition, Construction and Replacement: -**

	<u>In unit of Rs.</u>
Original Appropriation	167,46,00,000
Supplementary Appropriation	191,65,00,000
Total Sanctioned Appropriation	359,11,00,000
Actual Expenditure	464,84,52,001
Misclassification	0
Excess requiring regularisation	105,73,52,001

Charged Appropriation of Rs. 167.46 Crore was obtained at the Budget Estimate Stage for payments towards satisfaction of court decrees. A Supplementary Charged Appropriation of Rs. 191.65 Crore was sanctioned for decretal payments not anticipated earlier. The actual payments exceeded the provision by Rs. 105.73 Crore to satisfy the court decrees made after supplementary stage.

Thus, the excess requiring regularisation is Rs. 105,73,52,001/- as disclosed in the Appropriation Accounts.

**MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS COMMITTEE  
(2021-22) HELD ON 15<sup>th</sup> SEPTEMBER, 2021.**

The Committee sat on 15 September, 2021 from 1500 hrs. to 1700 hrs. in Room No. '53', Parliament House, New Delhi.

**PRESENT**

Shri Adhir Ranjan Chowdhury - Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Shri Vishnu Dayal Ram
6. Shri Rahul Ramesh Shewale
7. Shri Rajeev Ranjan Singh alias Lalan Singh
8. Dr. Satya Pal Singh
9. Shri Jayant Sinha
10. Shri Pratap Chandra Sarangi

**RAJYA SABHA**

11. Shri Shaktisinh Gohil
12. Shri Bhubaneswar Kalita
13. Dr. C.M Ramesh
14. Dr. M. Thambidurai
15. Shri V. Vijayasai Reddy
16. Dr. Sudhanshu Trivedi

**LOK SABHA SECRETARIAT**

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

-4/-

### **REPRESENTATIVES FROM Ministry of Power**

<b>Sl. No.</b>	<b>Name</b>	<b>Designation</b>
1.	Shri Alok Kumar	Secretary
2.	Shri Ashish Upadhyaya,	Additional Secretary & Financial Adviser
3.	Shri S.K.G. Rahate	Additional Secretary
4.	Shri Vivek Kumar Dewangan	Additional Secretary
5.	Shri Mritunjay Kumar Narayan	Joint Secretary
6.	Shri Raghuraj Madhav Rajendran	Joint Secretary
7.	Shri Vishal Kapoor	Joint Secretary
8.	Shri Jithesh John	Economic Adviser
9.	Shri Ghanshyam Prasad	Joint Secretary

### **REPRESENTATIVES FROM CPSES CONCERNED**

<b>Sl. No.</b>	<b>Name</b>	<b>Designation</b>
1.	Shri Gurdeep Singh	CMD, NTPC Ltd.
2.	Shri A.K. Singh	CMD, NHPC Ltd.
3.	Shri K. Sreekant	CMD, Power Grid Corporation of India Ltd.(PGCIL)
4.	Shri Sanjay Malhotra	CMD, REC Ltd.
5.	Shri R.S. Dhillon	CMD, Power Finance Corporation Ltd.(PFC)

### **REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

<b>Sl. No.</b>	<b>Name</b>	<b>Designation</b>
1.	Shri R. G. Vishwanathan	Dy. CAG
2.	MS. Sangita Choure	Dy. CAG
3.	Shri Deepak Anurag	Dy. CAG
4.	Ms Ritika Bhatia	Director General

5. Shri D. K. Sekhar
6. Shri A. V. Singh

Director General  
Principal Director

2. At the outset, Hon'ble Chairperson, PAC welcomed the Members and Audit Officers to the Sitting of the Committee, convened to have oral evidence of the representatives of the Ministry of Power and CMDs of CPSEs concerned on the subject, "Construction of toilets in schools by CPSEs" based on C&AG Report No. 21 of 2019 and also to consider and adopt Draft Reports on the following subjects: (i) "Functioning of Directorate of Estates" and (ii) "Excesses over Voted Grants and Charged Appropriations (2018-19)". The Chairperson also welcomed new Member, Shri V. Vijayasai Reddy to the Committee.

3. The Committee firstly took up the Draft Reports on (i) "Functioning of Directorate of Estates" and (ii) "Excesses over Voted Grants and Charged Appropriations (2018-19)" for consideration and adoption. The Committee, after some deliberations, adopted the draft Report on the subject "Functioning of Directorate of Estates" with minor modifications while the second Report on the subject "Excesses over Voted Grants and Charged Appropriations (2018-19)" was adopted without any modification. The Committee also authorized the Chairperson to finalise the aforesaid Reports on the basis of factual verification and present the same to the Hon'ble Speaker/ Parliament.

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10. xxxx xxxx xxxx xxxx
11. xxxx xxxx xxxx xxxx
12. xxxx xxxx xxxx xxxx

***A copy of the verbatim proceedings of the sitting has been kept on record.***

***The Committee then adjourned.***

**APPENDIX II**

**STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS**

Para No. (Part II)	Ministry/Department concerned	Observations/Recommendations
1.	Housing and Urban Affairs, Finance (Economic Affairs), Defence and Railways	<p>The examination of the four Appropriation Accounts of Union Government viz Civil, Defence Services, Postal Services and Railways for the year 2018-19 has revealed that an expenditure of ₹ 5204.57 crore has been incurred in excess of the provisions sanctioned under four sections of four Grants/Appropriations. The excess expenditure incurred during the year under review pertains to the Grants/Appropriations operated by the Ministries of Housing and Urban Affairs, Defence and Railways. Bulk of the excess expenditure i.e. ₹ 5098.61 crore was incurred under two Grants i.e. Grant No. 20 – Defence Services (₹ 3841.33 crore) and Grant No. 21 – Capital outlay on Defence Services (₹ 1257.29 crore) operated by the Ministry of Defence which amounts to over 97 percent of the total excess expenditure incurred during the year under review i.e. 2018-19. Whilst scrutinizing the Appropriation Accounts, the Committee have noted that there has been substantial reduction during the fiscal 2018-19 in the number of Grants/Appropriations as well as amount of excess expenditure incurred by the Civil Ministries/Departments in comparison to the previous two fiscals. There is an excess expenditure of ₹ 0.22 crore only under Grant No. 56 – Ministry of Housing and Urban Affairs, which is also the least during the last ten fiscals under the Grants/Appropriations operated by Civil Ministries/Departments. In case of Defence Services, though there has been a reduction in excess expenditure in comparison to the last fiscal, it is still more than ₹ 5000 crore during the year 2018-19 under two Grants/Appropriations operated by Ministry of Defence. Further, while during the earlier year i.e. 2017-18 the Ministry of Railways have not witnessed any excess expenditure under the Grants operated by them, however, during the year under review, the Railways too have registered excess expenditure of ₹ 105.74 crore under Grant no. 80 – Ministry of Railways.</p> <p>The Committee note that incurring of large amounts of excess expenditure is a regular feature by various Ministries/Departments despite issuance of elaborate instructions at regular intervals by the Government in pursuance of the recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. From the fact that identical reasons are attributed for the excess expenditure year after year in the explanatory notes furnished by the Ministries/Departments concerned, it is evident that the matter is not being considered seriously. In the opinion of the Committee, such negligence on the part of different Ministries/Departments particularly the Ministry of Defence is indicative of the scant regard towards maintaining financial discipline. Needless to say, excess expenditure is ‘unauthorised expenditure’ which betrays lack of financial discipline as this fact ought to be kept in</p>

		<p>mind by all the Ministries/Departments concerned. Considering the persistent trend of incurring excess expenditure going unchecked, the Committee, in their 36th Report (16th Lok Sabha) had recommended that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons for failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the trend of monthly expenditure of various Ministries/Departments. In response thereto, the Ministry of Finance (Department of Economic Affairs) had informed that they were awaiting the report from the National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendations of the High Level Inter-Ministerial Group was also expected. The Committee, in their 24th Report (17th Lok Sabha) had desired to be apprised of the salient features of the report on the study undertaken by the NIFM. In the meantime, the Committee had 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. However, details of the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) thereon are awaited. While reiterating their earlier recommendation, the Committee would desire to be apprised of the current status of the Report from National Institute of Financial Management (NIFM) and the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) so as to enable in taking measures towards avoidance of excess expenditure in future.</p>
2.	<p>Housing and Urban Affairs, Finance (Economic Affairs), Defence and Railways</p>	<p>Another disquieting aspect observed by the Committee is that out of the four cases of excess registering Grants/Appropriations during the year 2018-19, the excess expenditure in three cases had occurred despite obtaining supplementary provisions of ₹ 2999.62 crore. To illustrate, Supplementary Grant to the tune of four crore rupees was allocated for Grant No. 56 – Ministry of Housing and Urban Affairs but this fell short by ₹ 0.22 crore. In case of Defence Services, Supplementary Grant of ₹ 2803.97 crore was obtained for Grant No. 20 – Defence Services, yet, excess expenditure of ₹ 3841.33 crore was incurred which is 136.99 percent of the Supplementary Provisions obtained under this Grant. Further, in case of Grant No. 80 operated by Ministry of Railways, Supplementary Grant of ₹ 191.65 crore was obtained, but this fell short by ₹ 105.74 crore. This clearly reveals not only the failure of the Ministries/Departments concerned to assess the requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure throughout the year under various Grants/Appropriations. As the trend of incurring excess expenditure despite obtaining Supplementary Grants continues year after year, the Committee are inclined to conclude that no serious efforts seem to have been made</p>

		<p>for putting in place firm measures by the Ministries/Departments concerned to assess the actual requirement of funds even at the stage of Supplementary Grants. The Committee find no cogent reason, explaining the inevitability of excess expenditure, in a situation where the Government gets opportunities to obtain Supplementary Grants during the three Sessions of Parliament that are usually held in a year. The Committee consider this to be reflecting negatively on the accounting system and also a failure on the part of Budget Controlling Authorities. The Committee, therefore, emphasize that it is imperative on the part of the Ministry of Finance, being the nodal Ministry for overall general financial management, to put in place a robust and fool – proof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments. While examining such type of cases during the year 2017-18, the Committee, in their 24th Report (17th Lok Sabha) had recommended that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&amp;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 would like to be apprised of the Action Taken by the Ministry of Finance in this regard and desire that the Ministry should tighten their financial control over the mechanism of obtaining Supplementary Grant and to deal sternly with those cases where any deviations are noticed in following the prescribed financial rules for having Supplementary Grant by the Ministries/Departments.</p>
3.	<p>Finance (Economic Affairs), Defence and Railways</p>	<p>The Committee find that the incurring of excess expenditure is a recurring phenomenon in all the sectors of economy viz. Civil, Defence Services, Postal Services and Railways. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years reveals that in all the sectors, the excess expenditure which came down by a considerable extent during the year 2015-16 i.e. ₹ 286.44 crore had again shot up to the extent of ₹ 190270.26 crore in case of seven Grants/Appropriations during the year 2016-17. This had, however, once again shown a downward trend, as during the year 2017-18, the excess expenditure was ₹ 99610.30 crore in case of four Grants/Appropriations and in the year 2018-19 it was ₹ 5204.57 crore in case of four Grants/Appropriations. The Committee express concern over the fact that though the excess expenditure during the year 2018-19 is lower in comparison to earlier two years, it continues to be in excess of ₹ 5000 crore under the Grants operated by Ministry of Defence.</p> <p>From the sector-wise scrutiny of Appropriation Accounts for the last ten years, the Committee are pleased to note that the excess expenditure under the Civil sector has been substantially reduced during the year 2018-19 i.e. ₹ 0.22</p>

crore incurred under one Grant only. In case of Defence Services sector it reveals that though the Ministry of Defence have not shown any excess expenditure during the year 2015-16 under the Grants/Appropriations operated by them, it has shown an increasing trend during the years 2016-17 (₹ 146.31 crore) and 2017-18 (₹ 7149.00 crore). However, during the year 2018-19 the amount of excess expenditure incurred by Ministry of Defence has shown some decline but it continues to be in excess of ₹ 5000 crore. In case of Grants/Appropriations operated by Ministry of Railways it is seen that the Ministry had witnessed a decreasing trend of excess expenditure incurred during the years 2014-15 to 2016-17. While the Ministry of Railways had not witnessed any excess expenditure in the year 2017-18, during the fiscal 2018-19, the Ministry has, however, registered an excess expenditure of ₹ 105.74 crore.

Thus, the scrutiny of excess expenditure incurred during the last ten years revealed that none of the aforesaid sectors have witnessed or shown 'nil' excess expenditure recurringly for a minimum of three years. The Committee are concerned to note that in any particular sector, when there is no excess expenditure during one year, the Ministry concerned witnesses an excess expenditure of a huge amount for the next year. The Committee are, therefore, inclined to gather the impression that adequate and serious attention is not being paid by the Ministries/Departments to streamline and strengthen the extant mechanism so as to tighten the budgetary control to effectively check the trend of excess expenditure.

Emphasizing the need for exercising effective control over expenditure, the Committee in their 36th Report (16th Lok Sabha) recommended constituting an Expert Group in each Ministry/Department representing all the budget controlling authorities which undertake a thorough study of the instances where expenditure had exceeded the budgetary provision during the last five years. This recommendation was again reiterated in the 68th Report (16th Lok Sabha) but no sincere efforts seem to have been taken by the Ministries/Departments in regard to constitution of the Expert Groups. While expressing their dissatisfaction over this state of affairs, the Committee strongly recommend that Expert Groups be constituted in each Ministry with immediate effect to find ways and means to curb the tendency of incurring excess expenditure to the barest minimum, if not eliminated altogether, and responsibility be fixed against the Budget Controlling Authorities for incurring excess expenditure continuously for two years under the same Grant/Appropriation administered by them. The Committee would like to be apprised of the Ministries/Departments which have constituted these Groups and action taken by them on the recommendations of the Expert Groups. The Committee would also like to be informed about the Ministries/Departments who have not constituted the same so far and the remedial action taken by the Ministry of Finance (Department of Economic Affairs).

4.	Defence	<p>The Committee further find that in regard to the Defence Services sector, the Ministry of Defence had incurred excess expenditure of ₹ 3391.93 crore and ₹ 3841.33 crore during the years 2017-18 and 2018-19 respectively under Revenue-Voted section of Grant no. 20 – Defence Services. In case of Capital-Voted section of Grant no. 21 – Capital outlay on Defence Services, the Ministry of Defence incurred excess expenditure recurringly for last three years i.e. ₹ 104.55 crore in 2016-17, ₹ 3552.72 crore in 2017-18 and ₹ 1257.29 crore during the year 2018-19. In pursuance of the recommendations of PAC, a High Level Committee was constituted in the year 2017 to identify the loopholes in the budgeting procedures of the Ministry of Defence. Upon noticing the recurring phenomenon of excess expenditure incurred under the Grants operated by Ministry of Defence despite constitution of the High Level Committee, the Committee, in para 8 of the 24th Report (17th Lok Sabha) had called upon the Ministry of Defence to introspect on the inadequacies of their extant mechanism and devise some concrete ways and means in consultation with the High Level Committee as well as Ministry of Finance to overhaul the budgeting mechanism; and evolve an effective means to bring continual and progressive improvement in operation of their Grants in future. The Committee would like to be apprised of the results of the efforts undertaken by the Ministry of Defence in pursuance of the aforesaid recommendation in containing the excess expenditure under these Grants in future.</p>
5.	Defence	<p>A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the fiscal 2018-19, the Ministry of Defence incurred an excess expenditure of ₹ 3841.33 crore under the Revenue-Voted section of Grant No. 20 – Defence Services. The excess expenditure under this Grant was the net effect of total excesses of ₹ 5849.97 crore and total savings of ₹ 1334.12 crore. The Committee are perturbed to know that excess expenditure of ₹ 3841.33 crore under Revenue-Voted section of this Grant was incurred despite obtaining Supplementary Grant of ₹ 2803.97 crore, which is 136.99 percent of the Supplementary Grants. Another disquieting feature observed by the Committee is that despite incurring excess expenditure under this Grant the Ministry of Defence have surrendered ₹ 674.53 crore during the year 2018-19. Thus, the Committee feel that operation of this Grant by the Ministry of Defence is not being down conducive. The Committee are disappointed to know that during the year 2017-18 also the Ministry of Defence incurred excess expenditure of ₹ 3391.93 crore under this Grant. However, it appears that no measures towards betterment of the operation of this Grant seems to have been undertaken by the Ministry.</p> <p>According to Ministry of Defence, the excess expenditure under Revenue-Voted section of this Grant which is mainly under ‘Pay and Allowances’ as unavoidable due to the personnel in position and the excess under ‘Stores’ as including expenditure on items such as armaments, ammunition and spares and obligatory contractual</p>

		<p>payments. The Ministry of Defence have further submitted that though they had projected these additional requirements at the Budget Estimates and Supplementary Grants stage, the Ministry did not include these in the Demands for Grants made to Parliament. The Committee are not convinced with these reasons as attributable for incurring excess expenditure under this Grant as these do not fall under the category of 'Unforeseen' or 'Unanticipated' expenditure. Further, as regards non-inclusion of additional requirement of funds by the Ministry of Finance, the Committee desire to know the reasons for refusal as attributed by the Ministry of Finance on this count and action taken thereon by the Ministry of Defence to resolve the same. In the opinion of the Committee, if the additional requirements were genuine and factual, the Ministry of Defence should have timely approached the Ministry of Finance and convinced them to include those in the Demands for Grants made to Parliament. The Committee, therefore, desire to know the specific measures initiated by the Ministry of Defence to remedy the situation. The Committee have further been informed that in order to avoid excess expenditure under this Grant instructions have been issued from time to time to all concerned emphasizing the need to monitor progress of expenditure apart from projecting demands on factual basis depending on the actual requirements/obligations. The Committee are constrained to observe in this regard that instructions which are issued on the same lines year after year have had little effect on the estimating and disbursing authorities. Going by the persistent trend of excess expenditure under this Grant, the Committee feel that the fresh instructions may also meet the same fate as those of the past unless some concrete measures are taken to ensure effective implementation. The Committee, therefore, urge the Ministry of Defence to critically examine the specific steps taken towards implementation of the instructions and identify additional measures to contain/curtail the recurring phenomenon of excess expenditure under this Grant.</p>
6.	Defence	<p>During the financial year under review, the Ministry of Defence incurred an excess expenditure of ₹ 1257.29 crore under capital voted section of Grant No. 21 – Capital outlay on Defence Services. The Committee's examination of the matter has revealed that under this section of Grant No. 21, the Ministry of Defence had not obtained any Supplementary Grant. The excess expenditure under this Grant was primarily due to release of payments for Committed Liabilities and Planned New Schemes; additional payment towards Cabinet Committee on Security approved contract for Advanced Light Helicopter (ALH); payment of Component Level Repair for T-90 tanks to Russia; progress of Rohtang Tunnel and CSG Roads; obligatory contractual payments for new ship building contracts; strategic infrastructure projects, etc. The Committee are of the view that these cannot be termed as compelling reasons for incurring excess expenditure as many of these could have been anticipated in advance and factored into at the time of finalization of Budget</p>

		<p><b>Estimates/Supplementary Grants.</b> The Committee note that incurring of excess expenditure by the Ministry of Defence under this Grant is a recurring phenomenon despite repeatedly being pointed out and recommended upon by the Committee, as well as the instructions issued by Ministry of Finance and the Ministry of Defence. The Ministry of Defence also incurred excess expenditure of ₹ 104.55 crore during the year 2016-17 and ₹ 3552.72 crore during the year 2017-18. The Committee wonder as to why the Ministry which is responsible for the Defence of the country has not been successful in streamlining their budgetary process over the year.</p> <p>The Committee are concerned to note that as in the past, the Ministry of Defence have merely re-circulated their instructions emphasizing the need to monitor progress of expenditure instead of taking any concrete measures towards improving their budgetary as well as monitoring processes so as to check such incidents. Only last year, while highlighting the aspect of excess expenditure under this Grant, the Committee in para 8 of the 24th Report (17th Lok Sabha) had recommended that instead of repeatedly issuing instructions for controlling excess expenditure, the Ministry should introduce progressive and effective methods of budgetary control. The Committee had also urged that the Ministry of Defence should adopt the good practices followed by other Ministries/Departments and stride towards reporting a 'nil' Report on excess expenditure under this Grant in future. While reiterating their earlier recommendation, the Committee once again emphasize upon the Ministry of Defence to overhaul their prevailing expenditure review mechanism so that recurring excess expenditure under this Grant is avoided altogether. The Committee would like to be apprised of the specific additional corrective measures taken by the Ministry in this direction.</p>
7.	Railways	<p>The Committee note that during the fiscal year 2018-19, there was an excess expenditure of ₹ 105.74 crore incurred under Capital-Charged section of Grant No. 80 operated by Ministry of Railways. Scrutiny of this Grant revealed that under Major Head 5002 and 5003 – Assets – Acquisition, Construction and replacement, charged Appropriation of ₹ 167.46 crore was obtained at the Budget Estimate stage for payment towards settlement satisfaction of Court decrees. The Committee are concerned to note that the excess expenditure under this Grant was incurred despite obtaining Supplementary Grant of ₹ 191.65 crore for decretal payments not anticipated earlier. The Committee had also observed that the Ministry of Railways had not incurred any excess expenditure during the year 2017-18, yet, during the year 2018-19 despite obtaining Supplementary Grants excess expenditure was incurred. Thus, remedial measures need to be taken to avoid instances of excess expenditure despite obtaining Supplementary Grants. The Committee are concerned over such a state of affairs and recommend that the Ministry of Railways should thrive towards realistically assessing their requirement of funds even at the Supplementary Grant</p>

		stage, which can be obtained three times in a year, and thereby avoid excess expenditure, as far as possible.
8.	Finance (Economic Affairs) and Defence	<p>Surrendering of funds is yet another indication of bad budgeting. The General Financial Rules (GFR) clearly stipulate that the portion of a Grant or Appropriation not utilized by the spending Ministries/Departments has to be communicated to the Ministry of Finance for its reallocation elsewhere. The Committee are constrained to observe that during the year 2018-19 in excess registering Grants i.e. Grant No. 20 – Defence Services and Grant No. 21 – Capital outlay on Defence Services, to the tune of ₹ 674.53 crore and ₹ 97.42 crore respectively were surrendered though there are no provisions for surrender under these Grants. The Committee are of the view that this reflects on the adequacy of coordination and information accounting system and is also indicative of collective failure on the part of programme division and Budget Controlling Authorities in the Ministry of Defence. Considering the fact that the same position prevailed during the year 2017-18, the Committee, in their 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had expected the Ministry of Defence to introspect on the adequacy of their extant financial arrangements and devise some concrete ways and means in consultation with the High Level Committee constituted to identify the loopholes in the budgeting procedure, as well as the Ministry of Finance to overhaul their budgeting mechanism so as to bringing continual and progressive improvement in the operation of the Grants in future. However, no improvement has been made in the Ministry of Defence in this connection. The Committee, while reiterating their earlier recommendation, once again emphasize upon the Ministry of Defence to devise suitable and effective measures with a view to removing inherent defects in the existing system. The Committee would like to be apprised of the steps taken in this regard.</p>
9.	Housing and Urban Affairs, Finance (Economic Affairs), Defence and Railways	<p>Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 12 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.</p>