

NON-DEDUCTION OF TAX AT SOURCE

[Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 45th Report (17th Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE
(2022-23)**

SIXTY – FOURTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2293

SIXTY- FOURTH REPORT

PUBLIC ACCOUNTS COMMITTEE (2022-23)

(SEVENTEENTH LOK SABHA)

NON-DEDUCTION OF TAX AT SOURCE

MINISTRY OF RURAL DEVELOPMENT

[Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 45th Report (17th Lok Sabha)]



Presented to Lok Sabha on:

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LOK SABHA SECRETARIAT
NEW DELHI

April, 2023 /Chaitra, 1945 (Saka)

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

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2022-23)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Shri Vishnu Dayal Ram
6. Shri Pratap Chandra Sarangi
7. Shri Rahul Ramesh Shewale
8. Shri Gowdar Mallikarjunappa Siddeshwara
9. Shri Brijendra Singh
10. Shri Rajiv Ranjan Singh alias Lalan Singh
11. Dr. Satya Pal Singh
12. Shri Jayant Sinha
13. Shri Balashowry Vallabbhaneni
14. Shri Ram Kripal Yadav
15. Shri Shyam Singh Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. Amar Patnaik
19. Dr. C. M. Ramesh
20. Shri V. Vijayasai Reddy *
21. Dr. M Thambidurai
22. Dr. Sudhanshu Trivedi

SECRETARIAT

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

* Shri V. Vijayasai Reddy elected w.e.f. 13.12.2022.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2022-23) having been authorised by the Committee, do present this 64th Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Forty-fifth Report (Seventeenth Lok Sabha) on "Non-deduction of Tax at Source" relating to Ministry of Rural Development.

2. The Forty-fifth Report was presented to Lok Sabha/laid in Rajya Sabha on 15th March, 2021. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the draft Report at their Sitting held on 28 March 2023. 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 Forty-fifth Report (Seventeenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;
03 March, 2023
13 Chaitra, 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

(V)

CHAPTER - I
REPORT

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 Forty-fifth Report of the Public Accounts Committee (17th Lok Sabha) on "Non-deduction of Tax at Source".

2. The Forty-fifth Report (17th Lok Sabha) which was presented to Lok Sabha/ laid in Rajya Sabha on 15th March, 2021 contained six Observations/Recommendations. The Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Rural Development (Department of Rural Development) and these are broadly categorized as follows:

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

Para Nos. 1 to 6

Total: 6
Chapter – II

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

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:

NIL

Total: NIL
Chapter – IV

iv. Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

NIL

Total: NIL
Chapter - V

3. In their 45th Report (17th Lok Sabha), the Committee observed that the failure of the Ministry of Rural Development to deduct tax at source at the rate of 10 percent for professional and technical services rendered by a consortium of PSU resulted in non-deduction of tax amounting to ₹ 7.21 crore. This was a statutory non-compliance which

made the Ministry liable for payment of interest in terms of section 201 of the Income Tax Act. The Committee had accordingly given the Observations/Recommendations in their 45th Report (17th Lok Sabha). Gist of important Observations/Recommendations as contained in this Report is given as under:

- a) The Committee desired that in order to avoid such lapses in future, the Ministry of Rural Development should devise a mechanism to hold monthly review meetings to monitor flow of expenditure in an even manner and avoid the 'rush' at the close of Financial year, and thereby ensure effective fiscal discipline and better results.
- b) The Committee desired that henceforth the Ministry of Rural Development should strengthen their planning mechanism for selecting/posting adequate staff in all the sections, particularly the Budgetary Division to avoid such shortcomings in future. Furthermore, it is the duty of the head of the Ministry to keep watch over the total workload, the actual requirement of staff as well as their deployment in every section of this Ministry, as per requirement.
- c) The Committee desired that the Ministry should initiate appropriate action against all the officers responsible for the lapse so that the principles of accountability and responsibility are applied in letter and spirit.
- d) The Committee emphasized upon the Ministry to develop some strong mechanism, with adequate manpower, for timely monitoring of such transactions and prevent recurrence of such lapses in future.
- e) The Committee urged on meticulously complying with the provisions of the Section 201 of the IT Act as well as clause 11.8.1 of the agreement and take appropriate measures in this direction so that such instances do not recur.

4. The Committee will now deal with the Action Taken by the Government on the Observations/Recommendations made in the original Report which either need reiteration or merit comments.

**I. Non-deduction of tax at source
(Recommendation Para No. 1)**

5. The Committee noted that the Ministry of Rural Development entered (February, 2012) into an agreement with the Consortium of PSUs viz., M/s Bharat Electronics Limited (BEL), M/s. Electronics Corporation of India Limited (ECIL) and M/s ITI Limited

(ITIL). This consortium was collectively awarded the work of collection, consolidation and updation of data for Socio-Economic and Caste Census on specific items of information at Tehsil level covering all States/UTs. As per clause 11.8.1 of the agreement, all the payments made by the authorities to the consortium were subject to tax at source @10% under the Income Tax Act. The Committee observed that the tax at source of ₹7.21 crore was not deducted from the payments aggregating to ₹72.16 crore made in March, 2018 to these firms. This non-compliance of statutory provision of section 194J of the IT Act made the Ministry liable for payment of interest in terms of Section 201 of the Income Tax Act.

6. The Ministry of Rural Development in their Action Taken Notes have stated as under:

“It is accepted that Tax at Source for payments amounting to ₹72.16 crore in FY 2017-18 was not deducted. However, it is submitted that the consortium to which payments were made, involved PSUs/Government entities. These PSUs have declared that the amount received by them in 2017-18 for their services was offered for tax on accrual basis in FY 2015-16 itself. In light of this fact, there was no loss to the exchequer. Hence, the issue of penal interest rate does not arise.”

7. During vetting of the aforesaid comments of the Ministry of Rural Development, Audit observed as follows:

“This is a case of lapse of internal controls which needs to be strengthened. The argument that PSUs have declared the amount received by them in their Tax returns is not a valid reason to justify non-compliance to Rules and regulations.”

8. On the Audit vetting comments, the Ministry of Rural Development replied as under:

“Ever since the matter came to light, steps have been taken to strengthen internal controls. These steps have resulted in enhanced compliance.”

II. Non-ascertaining the fact of paying tax by the PSUs

(Recommendation Para No. 3)

9. The Committee did not find the deposition of the representatives of the Ministry during evidence that although tax at source was not deducted, the PSUs concerned have paid the requisite tax on the income received to be tenable. According to the Ministry of Rural Development, the two PSUs, namely BEL and ECIL recognized the revenue for the concerned amount in their books in 2015-16 on accrual basis and

the same was offered as tax during Financial Year 2015-16 itself. In case of ITI Ltd, the Ministry apprised that it was a loss-making company and the amount received on account of services rendered had been accounted as income but there was no liability to pay taxes as it had carried forward losses. The Committee were astonished to note that the Ministry ascertained the fact regarding the tax deposit by the PSUs only after the meeting was held under the Chairmanship of Secretary, Ministry of Rural Development on 17th September 2021, i.e., after the gap of five years following the deposit of the tax by the PSUs. Neither the Ministry deducted the TDS at the time of payment nor ascertained from the PSUs regarding payment of tax, which is highly regrettable. The Ministry woke up to discuss this issue with the PSUs only after it was pointed out by Audit. Had this not been pointed out by Audit, the Ministry would have been ignorant of the mistake and no corrective measures would have been taken to avoid recurrence of such mistakes in future.

10. In their Action Taken Note, Ministry of Rural Development have submitted as under:

“While the amount received was identified as revenue by ECIL and BEL on accrual basis and offered for tax in FY 2015-16 itself (whereas ITI was not eligible to pay tax by virtue of being a loss-making enterprise), however it is agreed that as per usual practice tax was not deducted at source and the issue could have been identified timely. In this regard, the Ministry has noted the comments of the Committee for future compliance.”

11. In their vetting comments to aforesaid Action Taken Note, Audit stated as under:

“Ministry has ascertained the fact regarding the deposit of tax by the PSUs only after audit pointed out the non-deduction of tax. This is not a primary internal control mechanism.”

12. In response to the aforesaid Audit Comments, Ministry of Rural Development submitted as follows:

“The comments have been noted. Internal control mechanisms have been strengthened ever since the matter came to light through following actions:

1. Senior Officers' Meetings (SOMs) headed by Secretary Rural Development) are being held on a weekly basis inter-alia to monitor the flow of expenditure regularly.

2. A decision to create nine more DDOs was taken by the Department in 2017-18 itself after taking into account the increased workload. These DDOs have been operationalized from 1st April, 2018.

3. All the DDOs vide Ministry's OM dated 11.11.2021, have been instructed to scrutinize the sanctions and prepare the bills as per the DDOs manual and statutory instructions issued from time to time. Also, sanction issuing authorities have been instructed to clearly mention statutory deductions in the sanctions.

4. Additional cadre posts have been allocated to M/o Rural Development through regular cadre review of the Central Civil Accounts Service, as intimated by O/o CGA vide its OM dated 12.04.2022. A part of these additional cadre posts have been earmarked for posting in Internal Audit Wing as and when these posts are filled/provided by O/o CGA."

13. The Committee in their original Report observed that in terms of clause 11.8.1 of the agreement, all payments by the authorities to the Consortium of PSUs consisting of M/s Bharat Electronics Ltd. (BEL), M/s Electronics Corporation of India Ltd. (ECIL) and M/s ITI Ltd. (ITIL) were subject to deduction of tax at source @ 10% under Income Tax Act. The Committee found that the tax at source was not deducted from the payments aggregating to ₹ 72.16 crore made in 2018 to these firms. Thus, failure of the Ministry to ensure compliance with the laid down provisions and the terms of agreement resulted in non-deduction of tax amounting to ₹ 7.21 crore. While accepting this lapse, the Ministry of Rural Development in their Action Taken Note informed the Committee that the Consortium to which payments were made, involved PSUs/Government entities. These PSUs had declared that the amount received by them in 2017-18 for their services was offered for tax on accrual basis in FY 2015-16. The Committee are astonished to note that this fact was also apprised to them during evidence on the subject by the representatives of the Ministry of Rural Development. In their original Report, the Committee had expressed displeasure to note that the Ministry had ascertained the fact from PSUs after a gap of five years following the depositing of the tax by the PSUs, i.e., after being pointed out by the Audit. The Committee therefore, regretted to note that neither the Ministry deducted the TDS at the time of payment nor ascertained the facts from the PSUs. Now the Ministry, in their Action Taken Notes have agreed that as per usual practice tax was not deducted at source and accepted that the issue could have been identified timely. In this regard, several steps are stated to have been taken by the Ministry such as holding of Senior Officer's Meetings (SOMs) headed by Secretary, Rural Development on weekly basis inter-alia to monitor the flow of expenditure regularly, issuing instructions to all the DDOs to scrutinize the sanctions and

prepare the bills as per the DDOs manual and statutory instructions issued from time-to-time, allocation of additional cadre posts to Ministry of Rural Development advising sanctioning authorities to clearly mention statutory deductions in the sanction order and to use proper Head of Accounts for clear classification of works/services as prescribed in Rule 8 of DFPRs, 1978. While appreciating that all the recommendations of the Committee have been accepted by the Ministry of Rural Development and several steps taken to avoid such lapses in future, the Committee feel that these steps should have been taken by the Ministry much earlier, i.e., before pointing those out by the Audit. However, while taking note of the steps taken by the Ministry, the Committee desire that these measures should be constantly reviewed so that the instructions issued in this regard are scrupulously followed by concerned officials in the Ministry of Rural Development so as to avoid such lapses in future. The Committee would also like to be apprised of the outcome of the aforesaid measures taken by the Ministry.

III. Sanctioning of additional manpower for Internal Audit

(Recommendation Para No. 5)

14. The Committee were perturbed to note that the Internal Audit Wing (IAW) in the Ministry had not detected this lapse as according to the Ministry, Internal Audit of DDOs was not conducted due to lack of regular manpower. However, an internal audit was conducted in 2020 for Section Officer (Cash) for the period of 2017-18, 2018-19 and 2019-20. The Committee were astonished to note that this had also been done after the matter was pointed out by Audit. The Committee felt that the existing internal controls as well as the budgetary mechanism in the Ministry need to be strengthened to cope up with the wide gamut of work. Further, on the issue of lack of manpower in the Internal Audit Wing, the Committee had been informed that as on date, IAW has engaged 17 audit consultants for conducting Internal Audit and a proposal for creation of additional regular manpower for internal audit has been submitted to the Ministry of Finance. What is even more worrisome for the Committee to note is that the IAW has issued directions in this regard on 11.11.2021 to conduct the internal audit for DDOs of schemes as well. The Committee noted in this regard that this was done only after evidence of the representatives of the Ministry of Rural Development was taken by the Committee. Had these steps been

initiated earlier, the situation of non-deduction of tax of ₹7.21 crore could well have been avoided. The Committee expected the Ministry to be more vigilant and prompt in detecting and rectifying such matters which have large financial implications. The Committee had also desired to be apprised of the status of sanctioning of additional manpower for internal audit by the Ministry of Finance.

15. The Ministry of Rural Development in their Action Taken Notes have submitted as under:

“The recommendations of the Committee pertaining to better vigilance and promptness in detecting matters having financial implications have been noted for necessary compliance.

At present, one Accounts Officer, two Sr. Accountants and one Multi Task Staff (MTS) out of the total strength of accounting cadre in the Department are posted in Internal Audit Wing (IAW). In addition, 21 Audit Consultant (out of 25 approved post) as on today are also posted in IAW, MoRD. To strengthen IAW, a proposal for creation of 76 posts for Internal Audit Wing in MoRD was sent to Ministry of Finance (MoF) but the same was not acceded to by the MoF vide U.O Note ID No. 1254234/E. Coord.1/2020 dated 08.12.2021.

However, the following additional cadre posts have been allocated through regular cadre review of the Central Civil Accounts Service, as intimated by O/o CGA vide its OM dated 12.04.2022:

S. No.	Name of Post	No. of Existing Posts in D/o Rural Development and D/o Land Resources (Excluding DWS & PR)	No. of Posts Sanctioned/ Distributed/ Awarded to D/o Rural Development and D/o Land Resources	Post Proposed/indicated by this office in IAW
(A)	(B)	(C)	(D)	(E)
1.	Sr. AO	04	13	6
2.	PAO	00	03	2
3.	AAO	07	10	3
4.	Sr. Accountant	17	35	15
5.	Accountant	03	10	2
6.	PS	00	01	0
7.	Steno. Gr. I (merged)	01	01	0
8.	Steno. Gr. III	01	01	0
9.	Lower Division Clerk	02	08	1
10.	MTS	07	08	1

To strengthen internal Audit Wing (IAW), the number of posts as mentioned in column (E) have been earmarked for posting in IAW as and when these posts are filled/provided by O/o CGA."

16. In their vetting comments to aforesaid ATN, the Audit stated as follows:

"Ministry may further elucidate the steps taken on the recommendations of the Committee pertaining to better vigilance and promptness in detecting matters having financial implications."

17. The Committee take note of the allocation of additional Cadre Posts through regular cadre review of the Central Civil Accounts Service as intimidated by O/o CGA vide its OM dated 12/04/2022. The Committee, however, find that the reply of the Ministry is silent about the date and time by which these posts would be filled. Obviously in the absence of adequate manpower, the work of Internal Audit Wing is bound to suffer. Therefore, the Committee emphasize that the Posts earmarked for posting in Internal Audit Wing be filled at the earliest with a view to ensuring better vigilance and promptness in detecting matters having financial implications before these are pointed out by the O/o C&AG. The Committee expect that the Ministry of Rural Development would look into this vital area so as to ensure effective monitoring of financial matters.

NEW DELHI;
03 April, 2023
13 Chaitra, 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

APPENDIX-II
(Vide Paragraph 5 of Introduction)

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

(i)	Total number of Observations/Recommendations	6
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. – 1-6	Total : 6 Percentage: 100%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. – NIL	Total : 00 Percentage: 00
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para Nos. - NIL	Total : 00 Percentage: 00
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para Nos. – NIL	Total : 00 Percentage: 00

CHAPTER - II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Ministry of Rural Development

Recommendations/Observations

The Committee note that the Ministry of Rural Development entered (February, 2012) into an agreement with the consortium of PSUs viz., M/s Bharat Electronics Limited (BEL) , M/s. Electronics Corporation of India Limited (ECIL) and M/s ITI Limited (ITIL). This consortium was collectively awarded the work of collection, consolidation and updation of data for Socio-Economic and Caste Census on specific items of information at Tehsil level covering all States/UTs. As per clause 11.8.1 of the agreement, all payments by the authorities to the consortium were subject to tax at source @10% under the Income Tax Act. The Committee observe that the tax at source of Rs.7.21 crore was not deducted from the payments aggregating to Rs.72.16 crore made in March, 2018 to these firms. This non-compliance of statutory provision of section 194J of the IT Act makes the Ministry liable for payment of interest in terms of Section 201 of the Income Tax Act.

(Sl. No. 1; Part II; Para 1 of the Forty-Fifth Report of the Public Accounts Committee (17th
Lok Sabha)

Action Taken

It is accepted that Tax at Source for payments amounting to Rs.72.16 crores in FY 2017-18 was not deducted. However, it is submitted that the consortium to which payments were made, involved PSUs/Government entities. These PSUs have declared that the amount received by them in 2017-18 for their services was offered for tax on accrual basis in FY2015-16 itself. In light of this fact, there was no loss to the exchequer. Hence, the issue of penal interest rate does not arise.

Kalyani Mishra

कल्याणी मिश्रा / Kalyani Mishra
आर्थिक सलाहकार / Economic Adviser
भारत सरकार / Government of India
ग्रामीण विकास मंत्रालय / Ministry of Rural Development
कृषि भवन, नई दिल्ली / Krishi Bhawan, New Delhi

Ministry of Rural Development

Observation/Recommendation

The Committee note that the Ministry of Rural Development has held the Drawing and Disbursing Officer (DDO) responsible for non-deduction of tax at source in this case by citing heavy rush to process the bills on the last day of the Financial Year 2017-18 as the reason for the lapse. The Committee cannot accept the plea of the Ministry as the entire episode of non-deduction of tax at source is indicative of financial negligence and lack of accountability on the part of officers concerned in the Ministry. The Committee, therefore, desire that in order to avoid such lapses in future, the Ministry of Rural Development should devise a mechanism to hold monthly review meetings to monitor flow of expenditure in an even manner and avoid the 'rush' at the close of Financial year, and thereby ensure effective fiscal discipline and better results. In this age of technological advancement, it would not be a difficult task to keep an eye on such transactions at regular intervals.

The Committee also note that there was only one DDO in the Ministry at the time of the aforesaid transaction and subsequently, in the next Financial Year i.e. 2018-19, nine more DDOs were brought into position. The Committee fail to understand as to why no timely action was taken for posting more DDOs in 2017-18 itself, which would have prevented the lapse that occurred during the year. This clearly reflects the poor planning for having sanctioned staff for Budgeting Section in the Ministry, and it was only when the lapse was pointed out by Audit, that the Ministry chose to appoint nine more DDOs. The Committee wonder as to how the quantum of work, which was to be looked after by deployment of ten DDOs was being managed with only one DDO. The Committee feel that, perhaps shortage of required number of DDOs is the main reason behind this lapse. While taking this matter very seriously, the Committee desire that henceforth the Ministry of Rural Development should strengthen their planning mechanism for selecting/posting adequate staff in all the sections, particularly the Budgetary Division to avoid such shortcomings in future. Furthermore, it is the duty of the head of the Ministry to keep watch over the total work-load, the actual requirement of staff as well as their deployment in every section of this Ministry, as per requirement.

As regards fixing responsibility for the lapse, the Committee have been informed that the DDO has been asked to clarify the reasons for lapses based on which further action would be taken by the competent authority. The Committee note in this regard that in the normal course, such matters are to be cleared by the higher level officials in the Ministry. Therefore, the Committee feel that all those responsible for the lapse, inclusive of those in senior positions should be identified. The Committee, accordingly, recommend that apart from asking the DDO to clarify the reasons for this lapse, the Ministry should also identify the other senior officials responsible for the lapse. The Committee desire that the Ministry should initiate appropriate action against all officers responsible for the lapse so that the principles of accountability and responsibility are applied in letter and spirit. This exercise needs to be undertaken without further delay.

Kalyani Mishra

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आर्थिक सलाहकार / Economic Adviser
भारत सरकार / Government of India
ग्रामीण विकास मंत्रालय / Ministry of Rural Development
कृषि भवन, नई दिल्ली / Krishi Bhawan, New Delhi

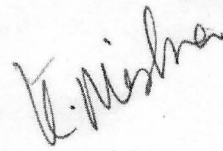
Action Taken

In order to maintain accountability and avoid repeat of such instances going ahead, Senior Officers' Meetings (SOMs) headed by Secretary (Rural Development) are being held on weekly basis inter-alia to monitor the flow of expenditure regularly.

It may also be noted that the decision to create nine more DDOs was taken by the Department in 2017-18 itself after taking into account the increased workload. But, on account of likely operational problems, these DDOs were made functional with effect from 1st April, 2018. However, corrective measures were taken much prior to the matter pointed being out by audit i.e. in 2021. Further, all the DDOs vide Ministry's OM dated 11.11.2021, have also been instructed to scrutinize the sanctions and prepare the bills as per the DDOs manual and statutory instructions issued from time to time. Also, sanction issuing authorities have been instructed to clearly mention statutory deductions in the sanctions.

It is acknowledged that despite the matter being examined and approved by the Head of Programme Division and concurrence by Integrated Finance Division (IFD), the lapse could not be avoided. Appropriate measures have been taken since then to avoid repeat of such instances. Moreover, the then DDO was asked to clarify the reasons for the mentioned lapse. In his response, regret has been expressed on the lapse made on his part and the concerned officer has assured to take utmost care while dealing with such issues in future. As for the reasons for the lapse, the arguments given by the officer for the lapse are summarized below:

- a. During the year in question, only one DDO (PAO Special Cell) was honoring the sanction orders from all Divisions of MoRD for processing in PFMS and preparing of bills.
- b. There were no clauses/instructions in the sanction orders instructing DDO (Special Cell) for deduction of TDS by sanction issuing authority.
- c. The sanction orders were issued under the object head "Other Charges" where TDS deduction is not required. The sanctions were issued on 31st March 2018 (last day of the financial year) by the Competent Authority and they were processed under heavy rush on the same day.



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आर्थिक सलाहकार / Economic Adviser
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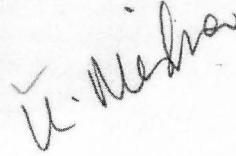
Observation/Recommendation

The Committee do not find the deposition of the representatives of the Ministry during evidence that although tax at source was not deducted, the PSUs concerned have paid the requisite tax on the income received to be tenable. According to the Ministry of Rural Development, the two PSUs, namely BEL and ECIL recognized the revenue for the concerned amount in their books in 2015-16 on accrual basis and the same was offered as tax during Financial Year 2015-16 itself. In case of ITI Ltd, the Ministry apprised that it was a loss making company and the amount received on account of services rendered had been accounted as income but there was no liability to pay taxes as it had carried forward losses. The Committee are astonished to note that the Ministry ascertained the fact regarding the tax deposit by the PSUs only after the meeting was held under the Chairmanship of Secretary, Ministry of Rural Development on 17th September 2021, i.e. after the gap of five years following the deposit of the tax by the PSUs. Neither the Ministry deduct the TDS at the time of payment nor ascertain from the PSUs regarding payment of tax, which is highly regrettable. The Ministry woke up to discuss this issue with the PSUs only after it was pointed out by Audit. Had this not been pointed out by Audit, the Ministry would have been ignorant of the mistake and no corrective measures would have been taken to avoid recurrence of such mistakes in future.

(Sl. No. 3; Part II; Para 3 of the Forty-Fifth Report of the Public Accounts Committee (17th Lok Sabha)

Action Taken

While the amount received was identified as revenue by ECIL and BEL on accrual basis and offered for tax in FY2015-16 itself (whereas ITI was not eligible to pay tax by virtue of being a loss making enterprise), however it is agreed that as per usual practice tax was not deducted at source and the issue could have been identified timely. In this regard, the Ministry has noted the comments of the Committee for future compliance.



कल्याणी मिश्रा / Kalyani Mishra
आर्थिक सलाहकार / Economic Adviser
भारत सरकार / Government of India
ग्रामीण विकास मंत्रालय / Ministry of Rural Development
कृषि भवन, नई दिल्ली / Krishi Bhawan, New Delhi

Observation/Recommendation

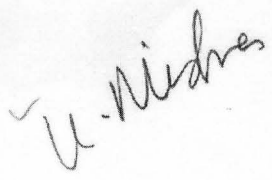
Further, the Committee cannot accept the plea of the Ministry that the PSUs have already paid the tax. Since as per clause 11.8.1 of the agreement with the PSUs and section 194J of Income Tax Act, 1961, all payments made by the authorities to the consortium are subject to deduction of tax at source@10 percent, the Committee are of the view that the Ministry should have compulsorily deducted tax at source at the time of payment only rather than being under the impression that the PSUs concerned would pay the requisite tax. At first, the Ministry should have deducted the TDS and then let the Income Tax Department examine the matter, and if required, the tax deposited by PSUs could have been refunded thereafter. The Ministry cannot absolve themselves from not taking the responsibility for the whole issue. The Committee are astonished to note that the Ministry had adopted a very casual approach towards deduction of tax at source in this case due to which the exchequer had been deprived of revenue of Rs. 7.21 crore which should have come to them in 2017-18. The Committee, therefore, emphasise upon the Ministry to develop some strong mechanism, with adequate manpower, for timely monitoring of such transactions and prevent recurrence of such lapses in future.

(Sl. No. 4; Part II; Para 4 of the Forty-Fifth Report of the Public Accounts Committee (17th Lok Sabha)

Action Taken

To avoid such lapses in future, necessary instructions have been issued to all Heads of Programme Divisions and DDOs of MoRD vide OM No. Pr. AO/RD/CCA/CAG Audit/E-376742/2021-22/1478-1486 dated 11.11.2021 (**copy enclosed**). Vide the OM, DDOs have been instructed to process sanctions issued/submitted for preparing bills to be submitted to PAO-MoRD after proper scrutiny to ensure compliance with statutory orders/instructions.

In the same order, sanctioning authorities have also been advised to clearly mention statutory deductions (if any) in the sanction orders. Also, sanctioning authorities have been asked to use proper head of accounts for clear classification of works/services as prescribed in Rule 8 of DFPRs, 1978.


कल्याणी मिश्रा / Kalyani Mishra
आर्थिक सलाहकार / Economic Adviser
भारत सरकार / Government of India
ग्रामीण विकास मंत्रालय / Ministry of Rural Development
कृषि भवन, नई दिल्ली / Krishi Bhawan, New Delhi

Ministry of Rural Development

Observation/Recommendation

The Committee are perturbed to note that the Internal Audit Wing (IAW) in the Ministry had not detected this lapse as according to the Ministry Internal Audit of DDOs was not conducted due to lack of regular manpower. However, an internal audit was conducted in 2020 for Section Officer (Cash) for the period of 2017-18, 2018-19 and 2019-20. The Committee are astonished to note that this had also been done after the matter was pointed out by Audit. The Committee feel that the existing internal controls as well as the budgetary mechanism in the Ministry need to be strengthened to cope up with the wide gamut of work. Further, on the issue of lack of manpower in the Internal Audit Wing, the Committee have now been informed that as on date, IAW has engaged 17 audit consultants for conducting Internal Audit and a proposal for creation of additional regular manpower for internal audit has been submitted to the Ministry of Finance. What is even more worrisome for the Committee to note is that the IAW has issued directions in this regard on 11.11.2021 to conduct the internal audit for DDOs of schemes as well. The Committee note in this regard that this was done only after evidence of the representatives of the Ministry of Rural Development was taken by the Committee. Had these steps been initiated earlier, the situation of non-deduction of tax of Rs. 7.21 crore could well have been avoided. The Committee would now expect the Ministry to be more vigilant and prompt in detecting and rectifying such matters which have large financial implications. The committee would also desire to be apprised of the status of sanctioning of additional manpower for internal audit by the Ministry of Finance.

(Sl. No. 5; Part II; Para 5 of the Forty-Fifth Report of the Public Accounts Committee
(17th Lok Sabha)

Action Taken

The recommendations of the Committee pertaining to better vigilance and promptness in detecting matters having financial implications have been noted for necessary compliance.

At present, one Accounts Officer, two Sr. Accountants and one Multi Task Staff (MTS) out of the total strength of accounting cadre in the Department are posted in Internal Audit Wing (IAW). In addition, 21 Audit Consultant (out of 25 approved posts) as on today are also posted in IAW, MoRD. To strengthen IAW, a proposal for creation of 76 posts for Internal Audit Wing in MoRD was sent to Ministry of Finance (MoF) but the same was not acceded to by the MoF vide U.O Note ID No. 1254234/E. Coord.I/2020 dated 08.12.2021 (Copy enclosed).

K. Mishra

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भारत सरकार / Government of India
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कृषि भवन, नई दिल्ली / Krishi Bhawan, New Delhi

However, the following additional cadre posts have been allocated through regular cadre review of the Central Civil Accounts Service, as intimated by O/o CGA vide its OM dated 12.04.2022:

SI No.	Name Of Post	No. of Existing Posts in D/o Rural Development and D/o Land Resources (Excluding DWS & PR)	No. of Posts Sanctioned/ Distributed/ Awarded to D/o Rural Development and D/o Land Resources	Post Proposed/indicated by this office in IAW
(A)	(B)	(C)	(D)	(E)
1.	Sr.AO	04	13	6
2.	PAO	00	03	2
3.	AAO	07	10	3
4.	Sr.Accountant	17	35	15
5.	Accountant	03	10	2
6.	PS	00	01	0
7.	Steno.Gr.I (merged)	01	01	0
8.	Steno.Gr.III	01	01	0
9.	Lower Division Clerk	02	08	1
10.	MTS	07	08	1

To strengthen internal Audit Wing (IAW), the number of posts as mentioned in column (E) have been earmarked for posting in IAW as and when these posts are filled/provided by O/o CGA.

K. Mishra

कल्याणी मिश्रा / Kalyani Mishra
 आर्थिक सलाहकार / Economic Adviser
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 कृषि भवन, नई दिल्ली / New Delhi

Ministry of Rural Development

Observation/Recommendation

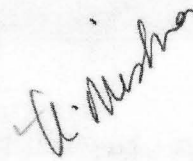
The committee note that Section 201 of the Income Tax Act provides that if any person, who is liable to deduct at source, does not deduct it or after so deducting, fails to pay, the whole or any part of the tax to the credit of the Government, then, such person, shall be liable to pay simple interest @ 1 per cent for every month or part of month on the amount of such tax from the date on which such tax was deductible to the date on which such tax was deducted. The Committee are not satisfied with the Ministry's contention that since the admissible taxes have been deposited by two PSUs, liability to pay interest on the amount of tax may not be applicable. The Committee are surprised at this complacent approach of the Ministry because despite the issue being pointed out by the C&AG way back in 2018-19, no concrete steps have been taken in this regard by the Ministry. The Committee would urge on meticulously complying with the provisions of the Section 201 of the IT Act as well as clause 11.8.1 of the agreement and take appropriate measures in this direction so that such instances do not recur. The Committee would like to be apprised of the action taken in this regard within one month of the presentation of this Report to Parliament.

(Sl. No. 6; Part II; Para 6of the Forty-Fifth Report of the Public Accounts Committee (17th
Lok Sabha)

Action Taken

As stated earlier, DDO could not deduct tax at source because the sanctions were presented on the last day of financial year i.e.. 31.03.2018 which led to a lot of rush and the mention of deducting tax at source was missing from the same. However, it is reiterated that, PSUs had offered the amount received by them in 2017-18 for tax in 2015-16 itself on accrual basis thereby resulting in no loss to the exchequer. Therefore, the issue of penal interest rate does not arise.

Further to avoid repeat of such instances, DDOs have been instructed vide this office OM No. Pr.AO/RD/CCA/CAG/Audit/E-376742/2021-22/1478-1486 dated 11.11.2021 to scrutinize and prepare the bills as per DDO's manual and statutory instructions issued from time to time by Ministry of Finance and concerned Departments i.e. CBDT & CBIC. Sanction issuing authorities have also been instructed to clearly mention statutory deductions in their sanctions.



कल्याणी मिश्रा / Kalyani Mishra
आर्थिक सलाहकार / Economic Adviser
भारत सरकार / Government of India
ग्रामीण विकास मंत्रालय / Ministry of Rural Development
कृषि भवन, नई दिल्ली / Krishi Bhawan, New Delhi

Government of India
Ministry of Rural Development
Office of the Chief Controller of Accounts
Pr.Accounts Office(Accounts)

Room No.268/A wing
Krishi Bhawan, New Delhi
Email-prao.del-mord@gov.in

No. Pr.AO/RD/CCA/CAG audit/E-376742/2021-22/1478-86

Dated:11-11-2021

OFFICE MEMORANDUM

Sub:- Instructions regarding necessary deductions from the funds to be released for Statutory Compliance.

All the DDOs under the payment control of PAO-MoRD are hereby instructed to process the sanctions issued/submitted by Sanction Issuing Authorities for preparing the bills to be submitted to PAO-MoRD after proper scrutiny as per the DDO's Manual and Statutory instructions issued by the Statutory Bodies like CBDT, CBIC, M/o Finance etc. from time to time to ensure the compliance of all the statutory orders/instructions.

While issuing the Sanction Order for release of funds, Sanction Issuing Authorities shall also ensure to clearly mention the statutory deductions (if any) to be made from the sanctioned amount, so that there will be no gap in processing the Sanction Orders by the DDOs while preparing bills for payments. Sanction Issuing Authorities shall also use proper head of accounts for proper classification of works/services as prescribed in Rule 8 of DFPRs, 1978 so that the same would be clearly identified by DDO/PAO.

This is issued with the approval of Competent Authority.

M.P. Popli
(M.P. Popli) 11.11.21
Sr. Accounts Officer

To,

1. All the Heads of Programme Divisions of MoRD
2. All the DDOs of MoRD
3. PAO(MoRD)
4. IFD, MoRD

Copy for information to:

1. PPS to Secretary-MoRD
2. PPS to AS&FA, MoRD
3. PS to CCA, MoRD
4. PA to CA, MoRD

Government of India
Ministry of Finance
Department of Expenditure
E.Coord.I Branch

704502

Ref: Ministry of Rural Development, File No. CCA/MoRD/IAW/Creation of Manpower in IAW.

The proposal of M/o Rural Development for creation of 76 posts for Internal Audit Wing in M/o Rural Development has been examined in this Department and not agreed to.

2. This issues with the approval of Competent Authority.

(Signature)
(Ashrita Immanuel Bage)
Under Secretary to the Govt. of India
Tel # 2309 5602

ASLFA, M/o Rural Development
M/o Finance, D/o Expenditure, ID No: 1294294/E.Coord.I/2020, Date: 08.12.2021

(Signature)
9/12/21

~~CCK~~

May kindly see for info pl.

(Signature)
12.12.2021

~~ASLFA (MORD)~~ Re. speak also.
~~CCA~~ *(Signature)*
12/12/21

Discussed with CCA. May like see

(Signature)
14/12/21

~~Secretary (RD)~~

~~*(Signature)*~~
14/12/21

~~ASLFA~~
~~CCA~~

(Signature)
14/12

~~*(Signature)*~~
14/12

CHAPTER III

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

-Nil-

CHAPTER IV

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

-Nil-

CHAPTER V

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

-Nil-

NEW DELHI;
April, 2023
Chaitra, 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

APPENDIX-II
(Vide Paragraph 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR FORTY-FIFTH REPORT (SEVENTEENTH LOK SABHA)

(i)	Total number of Observations/Recommendations	06
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. – 1-6	Total : 06 Percentage: 100%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. – NIL	Total : 00 Percentage: 00
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para Nos. - NIL	Total : 00 Percentage: 00
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para Nos. – NIL	Total : 00 Percentage: 00