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

[Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 24th Report (17th Lok Sabha)]

PUBLIC ACCOUNTS COMMITTEE
(2021-22)

FIFTIETH REPORT

SEVENTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2278

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Presented to Lok Sabha on: 05/04/2022

Laid in Rajya Sabha on: 05/04/2022

LOK SABHA SECRETARIAT
NEW DELHI

March, 2022 /Chaitra, 1944 (Saka)

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Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

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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*
9. Shri Rahul Ramesh Shewale
10. Shri Gowdar Mallikarjunappa Siddeshwara†
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‡
22. Dr. Sudhanshu Trivedi§

SECRETARIAT

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri Surya Ranjan Mishra - Director
3. Smt. Anju Kukreja - Deputy Secretary
4. Shri Ashikho Alemo - Assistant Committee Officer

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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 this Fiftieth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Twenty-fourth Report (Seventeenth Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2017-18)" relating to various Ministries/Departments.

2. The Twenty-fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 9th February, 2021. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Fiftieth Report at their Sitting held on 28th March, 2022. Minutes of the Sitting are given at Appendix I.

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

4. The Committee 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.

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

NEW DELHI;
31 **March, 2022**
10 **Chaitra, 1944 (*Saka*)**

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

CHAPTER – I

INTRODUCTORY

1. This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their 24th Report (17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2017-18)".

2. The 24th Report (17th Lok Sabha) of PAC, which was presented to Lok Sabha/Laid in Rajya Sabha on 09.02.2021 contained nine Observations and Recommendations. The Action Taken Notes in respect of all the Observations/Recommendations have been received from the concerned Ministries/Departments and are broadly categorised as under:

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

   Para Nos. 1-9 Total – 9
   Chapter – II

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

   Para No. – NIL Total – NIL
   Chapter – III

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

   Para No. – NIL Total – NIL
   Chapter – IV

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

   Para No. – NIL Total – NIL
   Chapter – V

3. The Action Taken Notes furnished by the concerned Ministries/Departments on the Observations/Recommendations of the Committee contained in the Report have been reproduced in the relevant chapters of this Report.

In the succeeding Paragraphs, the Committee deal with the action taken by the Government on some of their Recommendations.

A. Incurring of Excess Expenditure/Recurring Excess Expenditure during 2017-18

(Recommendation Para Nos. 1 and 2)

4. The Committee found from the scrutiny of Appropriation Accounts relating to Civil, Defence, Postal Services and Railways for the year 2017-18 that there was an excess expenditure of ₹ 99,610.31 crore incurred in five cases under four Grants/Appropriations. The Committee noted that the bulk of excess expenditure incurred was on the Civil side amounting to ₹ 92,461.31 crore out of which ₹ 92,333.69 crore was under Grant No-38- 'Repayment of Debt' alone, operated by Ministry of Finance (Department of Expenditure). Three cases under two Grants operated by Ministry of Defence contributed to an overall excess of ₹7149.00 crore, out of which Grant No.-20-'Defence Services' and Grant No.-21-'Capital Outlay on Defence Services' (Capital-Voted) incurred excess expenditure of more than ₹ 3000 crore.

While observing that the incidence of excess expenditure of such a high magnitude is least justifiable given the provision for obtaining Supplementary Grants three times in a financial year, the Committee in Para 1 of 24th Report (17th Lok Sabha) desired that such a failure arising out of want of essential alacrity in the budget provisions, negligence on the part of budget controlling authorities to monitor the flow of excess expenditure throughout the year and failure on their part to observe the General Financial Rules should be dealt with strictly, so as to ensure avoidance of excess expenditure of such magnitude in future. From the Action Taken Notes furnished by the Ministry of Finance (Department of Economic Affairs) on the recommendations contained in previous Reports of PAC, the Committee noted that the National Institute of Financial Management (NIFM) have submitted their Report on the study undertaken by them on the trend and causes of excess expenditure, and recommendations made by the Institute are being studied in the Ministry of Finance (Department of Economic Affairs).

The Committee, therefore, expected that the recommendations as given by NIFM be implemented at the earliest and ways and means suggested by them to contain the excess expenditure are observed by all the Ministries/Departments, so that incurring expenditure in excess of the budgeted amounts is altogether eliminated in future.

(Recommendation Para No. 1)

5. Scrutiny of excess expenditure incurred during the last ten years revealed that the Civil Ministries/Departments have been incurring large amount of Excess Expenditures continuously during the last 10 fiscals. From the scrutiny of Grants/Appropriations, the Committee were appalled to note that Appropriation – Repayment of Debt operated by the Ministry of Finance (Department of Economic Affairs) and Grant – Capital outlay on Defence Services operated by Ministry of Defence recurringly incurred huge amount of excess expenditure during the years 2016-17 and 2017-18. While observing that no sincere efforts have been made by these Ministries towards implementation of a strong mechanism to curb this recurring phenomenon, the Committee in Para No. 2 had recommended that the Government should earnestly undertake case studies of instances where excess expenditure had persistently exceeded the budgetary allocations and strengthen the extant mechanism of budgetary control so as to effectively check the unabated trend of excess expenditure in future.

(Recommendation Para No. 2)

6. The Ministry of Finance (Department of Economic Affairs) in their Action Taken Notes on both the above said recommendations stated as under:

I. "National Institute of Financial Management (NIFM) has submitted its report on the study assigned to it. Excess expenditure incurred by various Ministries/Departments during the period 2000-01 to 2017-18 has been analyzed in detail. The report has also brought out findings from Desk Study on excess expenditure in (i) Australia (ii) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom.

II. NIFM made the following 12 recommendations for an informed system of Budgeting and Expenditure Control:

(i) **Recommendation-1:** Ensure that there exists a networked System which has up-to-date information on budget allocation and re-appropriation, and does not permit passing of bills which may lead to excess over budget provision.

(ii) **Recommendation-2:** Institute a new Centralised Monitoring System for all Grants/Appropriations (Civil, Defence, Railways, and Postal Services) which maintains data on budgetary allocation and expenditure update on a monthly/fortnightly basis.

(iii) **Recommendation-3:** Reduce the number of Supplementary Budgets to one, such that Departments give due seriousness to estimating their budgetary requirement.

(iv) **Recommendation-4:** Increase accountability of Chief Accounting Authority (CAA) for budgetary control beyond that stipulated in Rule-70 of GFRs-2017 by imposing suitable cost on CAA as well as on the Integrated Finance Division headed by JS/AS(FA) and Controller/Chief Controller of Accounts.

(v) **Recommendation-5:** Redefine Unit of Appropriation to a level higher than the current level of Object Head. The Unit of Appropriation may be set at a level delinked from the current Chart of Account, more closely aligned with the policy objective governing the expenditure, and at a level even higher than the Major Head as per need.

(vi) **Recommendation-6:** Demand for Grants may be prepared at the revised 'Unit of Appropriation' level and not at Grant + Major Head level as is currently being done. The revised Unit of Appropriation may be set at a level such that there is greater Parliamentary oversight, and at the same time, increased flexibility in the hands of the executive in meeting the programme objectives approved by the Parliament

(vii) **Recommendation-7:** Align the powers of Re-Appropriation with the revised 'Unit of Appropriation' with additional conditions. These conditions at a minimum to include the following: 1) No movement of budgetary allocation between Revenue and Capital 2) No movement of budgetary allocation between Revenue and Charged, 3) No transfer of funds form Programme/Scheme to Establishment expenditure.

(viii) **Recommendation-8:** Revise definition of 'Services', 'New Services' and 'New- Instruments of Services' such that there is greater flexibility in Budget Re-Appropriation. Presently, the term 'Service' is understood to be operating at a very low (detailed) level, which prevents flexibility in spending and reallocation budget within the overall authorization given by the Parliament.

(ix) **Recommendation-9:** Medium Term Expenditure Framework may be additionally used for setting multi-year spending limits for certain categories of Department's expenditure. Different Departments have different spending profiles in keeping with their different mandates. Accordingly, the proportion of items of expenditure which are within the Department's control may be identified (Categorised as DEL or Departmental Expenditure Limit) vis-a-vis items of expenditure which are demand-led and volatile, and thus not amenable to long term forecast of projection (Categorised as AME or Annually Managed Expenditure). A hard, multi-year spending limit may thus be set for each department at the level of Grant, for the 'DEL' category of expenditure. Only the AME portion of expenditure of the Department may be annually debated and voted by the Parliament, thereby providing greater time for Parliamentary scrutiny, and at the same leading to better adherence to the Fiscal Deficit targets set by the Union Government.

(x) **Recommendation-10:** Categorise charged Expenditure as Standing Appropriations, with a separate long term (multi-year) authorization from Parliament and not subject them to annual authorization. By definition — Charged expenditure is not voted by the Parliament. The Constitution specifies the types of expenditure that would be Charged on the Consolidated Fund of India. The approval of the Parliament for Charged expenditure may be taken in a single multi-year or Standing/Permanent Appropriation. The Budget would then include estimates of Charged expenditure for the current year, shown against each Department, but an excess above this amount would not call for a separate authorisation by the Parliament, as it would be covered by the standing appropriation.

(xi) **Recommendation-11:** Institute standing appropriations (multi-year budget allocations) in keeping with natural expenditure cycle of the project/scheme, initially for Capital projects. This can later be extended to the larger schemes of Govt. of India.

(xii) **Recommendation-12:** A simpler Chart of Accounts may be devised (to replace LMMHA) modelled on international good practices. The current chart of accounts— List of Major and Minor Head of Accounts and the associated 15-digit classification, is not easily linked to the various welfare programme and activities undertaken by the Government. The existing List of Major and Minor head of accounts may be replaced by a simpler chart of Accounts which would lead to greater transparency in budgeting and reporting of expenditure.

III. The Ministry of Finance (Department of Economic Affairs) further mentioned that a meeting was held under the Chairmanship of Secretary, Department of Economic Affairs on 14.7.2021 to discuss the issues for control of excess expenditure with Ministry of Railways, Ministry of Defence, Department of Posts where excess expenditure was recurrently occurred. These Ministries/Departments were impressed upon that endeavour should be made that there will be no instance of excess expenditure in FY 2021-2022 and the efforts should be a collective responsibility. It was also emphasized that Public Financial Management System (PFMS) may be used wherever the system has not been adopted for avoiding the excess expenditure.

IV. The participating Ministries/Departments viz. Ministry of Defence, Ministry of Railways, and Department of Posts have furnished their feedback, as detailed below, subsequent to the said meeting:

Ministry of Defence —

(a) One of the major reasons of excess expenditure has been payments through Letters of Credit (LC) to meet foreign contractual obligation where there is a time gap between the payments made by the banks and receipt and adjustments of scrolls by the Services/Payment Controllers. Concurrent monitoring of LC based payments is being done at each stage now towards avoiding excess expenditure;

(b) All the budget holders have been advised to make realistic assessment of Committed Liabilities/projected outgo and available resources for fresh contracts;

(c) All the budget holders are regularly being sensitized on adhering to monthly and quarterly expenditure plans;

(d) A decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. The Defence instance of PFMS has been named PRABAL — PFMS Raksha Aaharan aur Lekhaankan. Coding and Development work on the proposed modules of PRABAL has started;

(e) In order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The system entails creation of an integrated data base giving the complete details of pensioner with a view to disburse the pension payment, monitoring of pension budget and accounting the disbursement of pension on real time basis;

Ministry of Railways -

(f) Railways use a robust IT platform Integrated Payroll and Accounting System — IPAS for its accounting purpose, where budget and expenditure against it is monitored on real time basis. The data is also updated in PFMS through a web service on dai y basis;

(g) With the merger of Rail Budget with General Budget and consequent reduction of number of demands from 16 to 1 instances of excess expenditure have reduced.

Department of Posts —

(h) The Postal Accounts Offices authorize postal pension/family pension using a special software developed for this purpose wherein all the details of pensions are available and the software is a central server based. Concurrent audit of pension vouchers/payments is being done by Postal Audit on prescribed intervals. Data is also updated as and when revision occurs. Department is also in the process of rolling out Exit Management module of ERP wherein end to end process of CCS (Pension) Rules are inbuilt.

V. The Department of Economic Affairs further stated that the following are the steps/action taken on the recommendations made by National Institute of

Financial Management (NIFM) in its report on 'Study of Excess Expenditure over Budget':

(i) Recommendations 1 and 2 are for establishing a networked system and instituting a new Centralized Monitoring System. It may be mentioned that Public Finance Management System (PFMS) is a well-defined networked system, which has improved effectiveness, economy in public finance management through better cash management, ensuring transparency in public expenditure, real-time information on resource availability and utilisation across schemes. PFMS checks expenditure against budget provision. PFMS has been implemented in all Ministries/Departments except Railways, Posts and Defence. In case of other Ministries/Departments which are not covered under PFMS, the systems in operations under their control are being integrated with PFMS for maintaining data on daily basis. Pending adoption of PFMS, Department of Posts and Ministry of Railways have automated the flow for monthly expenditure into PFMS and head-wise summary figures are also incorporated in PFMS without manual intervention. This was completed in 2019. Ministry of Railways is currently having the Accounting Information Management System (AIMS) as centralised monitoring system;

(ii) Ministry of Defence currently has a computerised All India Compilation System to capture receipts and expenditure and also for monitoring the same as per budgetary allocation. Further, Ministry of Defence has successfully consolidated the accounts on PFMS since mid 2019. There has also been a development for adoption of PFMS by Ministry of Defence, which has been modified to have a new parallel (PRABAL) and PFMS-integrated system being developed for Ministry of Defence;

(iii) As for reduction of number of supplementary budget (Recommendation 3), it may be stated that Article 115 of the Constitution provides for seeking Supplementary Demands if the amount authorized by Parliament is found insufficient or a need has arisen for new service. Number of Supplementary Demands for Grants in a year have not been prescribed, though generally three Supplementary Demands are laid before the Parliament during Monsoon, Winter and Budget Sessions of Parliament;

(iv) While the provisions of Supplementary Demands as a tool for the Government for meeting expenditure on urgent, unforeseen new services/new instrument of services are necessary, restricting the number of Supplementary Demands for Grants to one is not advisable. However, considering the immediate requirement of funds for emergent situations, Government has increased the corpus of the Contingency Fund of India from ₹ 500 crore to ₹30,000 crore in 2021-2022;

(v) As regards increasing the accountability of Chief Accounting Authority, enabling provisions exists for Chief Accounting Authority to act on budgetary control as stipulated in Rule 70 of General Financial Rules, 2017. Department of Expenditure has also been impressing upon Grant controlling authorities to take all measures to ensure proper planning and monitoring of expenditure for curtailment of excess expenditure;

(vi) Recommendation 5 to 8: It may be mentioned that new multi-dimensional Chart of Account Is under consideration. A Committee constituted for this purpose suggested seven mutually exclusive segments to capture information relation to financial transactions. The seven mutually exclusive segments are — (a) Administrative Unit (b) Function (c) Programme and Scheme segment (d) Target segment (e) Recipient segment (f) Economic Segment (g) Geographic segment. The proposed re-classification is expected to provide financial reporting at both micro and macro levels for various stakeholders and bring more transparency and accountability. Considering the wide scope of the recommendations of the Committee, a feasibility group has been constituted to study the system of revised Chart of Accounts vis-a-vis the current system of accounting operative in Centre and States with a view to (a) help develop common understanding regarding implementation of the revised Chart of Accounts (b) examine the possibility of generating Annual Financial Statement and Demands for Grants from the Statement of Budget Estimates in the proposed revised classification structure (c) suggest solution to the identification mechanism -in the existing system of classification, the numeric code of the Major Head identifies the nature of receipts or expenditure or the nature of expenditure as revenue or capital —which is absent in the proposed system of classification. The last tier of classification viz. object heads are proposed as determinant in the revised system of classification for identification of expenditure as to whether they are revenue or capital and (d) suggest roadmap for taking forward the process of implementation of the revised Chart of Accounts. Thus, the recommendations of NIFM regarding redefining the Unit of Appropriation and aligning the powers of re-appropriation, revision of 'New Service'/'New Instrument of Service' are expected to be addressed when the new chart of accounts is implemented;

(vii) Recommendation 9 is for using the Medium-Term Expenditure Framework for setting multi-year spending limits for certain categories of Department's expenditure. Section 3 of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the Government to lay the Medium-Term Expenditure Framework (MTEF) Statement in both Houses of Parliament. The MTEF Statement sets a three-year roiling target for the expenditure indicators. It includes an estimate of expenditure commitments with demand-wise sectional classification (Revenue and Capital), and expenditure projections for certain schemes of the Government. The MTEF projections for a department provide the fixed goal post in the medium term. However, Article 114 of the Constitution provides that a separate appropriation needs to be obtained from the Parliament for expenditure;

(viii) Recommendations 10 and 11 are for categorising charged Expenditure as Standing Appropriations, with a separate long term (multi-year) authorization from Parliament and not subject them to annual authorization require careful consideration. This recommendation is against the constitutional provisions enshrined in Articles 113 and 114 of the Constitution of India. The Statement laid before Parliament in terms of Article 112 ofthe Constitution of Indiais Annual Financial Statement. Therefore, this recommendation for multi-year appropriation is not as per the spirit of the Constitution;

(ix) Recommendation 12 is for replacing the existing List of Major and Minor head of accounts by a simpler chart of Accounts which would lead to greater transparency in budgeting and reporting of expenditure. It may be stated that a feasibility group has been constituted to study the revised system of classification. This has been amplified in paragraph (i) above.

VI. The course of 'Action Taken' has the approval of High Level Inter-Ministerial Group, constituted under the Chairmanship of Cabinet Secretary to examine the issues of excess expenditure by Ministries/Departments as recommended by Public Accounts Committee".

7. During the course of vetting of abovesaid Action Taken Notes, the Office of C&AG of India made the following comments:

"(a) The integrated financial network like PFMS, PRABAL in Defence and SPARSH for defence pensions may be integrated;

(b) PFMS portal may be improved to arrest excess expenditure;

(c) On the payment of pensions/family pension in the Department of Posts, mapping of expenditure and allocation may be made in such a way that monitoring and reconciliation is done smoothly to avoid any instance of excess expenditure;

(d) Timelines for implementation of PFMS for Railway, Defence and Posts may be indicated;

(e) Due diligence may be exercised while framing budget estimates to avoid requirements of supplementary in later stages;

(f) Regarding NIFM's recommendations on using the Medium-Term Expenditure Framework for using multi-year spending, Ministry may submit revised reply to PAC; and

(g) NIFM recommendations, suitable for implementation, may be adopted on priority."

8. In response to the vetting comments of Audit, the Ministry of Finance (Department of Economic Affairs) stated as under:

"(a) The views/concerns expressed by Audit have already been addressed adequately in this Ministry's response. For example, PFMS like integrated and customised financial network are already in place in Ministry of Defence (PFMS Raksha Aaharan aur Lekhaankan - PRABAL), Ministry of Railways (Accounting Information Management System), etc. Integration of department-specific customised financial system with PFMS is a constant endeavour of the Government;

(b) While Medium Term Expenditure Framework (MTEF) can be used for multi-year spending in a limited manner, the constraints and practicality of this recommendation is already explained in paragraph 6(vii) of the Note;

(c) Recommendations of NIFM, which are partly in practice and are implementable and their constraints in implementation are brought out in paragraph 6 of the Note."

9. The Committee note that in pursuance of their recommendations to contain the excess expenditure, the National Institute of Financial Management (NIFM) undertook a study on the trend and causes of excess expenditure incurred by various Ministries/Departments during the period 2000-01 to 2017-18. The Report as submitted by NIFM has also brought out findings from Desk Study on excess expenditure in (i) Australia, (ii) Canada, (iii) Republic of Ireland, (iv) New Zealand and (v) United Kingdom. The Committee have been apprised by the Ministry of Finance (Department of Economic Affairs) that NIFM made 12 recommendations for an informed system of Budgeting and Expenditure Control. The recommendations of NIFM *inter-alia* include viz (a) to ensure existence of networked system having up-to-date information on budget allocation and reappropriation and does not permit passing of those bills which may lead to incurring of excess expenditure, (b) to institute a Centralised Monitoring System for all Grants/Appropriations having data of budgetary allocation and expenditure updated on a monthly/fortnightly basis, (c) reduce the number of Supplementary Budgets to one, such that Departments give due seriousness to estimating their budgetary requirement (d) to increase accountability of Chief Accounting Authority (CAA) and imposing of suitable cost on CAA as well as on the Integrated Finance Division headed by JS/AS (FA) and Controller/Chief Controller of Accounts, (e) to redefine Unit of Appropriation to a level higher than the current level of Object-Head, (f) DFGs may be prepared at the revised 'Unit of Appropriation' level and not at Major Head level, (g) Powers of Re-appropriations may be aligned with the revised 'Unit of Appropriation' with some additional conditions *vis-à-vis* (i) No movement of budgetary allocation between Revenue and Capital (ii) No movement of budgetary allocation between Revenue and Charged (iii) No transfer of funds from Programme/Scheme to establishment expenditure, (h) definition of 'Services', and New Instruments of Services may be revised to attain the greater flexibility in Budget Re-Appropriation, (i) Medium-Term Expenditure Framework may be additionally used for setting multi-year spending limits for certain categories of Department's expenditure, (j) Charged Expenditure may be categorised as standing Appropriations with a separate long term (multi-

year) authorisation from Parliament and not subject them to annual authorisation, (k) to institute standing Appropriations (Multi-year budget allocations) in keeping with natural expenditure cycle of the project/scheme, initially for Capital projects which can later be extended to the larger schemes of Government of India and, (l) the existing List of Major and Minor head of accounts may be replaced by a simpler Chart of Accounts.

As regards the Action Taken on the recommendations of NIFM at Para (i) & (ii) above, the Ministry of Finance (Department of Economic Affairs) informed the Committee that Public Finance Management System (PFMS) as constituted by them and followed by several Ministries/Departments is a well-defined network system for keeping check on expenditure against budget provision. According to the Ministry, PFMS has been implemented in all Ministries/Departments except Railways, Posts and Defence. In case of other Ministries/ Departments which are not covered under PFMS, the systems in operation under their control are being integrated with PFMS for maintaining data on daily basis. While appreciating the efforts of the Ministry of Finance (Department of Economic Affairs) for implementing PFMS in various Ministries/Departments, which has improved effectiveness, economy in Public Finance Management through better cash management, ensuring transparency in Public expenditure, real-time information on resource availability and utilisation across schemes, the availability and utilisation across schemes, the Committee would desire the Ministry of Finance (Department of Economic Affairs) to ensure that the system in operation in case of Ministries of Railways, Posts as well as the other Ministries, Departments which are not covered yet under PFMS are linked with PFMS at the earliest. A time-line in this regard may be prescribed for the said Ministries/Departments so as to complete the linking of their systems under PFMS within the prescribed time-line. The Committee would like to be informed of action taken on this within three months of the presentation of this Report to Parliament.

Further with regard to Action Taken by the Ministry of Finance (Department of Economic Affairs) on Recommendation No. 3 of NIFM regarding restricting the number of Supplementary Demands for Grants in a year, the Committee have been informed that reduction in number of Supplementary Grants is not advisable as the provision of Supplementary Demands is a tool for the Government for meeting urgent and unforeseen expenditure on New Services/New Instrument of Services. The Committee note that the Ministry of Finance (Department of Economic Affairs) are not in favour of only one Supplementary Grant as this will restrict expenditure on New Services/New Instruments of Services etc. The Committee are of the opinion that if Ministries/Departments work with prudence and New Services or Instruments can be planned and included in the budgetary/Supplementary Grant provision, the need for three Supplementary Grants in a year can be avoided. Ministries/Departments should give due seriousness to estimating their realistic and pragmatic budgetary requirements in advance at the Budget/Supplementary Grants stage and avoid the requirement of repeated Supplementary Grants. Necessary instructions in this regard may be issued to all concerned at the earliest. Further, the Committee also wish to point out that the increase in the corpus of the Contingency Fund of India from ₹ 500 crore to ₹30,000 crore in 2021-22, for meeting immediate requirement of funds for emergent situations will help in being of support in situations of uncertainty. The Committee are dismayed that incurring excess expenditure despite having recourse to Supplementary Grants on three occasions has become a repetitive phenomenon and the Ministry of Finance are unable to check its recurrence. The Committee are of the opinion that only when realistic projections are made by the Ministries/Departments in the budget as well as during the Supplementary Grants stage, incurring excess expenditure can be obviated and transparent financial practices can be established. The Committee would, therefore, like to emphasize that the recommendation made by NIFM in this regard should be taken in right spirit and due seriousness and necessary arrangements made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&AG and Controller General of Accounts.

The Committee note that recommendation No. 4 of the NIFM is regarding increasing the accountability of Chief Accounting Authority. Yet, the Ministry of Finance (Department of Economic Affairs) have merely stated that necessary provisions already exist in Rule 70 of General Financial Rules, 2017 and the Department of Expenditure has also been impressing upon Grant Controlling authorities to take all measures to ensure proper planning and monitoring of expenditure for curtailment of excess expenditure. The Committee are concerned that despite having the Rules/Provisions in this regard and the oft repeated measures taken by the Department of Expenditure the position of incurring excess expenditure has only worsened in the last 10-15 years, which is clearly indicative of the fact that extant rules are not fully effective and no sincere efforts have been made by the Government towards fixing accountability of Chief Accounting Authority. As incurring large amount of excess expenditure is a regular feature by various Ministries/Departments despite issuance of elaborate instructions by the Government in pursuance of the recommendations of the PAC for containing the excess expenditure to the barest minimum, the Committee strongly recommend that at least now, in pursuance of NIFM recommendations, necessary steps be taken to increase the accountability of Chief Accounting Authority with at view to curbing the tendency of incurring excess expenditure to the barest minimum, if not eliminating it altogether. The Committee, therefore, desire to be apprised with the specific measures initiated by the Ministry of Finance (Department of Economic Affairs) in this direction.

10. In their Action Taken Note on the Recommendation Para No. 1 of PAC given above, the Ministry of Defence stated as follows:

> "The recommendation made by the Committee has been noted for compliance. With regard to recommendation made by NIFM, it may be mentioned that the said Report has not been shared with this Ministry. Also, Ministry of Defence has not received any fresh instructions/guidelines based on the recommendations made by NIFM from Ministry of Finance. On receipt of fresh instructions from Ministry of Finance, necessary action will be taken accordingly."

11. **The Committee have been informed by the Ministry of Finance (Department of Economic Affairs) that all Ministries/Departments have**

been sensitised often to avoid excess expenditure. In this context, Committee feel perturbed to note that Ministry of Defence has not seen the NIFM Report and the Ministry of Finance have not given any instructions/guidelines based on the recommendations of NIFM and the Ministry is awaiting issue of the instructions. The Committee had emphasized on better coordination between Ministries. As incurring excess expenditure is a regular feature under Grants/Appropriations operated by Ministry of Defence, the Committee desire the Ministry of Finance (Department of Economic Affairs) to immediately share the Report of NIFM as well as the instructions issued for being followed in pursuance of the recommendations of NIFM to all the Ministries/Departments, particularly the Ministry of Defence, with a view to ensuring action is taken by them in order to streamline and strengthen their extant budgetary mechanism and thereby tighten the budgetary control and effectively check the trend of excess expenditure.

12. Further, in regard to Recommendation Para No.2 above, the Ministry of Defence in their Action Taken Notes stated as under:

> "In this regard, it is submitted that in High Level Committee (8th Meeting), which was held on 10th March 2021, the recommendation of the PAC was discussed with all the stakeholders. During the meeting, it was also emphasized that a realistic assessment of the committed liabilities and projected outgo during the year needs to be meticulously undertaken in order to keep the expenditure within the budgetary allocations. It was also decided that Army, Navy and Airforce will undertake few case studies of the Head of Accounts, where the excess expenditure had persistently been exceeded with respect to the allocated budgetary allocations and furnish their Report to this Ministry. The three Defence Services were also requested to ensure to bring down the instance of excess expenditure figures to zero. The study reports have been submitted by the services and is being examined by this Ministry. It is observed that the services are taking remedial steps to avoid the excess expenditure in future".

13. **The Committee further find that in pursuance of PAC's recommendation, the High-Level Committee constituted by Ministry of Defence held a meeting on 10th March, 2021 wherein it was decided that Army, Navy and Airforce will undertake case studies of the Head of Accounts where the excess expenditure has persistently been witnessed. According to Ministry of Defence, all the aforesaid services have submitted their reports, which are under examination of the Ministry. The Committee**

feel concerned to note from the scrutiny of excess expenditure during the last ten years (2009-10 to 2018-19) the Ministry of Defence is recurringly incurring huge amount of excess expenditure (except during the year 2015-16). Further, in the Defence Sector there have been instances where no excess expenditure has been witnessed under one particular Grant during a year, yet an excess expenditure of huge amount was witnessed under the Grant in the following year. The Committee, thus conclude that Ministry of Defence is still in the process of searching for ways and means to avoid recurring excess expenditure in the Grants/Appropriations operated by the Ministry. Previous efforts made in this direction have not yielded any desired results. The Committee, therefore, expect the Ministry of Defence to examine the Reports submitted by the Services at the earliest and inform the Committee of the Action Taken by these services to avoid excess expenditure in future.

B. <u>Excess Expenditure despite obtaining Supplementary Grants</u>

14. The Committee noted with concern that Supplementary Grant to the tune of ₹7,00,871.18 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments. In case of defence services, Supplementary Grant of ₹3,148.03 crore was obtained in three cases of two Grants operated by Ministry of Defence. The Committee were of the opinion that the instrument of obtaining Supplementary Grants was not operated judiciously by the Ministries of Finance and Defence during the year 2017-18. The Committee, therefore, expected that in future the Ministries of Finance and Defence would make all out efforts in arresting the surging trend of excess expenditure by proposing pragmatic figures of expenditure at the stage of Supplementary Grants. The Committee felt it imperative that the Ministry of Finance and Defence should devise an effective monitoring mechanism to keep close watch over the trend of expenditure throughout the year and when need for additional funds arises, they should realistically assess their requirement and approach Parliament for seeking Supplementary Grants in time.

(Recommendation Para No. 3)

15. In their Action Taken Note on aforesaid recommendation, the Ministry of Finance (Department of Economic Affairs) *inter-alia* stated as under:

"Ministry of Finance has taken several steps to contain the recurring excess expenditure in various Grants/Appropriations. A study has been got conducted from National Institute of Financial Management on recurring expenditure. In their Report NIFM made recommendations for an informed system of budgeting and expenditure control. The Ministry of Finance held discussions with Ministry of Railways, Ministry of Defence and Department of Posts and impressed on the need to contain the expenditure within the Appropriations approved by Parliament. It was also emphasized that Public Financial Management System (PFMS) may be used wherever the system has not been adopted for avoiding the excess expenditure."

16. While vetting the Action Taken Notes, Audit has made further comments which are detailed below:

"(a) Excess expenditure in spite of Supplementary Grants reflects poor budgetary control of the Ministry/Department. More effective measures need to be institutionalised to curb the excess expenditure; and
(b) NIFM Recommendations, suitable for implementation, may be adopted on priority."

17. In response to the vetting comments of Audit, the Ministry of Finance (Department of Economic Affairs) stated as under:

"All Ministries/Departments have been sensitized often to avoid excess expenditure. Discussions were held with Ministries of Defence, Railways and Department of Posts towards avoiding excess expenditure. Government is sensitive to the phenomenon of recurring excess expenditure."

18. As regards the Action Taken by the Ministry of Defence on the aforesaid recommendation, the Ministry stated as follows:

"Budgetary Allocations are made by the Services to various lower units/formations which also include those in remote areas. Towards more effective budgetary control, a decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. Initially, it was decided that PFMS, which is in operation in the Civil Ministries will be replicated for the Grants under Ministry of Defence. Subsequently, Pilot Run of PFMS commenced for Grant No 18: MoD Civil in 28 PAOs of MoD from 1.08.2020. During the pilot run it was observed that there are significant differences in the operation of Defence Grants and the Grant of other Civil Ministries due to which the present PFMS for Civil Ministries cannot be replicated for Grants under MoD. Therefore, it was decided that a separate instance/parallel chapter in PFMS, mirroring the PFMS for Civil Grants, will be created for Defence Grants by Controller General of Defence Accounts (CGDA) in consultation with Controller General of Accounts (CGA). Accordingly, all the Departments / Organizations under Defence Grants shall migrate to the proposed Defence Instance in PFMS. Evolutionary mode of software Development and simultaneous processing of Activities is being carried out with a view to expedite the project.

Similarly, in order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The System entails creation of an integrated data base giving the complete details of a pensioner beginning with personal and family details, service history, pay particulars, pension sanction and subsequent revision along with payments made (and deductions there from, if any) and a computerized application for sanction, revision and disbursement of pension by a single agency. The System has been rolled out for Air Force, Navy and Defence Civilian Organizations viz. Defence Accounts Department, JS (Trg) & CAO, DGDE, Coast Guard and OFB. Software Development for migration of legacy pensioners is under process. Test run for 7th CPC Legacy Pensioners of CPDS, DPDOs and 7 banks is underway and pension for July 2021 of these pensioners will be disbursed through SPARSH. This system will ensure monitoring of Pension budget and bookings on a real time basis."

19. **The Committee are again concerned to note that in response to the recommendation of NIFM, the Ministry of Finance (Department of Economic Affairs) stated that they had impressed upon the Ministry of Railways, Ministry of Defence and Department of Posts to use the Public Financial Management System (PFMS) for avoiding excess expenditure. In view of the steps taken in this regard, the Ministry of Defence apprised the Committee that keeping in view the significant differences in the operation of Defence Grants and the Grants operated by other Civil Ministries, they had decided to create a separate instance/parallel chapter in PFMS, mirroring the PFMS for Civil Grants by Controller General of Defence Accounts (CGDA) in consultation with Controller General of Accounts (CGA). Towards this end an evolutionary mode of Software Development and simultaneous processing of activities is being carried out with a view to expedite the project. Since, in view of the Ministry of Finance (Department of Economic Affairs), the introduction of PFMS has improved effectiveness, economy in public finance management through better cash management, ensuring**

transparency in public expenditure, it also checks expenditure against budget provision, the Committee desire to be apprised of the present status in developing the software to monitor Defence Grants and impressed upon the Ministry of Defence to complete the project at the earliest.

The Ministry of Defence had also informed the Committee that an e-Pension System named SPARSH has been introduced to monitor Defence Pensions related expenditure. The System has been rolled out for Air Force, Navy and Defence Civilian Organizations viz. Defence Accounts Department, JS (Trg.) & CAO, DGDE, Coast Guard and OFB. The Committee note that Software Development for migration of legacy pensioners was under process and Test run for 7th CPC Legacy Pensioners of CPDS, DPDOs and 7 banks was underway and pension for July 2021 of these pensioners was to be disbursed through SPARSH. The Committee desire to be apprised of the present status of developing and rolling out the software for migration of legacy pensioners and exhort the Ministry to expedite the process of covering all Defence Pensioners under SPARSH.

NEW DELHI;
March, 2022
Chaitra, 1944 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

The Committee find from the scrutiny of Appropriation Accounts relating to Civil, Defence,-Postal Services and Railways for the year 2017-18 that there was an excess expenditure of ₹ 99610.31 crore incurred in five cases under four Grants/Appropriations. The Committee note that as in the previous year, the bulk of excess expenditure incurred was on the Civil side amounting to ₹92461.31 crore out of the which ₹92333.69 crore was under Grant No.-28- 'Repayment of Debt' alone, operated by Ministry of Finance, (Department of Economic Affairs), followed by ₹127.62 crore under Grant No.39-'Pensions' which is again operated by Ministry of Finance (Department of Expenditure). Three cases under two Grants operated by Ministry of Defence contributed to an overall excess of ₹7149.00 crore, out of which Grant No.20- 'Defence Services' and Grant No.-21- 'Capital Outlay on Defence Services' (Capital-Voted) incurred excess expenditure of more than ₹3000 crore. The Committee are however, pleased to note that no excess expenditure was incurred by the Department of Posts and Ministry of Railways during the year under review. An analysis of the reasons for excess expenditure during 2017-18 indicate that lack of proper monitoring of the progress of expenditure, inadequate review and analysis of the financial requirement and non-observance of the prescribed financial rules were the main contributory factors towards excess expenditure of such a high magnitude during the year under review. This only serves to reinforce the Committee's of repeated observations that adequate and serious attention was not being paid by these Ministries to the implementation of the Committee's recommendations. The incidence of excess expenditure of such a huge magnitude is least justifiable given the provision for obtaining Supplementary Grants three times in a financial year. The Committee desire that such a failure arising out of want of essential alacrity in the budget provisions, negligence on the part of budget controlling authorities to monitor the flow of excess expenditure throughout the year and failure on their part to observe the General Financial Rules should be dealt with strictly, so as to ensure avoidance of excess expenditure of such magnitude in future. The Committee note from the action taken notes furnished by the Ministry of Finance (Department of Economic Affairs) on the recommendations contained in their previous Report that the National Institute of Financial Management (NIFM) have submitted their report on the study undertaken by them on the trend and causes of excess expenditure, and recommendations made by the Institute are being studied in the Ministry of Finance (Department of Economic Affairs). The Committee expect that the recommendations as given by NIFM be implemented at the earliest and ways and means suggested by them to contain the excess expenditure are observed by all the Ministries/Departments, so that incurring expenditure in excess of the budgeted amounts is altogether eliminated in future.

[Para No. 1]

Action taken by the Ministry of Defence

The recommendation made by the Committee has been noted for compliance. With regard to recommendation made by NIFM, it may be mentioned that the said report has not been shared with this Ministry. Also, Ministry of Defence has not received any fresh instructions/guidelines based on the recommendations made by NIFM from Ministry of Finance. On receipt of fresh instructions from Ministry of Finance, necessary action will be taken accordingly.

Observation/ Recommendation

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

[Para No.2]

Action taken by the Ministry of Finance (Department of Expenditure)

A list of grants (copy enclosed) in which excess has happened in last 10 years has been reviewed for Civil Ministries. The number of Grants in which excess expenditure has occurred has come down to just one in 2018-19 and with a small amount of ₹ 22.43 lakhs under Charged category as compared to more than ₹ 90, 000 crore in previous year. Therefore, excess expenditure has come down to negligible amount due to better monitoring.

2. Excess expenditure had occurred in Defence Pension in all the years from 2009-10 to 2017-18, but the same has been obviated in 2018-19 due to strengthening of monitoring and budgetary control. Also, Repayment of Debt which had excess in last two years was also within the Appropriation provided in 2018-19.

Therefore, monitoring mechanism has helped in reducing the excess in Appropriation provided by Parliament and has led to better financial discipline.

3. Further instructions to watch over the excess expenditure has been issued vide OM NO. G.25018/CGA-AA/PAC/2020-21/794 dated 16.12.2021 (copy enclosed).

4. This Action Taken Note has been vetted by Office of the C&AG of India vide their Letter No. समन्वय/फा-323/ATN/ATR/EN/2020-21/419 dated 12.10.2021.

Action taken by the Ministry of Defence

In this regard, it is submitted that in High Level Committee (8th Meeting), which was held on 10th March, 2021, the above observation and recommendation of the PAC were discussed with all the stake holders. During the meeting it was also emphasised that a realistic assessment of the Committed liabilities and projected outgo during the year needs to be meticulously undertaken in order to keep the expenditure within the budgetary allocations. As per deliberations held, it was also decided that Army, Navy and Air Force will undertake few case studies of the Head of accounts, where the excess expenditure had persistenly been exceeded with respect to the allocated budgetary allocations and furnish their report to this Ministry. The three Defence Services were also requested to ensure to bring down the instance of excess expenditure figures to zero. The study reports have been submitted by the Services and is being examined by this Ministry. It is observed that the Services are taking remedial steps to avoid the excess expenditure in future.

Action Taken by Ministry of Finance (Department of Economic Affairs) on Recommendation Para Nos.1 & 2

The observations/recommendations of Public Accounts Committee have been noted.

2. National Institute of Financial Management (NIFM) has submitted its report on the study assigned to it. Excess expenditure incurred by various Ministries/Departments during the period 2000-01 to 2017-18 has been analyzed in detail. The report has also brought out findings from Desk Study on excess expenditure in (i) Australia (b) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom. The Report also made recommendations for an informed system of Budgeting and Expenditure Control.

3. NIFM made the following 12 recommendations for an informed system of Budgeting and Expenditure Control:

(i) **Recommendation-1:** Ensure that there exists a networked System which has up-to-date information on budget allocation and re-appropriation, and does not permit passing of bills which may lead to excess over budget provision.

(ii) **Recommendation-2:** Institute a new Centralised Monitoring System for all Grants/Appropriations (Civil, Defence, Railways, and Postal Services) which maintains data on budgetary allocation and expenditure update on a monthly/fortnightly basis.

(iii) **Recommendation-3:** Reduce the number of Supplementary Budgets to one, such that Departments give due seriousness to estimating their budgetary requirement.

(iv) **Recommendation-4:** Increase accountability of Chief Accounting Authority (CAA) for budgetary control beyond that stipulated in Rule-70 of GFRs-2017 by imposing suitable cost on CAA as well as on the Integrated Finance Division headed by JS/AS (FA) and Controller/Chief Controller of Accounts.

(v) **Recommendation-5:** Redefine Unit of Appropriation to a level higher than the current level of Object Head. The Unit of Appropriation may be set at a level delinked form the current Chart of Account, more closely aligned with the policy objective governing the expenditure, and at a level even higher than the Major Head as per need.

(vi) **Recommendation-6:** Demand for Grants may be prepared at the revised 'Unit of Appropriation' level and not at Grant + Major Head level as is currently being done. The revised Unit of Appropriation may be set at a level such that there is greater Parliamentary oversight, and at the same time, increased flexibility in the hands of the executive in meeting the programme objectives approved by the Parliament.

(vii) **Recommendation-7:** Align the powers of Re-Appropriation with the revised 'Unit of Appropriation' with additional conditions. These conditions at a minimum to include the following: 1) No movement of budgetary allocation between Revenue and Capital 2) No movement of budgetary allocation between Revenue and Charged, 3) No transfer of funds form Programme/Scheme to Establishment expenditure.

(viii) **Recommendation-8:** Revise definition of 'Services', 'New Services' and 'New- Instruments of Services' such that there is greater flexibility in Budget Re-Appropriation. Presently , the term 'Service' is understood to be operating at a very low (detailed) level, which prevents flexibility in spending and reallocation budget within the overall authorization given by the Parliament.

(ix) **Recommendation-9:** Medium Term Expenditure Framework may be additionally used for setting multi-year spending limits for certain categories of Department's expenditure. Different Departments have different spending profiles in keeping with their different mandates. Accordingly, the proportion of items of expenditure which are within the Department's control may be identified (Categorised as DEL or Departmental Expenditure Limit) vis-à-vis items of expenditure which are demand-led and volatile, and thus not amenable to long term forecast of projection (Categorised as AME or Annually Managed Expenditure). A hard, multi-year spending limit may thus be set for each department at the level of Grant, for the 'DEL' category of expenditure. Only the AME portion of expenditure of the Department may be annually debated and voted by the Parliament, thereby providing greater time for Parliamentary scrutiny, and at the same leading to better adherence to the Fiscal Deficit targets set by the Union Government.

(x) **Recommendation-10:** Categorise charged Expenditure as Standing Appropriations, with a separate long term (multi-year) authorization from Parliament and not subject them to annual authorization. By definition – Charged expenditure is not voted by the Parliament. The Constitution specifies the types of expenditure that would be Charged on the Consolidated fund of India. The approval of the Parliament for Charged expenditure may be taken in a single multi-year or Standing/Permanent Appropriation. The Budget would then include estimates of Charged expenditure for the current year, shown against each Department, but an excess above this amount would not call for a separate authorisation by the Parliament, as it would be covered by the standing appropriation.

(xi) **Recommendation-11.** Institute standing appropriations (Multi-year budget allocations) in keeping with natural expenditure cycle of the project/scheme, initially for Capital projects. This can later be extended to the larger schemes of Govt. of India.

(xii) **Recommendation-12.** A simpler Chart of Accounts may be devised (to replace LMMHA) modelled on international good practices. The current chart of accounts – List of Major and Minor Head of Accounts and the associated 15-digit classification, is not easily linked to the various welfare programme and activities undertaken by the Government. The existing List of Major and Minor head of accounts may be replaced by a simpler chart of Accounts which would lead to greater transparency in budgeting and reporting of expenditure.

4. A meeting was held under the Chairmanship of Secretary, Department of Economic Affairs on 14.7.2021 to discuss the issues for control of excess expenditure with Ministry of Railways, Ministry of Defence, Department of Posts where excess expenditure was recurrently occurred. These Ministries/Departments were impressed upon that endeavour should be made that there will be no instance of excess expenditure in FY 2021-2022 and the efforts should be a collective responsibility. It was also emphasized that Public Financial Management System (PFMS) may be used wherever the system has not been adopted for avoiding the excess expenditure.

5. The participating Ministries/Departments viz. Ministry of Railways, Ministry of Defence and Department of Posts have furnished their feedback, as detailed below, subsequent to the said meeting:

Ministry of Defence –

(a) One of the major reason of excess expenditure has been payments through Letters of Credit (LC) to meet foreign contractual obligation where there is a time gap between the payments made by the banks and receipt and adjustments of scrolls by the Services/Payment Controllers. Concurrent monitoring of LC based payments is being done at each stage now towards avoiding excess expenditure;

(b) All the budget holders have been advised to make realistic assessment of Committed Liabilities/projected outgo and available resources for fresh contracts;

(c) All the budget holders are regularly being sensitized on adhering to monthly and quarterly expenditure plans;

(d) A decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. The Defence instance of PFMS has been named PRABAL – PFMS Raksha Aaharan aur Lekhaankan. Coding and Development work on the proposed modules of PRABAL has started;

(e) In order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The system entails creation of an integrated data base giving the complete details of pensioner with a view to disburse the pension payment, monitoring of pension budget and accounting the disbursement of pension on real time basis;

Ministry of Railways -

(f) Railways use a robust IT platform Integrated Payroll and Accounting System – IPAS for its accounting purpose, where budget and expenditure against it is monitored on real time basis. The data is also updated in PFMS through a web service on daily basis;

(g) With the merger of Rail Budget with General Budget and consequent reduction of number of demands from 16 to 1, instances of excess expenditure has reduced.

Department of Posts –

(h) The Postal Accounts Offices authorize postal pension/family pension using a special software developed for this purpose wherein all the details of pensions are available and the software is a central server based. Concurrent audit of pension vouchers/payments is being done by Postal Audit on prescribed intervals. Data is also updated as and when revision occurs. Department is also in the process of rolling out Exit Management module of ERP wherein end to end process of CCS(Pension) Rules are inbuilt.

6. The following are the steps/action taken on the recommendations made by National Institute of Financial Management (NIFM) in its report on 'Study of Excess Expenditure over Budget':

(i) Recommendations 1 and 2 are for establishing a networked system and instituting a new Centralized Monitoring System. It may be mentioned that Public Finance Management System (PFMS) is a well-defined networked system, which has improved effectiveness, economy in public finance management through better cash management, ensuring transparency in public expenditure, real-time information on resource availability and utilisation across schemes. PFMS checks expenditure against budget provision. PFMS has been implemented in all Ministries/Departments except Railways, Posts and Defence. In case of other Ministries/Departments which are not covered under PFMS, the systems in operations under their control are being integrated with PFMS for maintaining data on daily basis. Pending adoption of PFMS, Department of Posts and Ministry of Railways have automated the flow for monthly into PFMS and head-wise summary figures are incorporated in PFMS without manual intervention. This was completed in 2019. Ministry of Railways is currently having the Accounting Information Management System (AIMS) as centralised monitoring system;

(ii) Ministry of Defence currently has a computerised All India Compilation System to capture receipts and expenditure and also for monitoring the same as per budgetary allocation. Further, Ministry of Defence has successfully consolidated the accounts on PFMS since mid 2019.

There has also been a development for adoption of PFMS by Ministry of Defence, which has been modified to have a new parallel (PRABAL) and PFMS-integrated system being developed for Ministry of Defence;

(iii) As for reduction of number of supplementary budget (Recommendation 3), it may be stated that Article 115 of the Constitution provides for seeking Supplementary Demands if the amount authorized by Parliament is found insufficient or a need has arisen for new service. Number of Supplementary Demands for Grants in a year have not been prescribed, though generally three Supplementary Demands are laid before the Parliament during Monsoon, Winter and Budget Sessions of Parliament;

(iv) While the provisions of Supplementary Demands as a tool for the Government for meeting expenditure on urgent, unforeseen new services/new instrument of services are necessary, restricting the number of Supplementary Demands for Grants to one is not advisable. However, considering the immediate requirement of funds for emergent situations, Government has increased the corpus of the Contingency Fund of India from ₹ 500 crore to ₹ 30,000 crore in 2021-2022;

(v) As regards increasing the accountability of Chief Accounting Authority, enabling provisions exists for Chief Accounting Authority to act on budgetary control as stipulated in Rule 70 of General Financial Rules, 2017. Department of Expenditure has also been impressing upon Grant controlling authorities to take all measures to ensure proper planning and monitoring of expenditure for curtailment of excess expenditure;

(vi) Recommendation 5 to 8: It may be mentioned that new multi – dimensional Chart of Account is under consideration. A committee constituted for this purpose suggested seven mutually exclusive segments to capture information relation to financial transactions. The seven mutually exclusive segments are – (a) Administrative Unit (b) Function (c) Programme and Scheme segment (d) Target segment (e) Recipient segment (f) Economic Segment (g) Geographic segment. The proposed re-classification is expected to provide financial reporting at both micro and macro levels for various stakeholders and bring more transparency and accountability. Considering the wide scope of the recommendations of the Committee, a feasibility group has been constituted to study the system of revised Chart of Accounts vis-à-vis the current system of accounting operative in Centre and States with a view to (a) help develop common understanding regarding implementation of the revised Chart of Accounts (b) examine the possibility of generating Annual Financial Statement and Demands for Grants from the Statement of Budget Estimates in the proposed revised classification structure (c) suggest solution to the identification mechanism - in the existing system of classification, the numeric code of the Major Head identifies the nature of receipts or expenditure or the nature of expenditure as revenue or capital – which is absent in the proposed system of classification. The last tier of classification viz. object heads are proposed as determinant in the revised system of classification for identification of expenditure as to whether they are revenue or capital and (d) suggest roadmap for taking forward the process of implementation of the revised Chart of Accounts. Thus, the recommendations of NIFM regarding redefining the Unit of Appropriation and aligning the powers of re-appropriation, revision of 'New Service'/'New Instrument of Service' are expected to be addressed when the new chart of accounts is implemented;

(vii) Recommendation 9 is for using the Medium Term Expenditure Framework for setting multi-year spending limits for certain categories of Department's expenditure. Section 3 of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the Government to lay the Medium Term Expenditure Framework (MTEF) Statement in both Houses of Parliament. The MTEF Statement sets a three-year rolling target for the expenditure indicators. It includes an estimate of expenditure commitments with demand-wise sectional classification (Revenue and Capital), and expenditure projections for certain schemes of the Government. The MTEF projections for a Department provide the fixed goal post in the medium term. However, Article 114 of the Constitution provides that a separate appropriation need to be obtained from the Parliament for expenditure;

(viii) Recommendations 10 and 11 are for categorising charged Expenditure as Standing Appropriations, with a separate long term (multi-year) authorization from Parliament and not subject them to annual authorization require careful consideration. This recommendation is against the constitutional provisions enshrined in Articles 113 and 114 of the Constitution of India. The Statement laid before Parliament in terms of Article 112 of the Constitution of India is Annual Financial Statement. Therefore, this recommendation for multi-year appropriation is not as per the spirit of the Constitution;

(ix) Recommendation 12 is for replacing the existing List of Major and Minor head of accounts by a simpler chart of Accounts which would lead to greater transparency in budgeting and reporting of expenditure. It may be stated that a feasibility group has been constituted to study the revised system of classification. This has been amplified in paragraph (i) above.

7. The course of 'Action Taken' has the approval of High Level Inter-Ministerial Group, constituted under the Chairmanship of Cabinet Secretary to examine the issues of excess expenditure by Ministries/Departments as recommended by Public Accounts Committee.

Vetted comments of Audit

8. While vetting the ATNs, Audit has made further comments as detailed below:

(a) The integrated financial network like PFMS, PRABAL in Defence and SPARSH for defence pensions may be integrated;

(b) PFMS portal may be improved to arrest excess expenditure;

(c) On the payment of pensions/family pension in the Department of Posts, mapping of expenditure and allocation may be made in such a way that monitoring and reconciliation is done smoothly to avoid any instance of excess expenditure;

(d) Timelines for implementation of PFMS for Railway, Defence and Posts may be indicated;

(e) Due diligence may be exercised while framing budget estimates to avoid requirements of supplementary in later stages;

(f) Regarding NIFM's recommendations on using the Medium Term Expenditure Framework for using multi-year spending, Ministry may submit revised reply to PAC; and

(g) NIFM recommendations, suitable for implementation, may be adopted on priority.

Further comments of Government

9. The following is stated in response to the vetting comments of Audit:

(a) The views/concerns expressed by Audit have already beenaddressed adequately in this Ministry's response. For example, PFMS like integrated and customised financial network are already in place in Ministry of Defence (PFMS Raksha Aaharanaur Lekhaankan - PRABAL), Ministry of Railways (Accounting Information Management System), etc. Integration of department-specific customised financial system with PFMS is a constant endeavour of the Government;

(b) While Medium Term Expenditure Framework (MTEF) can be used for multi-year spending in a limited manner, the constraints and practicality of this recommendation is already explained in paragraph 6(vii) of the Note;

(c) Recommendations of NIFM, which are partly in practice and are implementable and their constraints in implementation are brought out in paragraph 6 of the Note.

10. This has been vetted by Audit vide their Letter No.समन्वय/फ़ा-323/ATN/ATR/EN/Vol.II/2021-22/569 dated 17.12.2021

Observation/ Recommendation

The Committee note with concern that during the financial year 2017-18, excess expenditure was incurred even after obtaining Supplementary Grants/Appropriations in all the five cases by the respective Ministries/Departments to meet their additional requirements. To illustrate, Supplementary Grant to the tune of ₹ 700871.18 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this too fell short by ₹ 92461.31 crore. In case of Defence Services, although Supplementary Grant of ₹ 3148.03 crore was obtained in three cases of two Grants operated by Ministry of Defence, an excess expenditure of ₹ 7149.00 crore was incurred. The Committee are of the opinion that the instrument of obtaining Supplementary Grants was not operated judicially by the Ministries of Finance and Defence during the year under review. In this regard, the Committee note that despite their oft repeated recommendation to arrest the trend of excess expenditure even after obtaining Supplementary Grants, there has been a steep rise in excess expenditure in respect of the Ministry of Defence. While the Ministry of Finance performed a little better in restricting excess expenditure in comparison to the record of the previous year, the excess expenditure incurred during 2017-18 is still significantly high. The Committee, therefore, come to the inescapable conclusion that the Ministries concerned have failed not only in making realistic and pragmatic Budget Estimates but even the

Supplementary Demands as provided could not prevent them from incurring excess expenditure. The Committee expect that in future the Ministries of Finance and Defence would make all out efforts in arresting the surging trend of excess expenditure by proposing pragmatic figures of expenditure at the stage of Supplementary Grants. It is imperative that the Ministry of Finance and Defence should devise an effective monitoring mechanism to keep close watch over the trend of expenditure throughout the year and when need for additional funds arises they should realistically assess their requirement and approach Parliament for seeking Supplementary Grants in time. The Committee, therefore, reiterate their earlier recommendations in this regard and urge the Ministries/Departments to review their existing system of computerization and networking so that the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot its limits despite obtaining Supplementary Grants.

[Para No.3]

Action taken by the Ministry of Finance (Department of Expenditure)

The expenditure of Central Civil Ministries is predominantly being done through PFMS system and accounts compilation is being done on e-lekha. The expenditure reports have been made available to the Ministries for monitoring expenditure on a real time basis. Along with regular accounting data dissemination on monthly basis, the frequency of financial reporting through MIS reports to Ministry of Finance has been increased to weekly basis from the first quarter of 2020-21 to monitor the expenditure more closely.

2. This Action Taken Note has been vetted by Office of the C&AG of India vide their Letter No. समन्वय/फा-323/ATN/ATR/EN/2020-21/419 dated 12.10.2021.

Action Taken by the Ministry of Defence

Budgetary allocations are made by the Services to various lower units/formations which also include those in remote areas. Towards more effective budgetary control, a decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. Initially, it was decided that PFMS, which is in operation in the Civil Ministries will be replicated for the Grants under Ministry of Defence. Subsequently, Pilot Run of PFMS commenced for Grant No 18: MoD Civil in 28 PAOs of MoD from 1.08.2020. During the pilot run it was observed that there are significant differences in the operation of Defence Grants and the Grant of other Civil Ministries due to which the present PFMS for Civil Ministries cannot be replicated for Grants under MoD. Therefore, it was decided that a separate instance/parallel chapter in PFMS, mirroring the PFMS for Civil Grants, will be created for Defence Grants by Controller General of Defence Accounts (CGDA) in consultation with Controller General of Accounts (CGA). Accordingly all the Departments / Organizations under Defence Grants shall migrate to the proposed Defence Instance in PFMS. Evolutionary mode of software Development and simultaneous processing of Activities is being carried out with a view to expedite the project.

2. Similarly, in order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The System entails creation

of an integrated data base giving the complete details of a pensioner beginning with personal and family details, service history, pay particulars, pension sanction and subsequent revision along with payments made (and deductions there from, if any) and a computerized application for sanction, revision and disbursement of pension by a single agency. The System has been rolled out for Air Force, Navy and Defence Civilian Organizations viz Defence Accounts Department, JS (Trg) & CAO, DGDE, Coast Guard and OFB. Software Development for migration of legacy pensioners is under process. Test run for 7th CPC Legacy Pensioners of CPDS, DPDOs and 7 banks is underway and pension for July 2021 of these pensioners will be disbursed through SPARSH. This system will ensure monitoring of Pension budget and bookings on a real time basis.

Observation/Recommendation

From the scrutiny of select cases of excess registering Grants/Appropriations, the Committee find that under Capital-Charged section of Appropriation No.-38-Repayment of Debt, the Ministry of Finance (Department of Economic Affairs) had incurred an expenditure of ₹92,333.69 crore over and above the total sanctioned provisions of ₹57,80,270.94crore which included Supplementary Appropriation of ₹6,94,966.18 crore. Excess expenditure under this Appropriation was the net result of total savings of ₹36,985.14 crore and total excess of ₹1,29,318.83 crore under various sub-heads of this Appropriation. The scrutiny of Explanatory Notes reveals that the excess expenditure under this Appropriation was incurred mainly due to higher amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. According to the Ministry of Finance (Department of Economics Affairs) it is difficult to precisely estimate these repayments as these are influenced by the market conditions, lodgement of the claims by the investors/State Governments in the case of investment in 14 days Treasury Bills and schedule of payments set by the International Financial Institutions. The Committee express their displeasure on incurring a huge amount of excess expenditure recurringly for the year 2016-17 (₹1,86,954.42 crore) and 2017-18 (₹92,333.69 crore) under this Appropriation with the contributory reasons being the same. The Committee further observe that the department resorted to Supplementary Appropriation of ₹6,94,966.18 crore in July, 2017 and March, 2018. No Supplementary Appropriation was taken in between by the Department to enhance their budgetary requirement and the Department have not adequately assessed their actual requirement of funds even till the fag end of the year. The Committee are of the view that a precise assessment of funds required to cover the impending excess expenditure could have been made and adequate Supplementary provisions sought from Parliament. Unfortunately, the Supplementary provisions of ₹ 6,94,966.18 crore could not meet the additional requirement of funds under this Appropriation leaving the balance for Parliament to regularize. It is not expected of any Ministry/Department to cross their Financial limits even after making such a huge supplementary provision as has happened in this case. The Committee take a serious view of the casual approach of the Ministry of Finance which is expected to be a role model for others to emulate in the matter of framing budget/supplementary provisions. The Committee desire that the reasons for failure to make realistic assessment of funds requirement be analysed so as to take timely action for ensuring adequate provision of funds under this Appropriation. The Committee note that the Ministry of Finance (Department of Economic Affairs) has made certain efforts to avoid the excess expenditure in this Appropriation by putting in place the statistical data of investment/disinvestment by State Governments on regular basis so that the funds required to repay at the end of the year are adequately provided for. The Committee would like to be apprised of the results of these efforts in containing the excess expenditure under this Appropriation in future.

[Para No.4]

Action Taken by the Ministry of Finance (Department of Economic Affairs) on Recommendation Para Nos.3 & 4

The observations/recommendations of Public Accounts Committee have been noted.

2. Ministry of Finance has taken several steps to contain the recurring excess expenditure in various Grants and Appropriations. A study has been got conducted from National Institute of Financial Management on recurring excess expenditure, including the findings from Desk Study on excess expenditure in (i) Australia (b) Canada (iii) Republic of Ireland (iv) New Zealand and (v) United Kingdom. The Report also made recommendations for an informed system of Budgeting and Expenditure Control. The process of action taken on the recommendations of NIFM are detailed in the Action Taken Note submitted against paragraphs 1 and 2 of 24th Report of Public Accounts Committee (2020-21) (17th Lok Sabha) on Excess over voted Grants and Charged Appropriations for 2017-2018.

3. With the continuous monitoring and constant review of the progress of expenditure, the excess expenditure occurred in Appropriation – Repayment of Debt has been arrested and there was no excess expenditure registered in this Appropriation for the years 2018-2019 and 2019-2020, after obtaining suitable Supplementary Appropriations.

4. Ministry of Finance held discussions with Ministry of Railways, Ministry of Defence and Department of Posts and impressed on these Ministries/Departments the need to contain the expenditure within the appropriations approved by Parliament. It was also emphasized that Public Financial Management System (PFMS) may be used wherever the system has not been adopted for avoiding the excess expenditure.

5. With the study conducted from NIFM on recurring expenditure and the review undertaken by the High Level Inter-Ministerial Group, constituted under the Chairmanship of Cabinet Secretary to examine the issues of excess expenditure by Ministries/Departments as recommended by Public Accounts Committee, the issues relating to recurring excess expenditure are expected to be addressed.

Vetted comments of Audit

6. While vetting the ATNs, Audit has made further comments as detailed below:

(a) Excess expenditure in spite of supplementary grants reflects poor budgetary control of the Ministry/Department. More effective measures need to be institutionalized to curb the excess expenditure; and

(b) NIFM recommendations, suitable for implementation, may be adopted on priority.

Further comments of Government

7. The following is stated in response to the vetting comments of Audit:

(a) All Ministries/Departments have been sensitized often to avoid excess expenditure. Discussions were held with Ministry of Defence, Ministry of Railways and Department of Posts towards achieving excess expenditure. Government is sensitive to the phenomenon of recurring excess expenditure;

(b) Recommendations of NIFM, which are partly in practice and are implementable and their constraints in implementation are brought out in paragraph 6 of Action Taken Note in response to paragraph 1 and 2 of 24th Report of Public Accounts Committee (2020-21) (17th Lok Sabha) on Excess over voted Grants and Charged Appropriations for 2017-2018.

8. This has been vetted by Audit vide their Letter No.समन्वय/फा-323/ATN/ATR/EN/Vol.II/2021-22/569 dated 17.12.2021

Observation/Recommendation

The Committee note that during the financial year 2017-18, the Ministry of Finance (Department of Expenditure) incurred an excess expenditure of ₹ 127.62 crore under Revenue (Voted) Section of Grant No.39 — Pensions. Explaining the reasons that contributed to excess expenditure, the Department of Expenditure has cited higher expenditure than estimated and the payment made by different accounting circles, receipt of more scrolls from the authorized banks due to 7th CPC, clearance of outstanding scrolls pertaining to previous year, unpredictable nature in the number of voluntary retirement cases and contingency arising due to sudden demise of Government servants. The Committee are not convinced with the reasons attributed by the Ministry since these can be avoided by better planning and monitoring of expenditure at the budget estimate as well as Supplementary Grant stage. The Committee are again appalled to note that the excess expenditure under this Grant was incurred despite obtaining Supplementary Grant of ₹ 5905.00 crore in December, 2017. Had the Ministry of Finance (Department of Expenditure) done due diligence effectively at the Supplementary Grant stage, the excess could have been avoided. The Committee have been apprised that Central Pension Accounting Office (CPAO) has adopted e-governance model and utilized Information Technology services/tools throughout the pension processing & payment process and maintains the complete data base of all the pensioners. CPAOs internal functioning has been fully computerized through PARAS' (Pension Authorization & Retrieval Accounting System) software. An e-PPO project has also been launched wherein complete PPO booklet would be digitized. A separate pension module has been created/launched in PFMS. Since year 2012, e-scroll is coming from all the Banks to CPAO in electronic form online which provides the details of the pension payments made by the authorized banks and is being used for various functions like analyzing the pension expenditure, booking of the expenditure in Government accounts and internal audit of Central Pension Processing Cells (CPPCs) of the Banks etc. The Ministry have further informed that PAOs across the country are also using e-lekha& "PFMS" (Public Financial Management System) to monitor the budget/expenditure related to the pension grant and for overall public financial management. The Committee are dismayed to note that despite putting in place an e-platform to maintain complete data base of pensioners and monitor the budget/expenditure related to pension grant, there has been excess expenditure in budgetary allocation for pension during the year under review. This clearly indicates that there are still some loopholes in the existing online accounting system. The Committee, therefore, recommend that the Department of Expenditure and CPAO take immediate necessary measures to identify the loopholes and flaws in their electronic system for rectification and create a robust accounting system to ensure realistic budgetary estimates and allocation in future under this Grant.

[Para No 5]

Action taken by the Ministry of Finance (Department of Expenditure)

During the financial year 2017- 18, original grant of Revenue Section (Voted) was ₹34,990.00 crores which was augmented to ₹40,895.00 crores by obtaining Supplementary Grant of ₹ 5905.00 crores. Against this, the expenditure of ₹41,022.62 crores was incurred resulting in excess of ₹ 127.62 crores which was only 0.31% of the final budget provision. Excess in Pension Grant was only due to Ministry of Home Affairs as they booked enormous amount in March, 2018 against the budget provision 2017-18 which not only exhausted the reserve fund of ₹ 900 crores, but also exceeded the entire Grant. Pension & other retirement benefits are committed liability of Government and of inevitable nature, so, these payments cannot be restricted.

2. Further, for better expenditure and to avoid excess expenditure the CPAO has taken several steps since the financial year 2017-18:

i. To avoid excess expenditure CPAO has made efforts to prepare realistic as well as Supplementary Grant by obtaining sub head wise detailed budget requirements with justifications of specific increase/decrease in demand from all the concerned Ministries/Departments.

ii. CPAO has regularly organised meetings and issued directions to Central Pension Processing Centre (CPPCs) of all banks regarding furnishing of e-scrolls on real time basis.

iii. For strengthening of e-platform for maintaining complete data base of all pensioners and monitor the expenditure related to pension O/o the Controller General of Accounts, Department of Expenditure issued direction to all concerned Ministries/Departments vide letter dated 08.06.2021 regarding discontinuation of physical PPO to ensure that 100% e-PPO should take place.

iv. CPAO has closely examined monthly/quarterly expenditure made by the Ministries/Departments and has pointed out excess or without budget booking and immediately intimated to the concerned Ministries/Departments for regularisation by obtaining appropriate budget.

v. CPAO also issued time to time directions to all the Ministries/Departments for timely booking of expenditure to avoid rush of expenditure in the last month of the financial year or booking of expenditure through TE/JE in the end of the financial year.

3. By putting all the efforts mentioned above, CPAO was able to prepare realistic budget estimates as well as Supplementary Grants and ensure the expenditure may not cross the final budget allocation. CPAO was able to control the expenditure within the approved budgetary limits in the financial years 2018-19, 2019-20 and 2020-21.

4. This Action Taken Note has been vetted by Office of the C&AG of India vide their Letter No.समन्वय/फा-323/ATN/ATR/EN/2020-21/419 dated 12.10.2021.

Observation/Recommendation

The Committee note that under Revenue section (Voted) of Grant No.20-Defence Services for the year 2017-18, there was an excess expenditure of ₹ 3391.93 crore which was the net effect of total excesses of ₹6793.72 crore and savings of ₹1127.69 crore as well as surrender of ₹ 2274.09 crore. The Committee note that mechanism for operation of this Grant by the Ministry of Defence is totally in a bad shape. The Committee are again dismayed to note that this huge amount of excess expenditure was incurred under this Grant despite obtaining Supplementary Grant of ₹2954.71 crore which proved inadequate to meet the demands and resulted into excess expenditure. According to the Ministry of Defence, the excess expenditure occurred due to implementation of 7th Central Pay Commission recommendations during mid Financial Year; accretion due to Capability Development along Northern Boarders; hike in prices of Ration-Fuel, Oil and Lubricants products; Medical Equipment; Medical Store; Emergency Procurement for which contract were already executed in Financial Year 2016-17; settlement of long pending dues of Kendriya Sainik Board; payment to Sainik School on implementation of 7th Central Pay Commission recommendations; essential repairs of ageing ships, aircrafts, submarines and equipments; procurement of critical ammunition and stores; statutory Customs Duties on imported stores and equipment; increase in expenditure on unit allowance, sport activities and other miscellaneous expenditure; price hike of crude oil prices in International Market; early achievement of Milestone payments and inclusion of emergency power cases; variation in exchange rate; replenishment/procurement of airborne and ground bases weapon armament; procurement of additional clothing; obtaining lease of 205.27 acres of land at Dimapur District; revision of Schedule Travel Rents; increase in Rent rate and Taxes segment; etc. The Committee do not consider these as compelling reasons for incurring excess expenditure as many of these could have been anticipated well in advance and factored into at the time of finalization of Budget Estimates/Supplementary Grants. Noting that the Ministry had only issued instructions to concerned budget controlling authorities to ensure avoidance of excess expenditure, the Committee recommend that there is an urgent need to establish a concrete and robust mechanism to facilitate better foresight during budget estimates stage and invariably ensure a sustained monitoring of expenditure throughout the financial year. Only last year the Committee had desired the Ministry of Defence to devise concrete and innovative ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether under the Grants operated by them. In response thereto, the Ministry of Defence have submitted that in pursuance of the recommendation of the PAC, a High Level Committee was constituted in the year 2017 to identify the loopholes in the budgeting procedures of the Ministry of Defence. The Committee are perturbed to find that despite the important recommendation of the High Level of Committee on reviewing the pace of expenditure and monitoring the booking and compilation of status to avoid excess expenditure, it warding off excess expenditure under the Grants operated by the Ministry of Defence remains a distant goal. The Committee, while reiterating their earlier recommendation contained in Para 5 of 4th Report (17th Lok Sabha) desire the Ministry of Defence to implement the recommendations of the High Level Committee at the earliest so as to ensure avoidance of excess expenditure, altogether under the Grants operated by them in future.

[Para No.6]

Action taken by the Ministry of Defence

Based on the recommendation of the PAC, a High Level Committee (HLC) was constituted with the approval of Defence Secretary in 2017, to identify loopholes in the budgeting procedure and to obviate the same in order to avoid recurring incidents of excess expenditure under Grants. The HLC is chaired by AS & FA (Acq) and has representatives from MoD (Finance), Financial Planning Directorates of the Services, Department of Economic Affairs and Controller General Accounts. Nine meetings of this Committee have been held as on date. The last meeting of the Committee was held on 25th March, 2021. The gist of decisions taken in the last meeting are as under:

(a) Zero excess expenditure to be ensured by all concerned in FY 2020-21.

(b) Each Service to take up 2-3 case studies of instances where the expenditure booking exceeded budgetary allocations and make suggestions on how to avoid recurrence in future. LC payment case, if any, may preferably be included as a case study.

(c) Reprioritization exercise may be continuously undertaken during the course of the year to avoid any excess expenditure over allocations.

(d) Concurrent monitoring of LC based payments may be done at each stage to keep check on expenditure vis-a-vis allocations.

(e) Monthly and quarterly expenditure plans should be adhered to and monitored on regular basis. A report on deviation, if any, from monthly/quarterly report needs to be sent to Budget Division by 10th of following month alongwith specific reasons for excess/ saving from targets fixed in advance.

2. Further, due to adoption of large number of measures to reduce instances of excess expenditure, of which some are stated above, and focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per provisional March (Final) figures.

Observation/Recommendation

The Committee note that under the Capital Section (Voted) of Grant No.21-Capital Outlay on Defence Services, there was an excess expenditure of ₹ 3552.72 crore which was the net effect of total excesses of ₹3917.05 crore and total savings of ₹171.01 crore as well as surrender of ₹ 193.32 crore. The Ministry of Defence also took Supplementary Grants of ₹ One lakh under this Grant. The Committee consider this an another instance of unrealistic assessment of additional funds on the part of the Ministry of Defence. The huge gap between the Supplementary Grants and excess expenditure only reveals the utter failure of the Ministry of Defence to anticipate and plan out expenditure on a systematic basis. According to the Ministry of Defence excess expenditure under Capital-Voted Section of Grant No.21 occurred due to Foreign Payment through Letter of Credit of existing contract of two Troops Unmanned Aerial Vehicle (UAV) Heron as well as re-imbursement of CD in the existing contracts of M/s HAL; settlement of Foreign payments through Letter of Credit; procurement of Micro lights; other Committed Liabilities; progress of Rohtang Tunnel and CSG Roads; Land acquisition in Viharabad for classified project; payment of Customs Duty on imported equipment; procurement of critical Weapon and Security related equipment; substantial increase in expenditure under Annual Maintenance work Plan, Married Accommodation Projects; progressing Strategic Project; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks; Interim Maintenance Services etc. The Committee are perturbed to note that incurring of excess expenditure by the Ministry of Defence under this Grants is a recurring phenomenon despite the repeated recommendations of the Committee and instructions issued by the Ministry of Finance, the Ministry also incurred excess expenditure of ₹104.55 crore under this Grant during the year 2016-17. Most of the reasons attributed by the Ministry were of such nature that timely action to obtain additional funds could have been taken at the Supplementary stage and the excess expenditure clearly avoided. The Committee is concerned to note that instead of taking concrete and effective measures towards improving the budgetary process, the Ministry merely issued instructions to monitor the flow of expenditure to avoid excess expenditure. The Committee observe that a large portion of the excess expenditure could have been avoided had the Ministry been more prudent and sensitive towards the actual budgetary need during the financial year. The Committee, therefore recommend that instead of repetitively issuing instructions to control excess expenditure, the Ministry should introduce progressive and effective methods of budgetary control. The Ministry of Defence should adopt good practices of other Ministries/Departments and stride towards reporting a 'nil' report on excess expenditure in future.

[Para No.7]

Action Taken by the Ministry of Defence

This Ministry is taking various steps towards avoidance of excess expenditure. Some of the remedial measures taken by this Ministry are as under:

a) One of the major reason of excess has been payments through Letters of Credit to meet foreign contractual obligation where there is a time gap between the payments made by the banks and receipt and adjustment of scrolls by the

Services/Payment Controllers. To check this, concurrent monitoring of LC based payments is being done at each stage.

b) Allocation of lesser funds than projections has also been flagged as one of the reason for excess expenditure by the Services as payment due towards outstanding committed liabilities are required to be made to avoid legal complications. Accordingly, all budget holders have been advised to make realistic assessment of Committed Liabilities/projected outgo and available resources for fresh contracts.

c) Further, all the budget holders are regularly being sensitized on adhering to monthly and quarterly expenditure plans.

d) Budgetary allocations are made by Services to various lower units/formations which also include those in remote areas. Towards more effective budgetary control, a decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. Initially, it was decided that PFMS, which is in operation in the Civil Ministries will be replicated for the Grants under Ministry of Defence. Subsequently, Pilot Run of PFMS commenced for Grant No 18: MoD Civil in 28 PAOs of MoD from 1.08.2020. During the pilot run it was observed that there are significant differences in the operation of Defence Grants and the Grant of other Civil Ministries due to which the present PFMS for Civil Ministries cannot be replicated for Grants under MoD. Therefore, it was decided that a separate instance/parallel chapter in PFMS, mirroring the PFMS for Civil Grants, will be created for Defence Grants by Controller General of Defence Accounts (CGDA) in consultation with Controller General of Accounts (CGA). Accordingly all the Departments / Organizations under Defence Grants shall migrate to the proposed Defence Instance in PFMS. Evolutionary mode of software Development and simultaneous processing of Activities is being carried out with a view to expedite the project.

e) In order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The System entails creation of an integrated data base giving the complete details of a pensioner beginning with personal and family details, service history, pay particulars, pension sanction and subsequent revision along with payments made (and deductions there from, if any) and a computerized application for sanction, revision and disbursement of pension by a single agency. The System has been rolled out for Air Force, Navy and Defence Civilian Organizations viz Defence Accounts Department, JS (Trg) & CAO, DGDE, Coast Guard and OFB. Software Development for migration of legacy pensioners is under process. Test run for 7th CPC Legacy Pensioners of CPDS, DPDOs and 7 banks is underway and pension for July 2021 of these pensioners will be disbursed through SPARSH. This system will ensure monitoring of Pension budget and bookings on a real time basis.

2. Due to adoption of large number of measures including the one stated above, and focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per provisional March (Final) figures.

Observation/Recommendation

The Committee observe that the Ministry of Defence have surrendered the funds despite incurring excess expenditure under the Grant No.-20-Defence Services and Grant No.-21-Capital Outlay on Defence Services during the financial year 2017-18. In case of Grant No.20- Defence Services in Revenue-Voted Section the Ministry of Defence surrendered ₹ 2274.09 crore and incurred excess expenditure of ₹ 3391.93 crore. While in Capital-voted Section of Grant No.21-Capital Outlay on Defence Services, the Ministry surrendered ₹ 193.22 crore and incurred excess expenditure of ₹3552.72 crore. The Committee are also concerned to note that in both the cases, huge amount of Supplementary Grants were also obtained. This clearly indicate that Ministry of Defence totally failed in operation of these Grants during the year 2017-18. To the utter dismay, this phenomenon has occurred despite Constitution of High Level Committee to identify the loopholes in the budgeting procedure of the Ministry of Defence. The Committee, therefore, expect the Ministry of Defence to introspect the inadequacies of their extant arrangements and devise some concrete ways and means in consultation with the High Level Committee as well as the Ministry of Finance to overhaul their budgeting mechanism and evolve an effective mechanism to bring continual and progressive improvement in operation of the Grants operated by them in future.

[Para No.8]

Action Taken by the Ministry of Defence

As has been mentioned in response to above paragraphs, this Ministry is taking large number of measures to reduce instances of excess expenditure. This is evident from the excess expenditure figures indicated below:

(₹ In Crore)

Financial Year	Defence Services – Revenue		Capital Outlay on Defence Services		Defence Pensions	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	---	---	---	---	---	0.15
2016-17	---	---	104.55	41.76	2199.56	0.28
2017-18	3391.93	---	3552.72	204.35	---	---
2018-19	3841.33	---	1257.29	---	---	---
2019-20	---	---	701.31	---	---	2.00

2. It is also highlighted that the amount of Excess expenditure for 2019-20 has shown a decline compared to the previous years. Further, due to focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per March (Final) figures.

Observation/Recommendation

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.

[Para No. 9]

Action taken by the Ministry of Finance (Department of Expenditure)

Regularisation of excess expenditure is done by Budget Division, Department of Economic Affairs, Ministry of Finance and does not come within the purview of Department of Expenditure/ O/o Controller General of Accounts.

2. This Action Taken Note has been vetted by Office of the C&AG of India vide their Letter No. समन्वय/फा-323/ATN/ATR/EN/2020-21/419 dated 12.10.2021.

Action Taken by the Ministry of Defence

Based on the replies given by the Ministry of Defence on the observations/recommendations made by the PAC in the Report, it is proposed that the excess expenditure of ₹7,149.00 crores, referred to in para 14 of the Report, in respect of Ministry of Defence, may be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

Action Taken by the Ministry of Finance (Department of Economic Affairs)

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government relating to 2017-2018 was submitted to Parliament in the Monsoon Session, 2021. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularizing the money drawn in excess of the amounts authorized by the Parliament for the year 2017-2018, has also been passed and the corresponding Act published in the Gazette of India (Extra-ordinary) Part II, Section 1 dated 19th August, 2021 as Act No.35 of 2021, after obtaining assent of the President. In view of this, the excess amount drawn in 2017-2018 stands regularized. Action taken in this regard is, therefore, completed.

This Note has been vetted by Audit, vide their letter no. Coordination/F-323/ATN/ATR/EN/2020-21/481 dated 10.11.2021.

CHAPTER III

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

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

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

-NIL-

NEW DELHI;
31 March, 2022
10 Chaitra, 1944 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

(APPENDIX – II)

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR TWENTY FORTH REPORT (SEVENTEETH LOK SABHA)

(i)	**Total No of Observations/Recommendations**	-	**09**
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: ***Para Nos. 1-9***	-	*Total: 09* ***Percentage – 100%***
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: ***-Nil-***	-	*Total: Nil* Percentage - 0%
(iv)	Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: ***-Nil-***	-	*Total: Nil* ***Percentage– 0%***
(v)	Observations/Recommendations in respect of which Government have furnished interim replies: ***-Nil-***	-	*Total: Nil* ***Percentage –0%***

CONFIDENTIAL

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2021-22) HELD ON 28th MARCH, 2022.

The Committee sat on Monday the 28th March, 2022 from 1500 hrs. to 1610 hrs. in Committee Room "B", Parliament House Annexe, New Delhi.

PRESENT

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri T.R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Bhartruhari Mahtab
5. Shri Vishnu Dayal Ram
6. Shri Rajiv Ranjan Singh *alias* Lalan Singh
7. Dr. Satya Pal Singh
8 Shri Jayant Sinha
9. Shri Vallabhaneni Balashowry

RAJYA SABHA

10. Shri Shaktisinh Gohil
11. Shri Bhubaneswar Kalita
12. Dr. C.M. Ramesh
13. Shri V. Vijayasai Reddy
14. 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

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

Sl. No.	Name	Designation
1.	Ms. Sangita Choure	Dy. CAG
2.	Shri Rakesh Mohan	Dy. CAG
3.	Shri Sanjay Kumar	Dircctor General
4.	Shri Manish Kumar	Director General
5.	Ms. Monika Verma	Director General
6.	Shri S.V. Singh	Director General

2. At the outset, the Chairperson, welcomed the Members and Audit Officers to the Sitting of the Committee, convened to take oral evidence of the representatives of the Ministry of Jal Shakti, Department of Water Resources, River Development and Ganga Rejuvenation on the subject "Ground Water Management and Regulation" based on C&AG Report No. 9 of 2021 and to consider the following three draft Reports:-

(i) XXXXXXXX

(ii) XXXXXXXX

(iii) Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 24th Report (17 Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2017-18)".

3. Following some deliberations, the Committee adopted the afore-mentioned draft Reports 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 Parliament.

XXXX

XXXXXXXX

4. XXX	XXX	XXX
5. XXX	XXX	XXX
6. XXX	XXX	XXX
7. XXX	XXX	XXX
8. XXX	XXX	XXX
9. XXX	XXX	XXX
10. XXX	XXX	XXX

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

The Committee then adjourned.