

## **ISSUES RELATED TO ACCOUNTING OF CESS AND LEVIES**

[Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 69<sup>th</sup> Report (17<sup>th</sup> Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE  
(2023-24)**

**ONE HUNDRED AND FIFTY-SECOND REPORT**

---

**SEVENTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**



**ONE HUNDRED AND FIFTY-  
SECOND REPORT**

**PUBLIC ACCOUNTS COMMITTEE**  
**(2023-24)**

(SEVENTEENTH LOK SABHA)

**ISSUES RELATED TO ACCOUNTING OF CESS  
AND LEVIES**

[Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 69<sup>th</sup> Report (17<sup>th</sup> Lok Sabha)]



*Presented to Hon'ble Speaker, Lok Sabha on: 29.04.2024*

*Presented to Lok Sabha on: .....*

*Laid in Rajya Sabha on: .....*

**LOK SABHA SECRETARIAT  
NEW DELHI**

**April 2024/ Vaisakha 1946 (Saka)**



## **CONTENTS**

		<b>PAGE</b>
<b>COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2023-24)</b>		<b>(ii)</b>
<b>INTRODUCTION</b>	.....	<b>(iii)</b>
<b>CHAPTER I</b>	Report.....	
<b>CHAPTER II</b>	Observations/Recommendations which have been accepted by the Government.....	
<b>CHAPTER III</b>	Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government.....	
<b>CHAPTER IV</b>	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration.....	
<b>CHAPTER V</b>	Observations/Recommendations in respect of which Government have furnished interim replies/no replies.....	

### **APPENDICES**

- I. Analysis of the Action Taken by the Governmnet on the Observations/Recommendations of the Public Accounts Committee contained in their Sixty-Ninth Report (Seventeenth Lok Sabha)

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2023-24)**

<b>Shri Adhir Ranjan Chowdhury - Chairperson</b>	
<b><u>MEMBERS</u></b>	
<b><u>LOK SABHA</u></b>	
2.	Shri Subhash Chandra Baheria
3.	Shri ThalikkottaiRajuthevar Baalu
4.	Shri Bhartruhari Mahtab
5.	Shri Jagdambika Pal
6.	Shri Pratap Chandra Sarangi
7.	Shri Vishnu Dayal Ram
8.	Shri Rahul Ramesh Shewale
9.	Shri GowdarMallikarjunappaSiddeshwara
10.	Dr. Satya Pal Singh
11.	Shri Rajiv Ranjan Singh alias Lalan Singh
12.	Shri Jayant Sinha
13.	Shri Balashowry Vallabhaneni
14.	Shri Ram Kripal Yadav
15.	Vacant <sup>1</sup>
<b><u>RAJYA SABHA</u></b>	
16.	Shri Shaktisinh Gohil
17.	Dr. K Laxman
18.	Shri Derek O'Brien
19.	ShriTiruchi Siva
20.	Dr. M. Thambidurai
21.	Shri Ghanshyam Tiwari
22.	Vacant <sup>2</sup>
<b><u>SECRETARIAT</u></b>	
1.	Dr. Sanjeev Sharma - Joint Secretary
2.	Smt. Bharti Sanjeev Tuteja - Director*
3.	Shri Partha Goswami - Director
4.	Ms. Malvika Mehta - Under Secretary
5.	Ms. Pragya Nama - Assistant Committee Officer

<sup>1</sup> Shri Brijendra Singh resigned w.e.f 12 March 2024

<sup>2</sup> Dr. Sudhanshu Trivedi retired from Rajya Sabha w.e.f. 2 April 2024

\* Till 21 March 2024



## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2022-23) having been authorised by the Committee, do present this One hundred and fifty-second Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Sixty-Ninth Report (Seventeenth Lok Sabha) "**Issues Related to accounting of Cess and Levies**" relating to the Ministry of Finance, Department of Expenditure.

2. The Sixty-Ninth Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 10<sup>th</sup> August, 2023. Replies of the Government to the Observations/Recommendations contained in the Report were received. The Committee considered and adopted the draft preliminary report on the subject *vide* digital circulation on 26 April 2024, and authorised the Chairperson to finalise the same and present it to the Hon'ble Speaker..

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

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

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

NEW DELHI:  
27 April, 2024  
7 Vaisakha 1946 (*Saka*)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee



## **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 Sixty-ninth Report (17<sup>th</sup> Lok Sabha) on "Issues Relating to Accounting of Cess/Levies".

2. The Sixty-ninth Report was presented to Lok Sabha/laid in Rajya Sabha on 10.08.2023. It contained eleven Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Finance (Department of Expenditure) and are categorized as under:

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

Para Nos.1, 3, 4 5, 6, 7, 8 and 9

**Total: 8  
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. 2

**Total: 1  
Chapter - IV**

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

Para No. 10 and 11

**Total: 2  
Chapter - V**

3. On detailed examination of the subject, the Committee had observed a number of issues viz. non finalization of accounting procedure, issues related to nomenclature and lack of coordination mechanism to finalize accounting procedure. The Committee had observed that since cesses are to be imposed for only specific purposes, the use of broad and general language for their imposition and collection may lead to discrepancies in utilisation of the proceeds. Impressing upon the need to ensure specificity, the Committee had been of the view that cesses should be levied for well defined purposes and for limited periods. In light of the fact that burden of taxes/cesses/levies eventually falls on the common man, the Committee had been of the belief that for effective decision making, a review of cesses be periodically undertaken to determine the extent of achievement of the intended purpose by prescribing a specific timeframe. Highlighting the recommendation made by the Thirteenth Finance Commission that the Centre shall review the surcharges and cesses in order to reduce its share in the gross tax revenue, the Committee had urged the Ministry to include within provisions of Cesses, a clause for timely review of Cesses, through a sunset clause or any other method as deemed suitable by the Ministry so that discontinuation of the Cess may be considered if its objectives have been achieved. Observing that accounting procedures could not be finalized for some of the cess funds, the Committee had noted that since each cess may require deliberations in respect of achievement of objectives of the cess as enshrined in the law, there is an urgent need for enhancing cooperation among all the agencies involved in finalization of accounting procedure so that concerns and issues wherever arising, may be highlighted at an early stage and the same may be resolved promptly within a specific time frame.

4. The Action Taken Notes submitted by the Ministry on the Observation/Recommendation of the Committee contained in their Sixty-ninth Report (Seventeenth Lok Sabha) have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on their Observation/Recommendation made in the original Report.

**5. The Committee desire the Ministry of Finance, Department of Expenditure to furnish Action Taken Notes in respect of Observation/Recommendation contained in Chapter I and Chapter V within six months of the presentation of the Report to the House.**

**Non-creation of Oil Industry Development Fund**  
**(Recommendation Para No. 2)**

6. The Committee observe that for the development of Oil Industry, Oil Industry (Development) Act, 1974 provides for levying a duty of excise on crude oil and natural gas as a cess and establishment of Oil Industry Development Board (OIDB). Further, the Act also provides for crediting the cess first in the Consolidated Fund of

India (CFI) and thereafter paying to the Board such sums as Parliament may approve to be kept in the Oil Industry Development Fund (OIDF). The Committee also note that Section 18(2) of the Oil Industry (Development) Act, 1974 provides that "the Fund shall be applied- (a) for meeting the salaries, allowances, honoraria and other remuneration of the officers and other employees of the Board and of the advisers, consultants or other agencies whose services are availed of by the Board; (b) for meeting the other administrative expenses of the Board; (c) for rendering assistance under section 6; (d) for repayment of any loans taken by the Board or for meeting other liabilities under this Act." Through Audit scrutiny for the period FY 10 to FY 20, the Committee note that since 1974, the total cess on crude oil collected was ₹ 1,28,461 crore, however only ₹ 902.40 crore had been transferred to OIBD and since 1991- 92, no funds out of the cess collected by the Government were transferred to OIBD. According to the Ministry, implementation/operation of schemes is not affected by delay in finalization of accounting procedure of any fund, only transactions are not routed through respective Reserve Funds. Further, the Government has been financing various activities from the budget that qualify as being aimed development of oil industry within the purview of the OIB Act, 1974 and in view of the emergent situation of the energy security, expenditure on energy security is likely to increase in the near future. Also, these activities are financed from the resources of the Government of which the Cess under the Act is a part. The Committee also, while noting the Ministry's response that the reasons for non-constitution of a reserve fund in public account in favour of Oil Industry Development Board from inception in 1974 could not, readily, be ascertained, wonder how payments were made for meeting the liabilities as specified in Section 18(2) (d) of the Oil Industry (Development) Act, 1974, when the fund was not created. The Committee opine that the Ministry's response regarding non creation of OIBD not only questions the rationale of collection of the cess but also the actual utilization of the same for the intended purposes. The Committee feel that absence of binding provisions regarding specific timeline for creation of reserve funds also contributed to the non creation of OIBD. The Committee, therefore, while expressing concern over the Ministry's lackadaisical reply on non-creation of OIBD in terms of the provisions of OIBD Act 1974, desire that besides strengthening compliance mechanism in the Ministry, the reasons for non-constitution of a reserve fund in public account in favour of Oil Industry Development Board from inception in 1974 may be ascertained urgently and the Committee may be apprised thereof. The Committee, also, recommend that to obviate recurrence of such lapses in future, the Ministry revisit the provisions of the OIBD act and take necessary action for ensuring adherence to the Act both in letter and spirit.

7. The Ministry of Finance, Department of Economic Affairs, in their Action Taken Notes have stated as under:-

"The Observations/recommendations of the Public Accounts Committee have been noted.

2. Section 16 of the Oil Industry Development Act 1974 provides that „proceeds of duties of excise levied under Section 15 shall first be credited to the Consolidated fund of India and the Central Government may, if Parliament by appropriation made by law in this behalf, so provides, pay to the board from time to time, from out of such proceeds, after deducting the expenses of collection, such sums of money as it may think fit for being utilized exclusively for the purpose of the Act“.
3. Section 17 of the Oil Industry Development Act 1974 provides that the Central Government may also, after due appropriation made by Parliament by law in this behalf, pay to the Board by way of grants or loans such sums of money as the Central Government may consider necessary.
4. Section 18 of the Oil Industry Development Act 1974 provides for source of the Oil Industry Development Fund which includes sums of money paid under Section 16 or Section 17, grants, borrowings and any sum realized by the Board in carrying out its functions or in administration of the Act.
5. Keeping in view the legislative provisions, it may be observed that the payment to be made to the Oil Industry Development Board (OIDB) is discretionary at the end of the Government..
6. OIDB generates its own resources by way of interest income on loans given to various oil sector companies and short-term investment of surplus funds in Fixed Deposit receipts.
7. A considered decision was taken by Ministry of Finance not to earmark the cess collected under the Oil Industry Development Act 1974 towards OIDB. Hon“ble Finance Minister vide his DO No. 22(01)/PF.II/2008 dated 15.01.2015 conveyed the extant decision to the Hon“ble Minister of State, Ministry of Petroleum and Natural Gas that the Government has been financing various activities from the budget that qualifies as development of oil industry within the purview of the act and in view of the emergent situation of the energy security, such expenditure is likely to increase in the near future. These activities are financed from the resources of the Union Government of which the Cess under the Act, is a part. Since Government cannot withdraw itself from these activities the Cess receipts already stand committed.

8. In view of the huge expenditure being incurred by the Government in oil sector, additional fund transfers to the Oil Industry Development Board (OIDB) was considered not necessary.”

8. While vetting the above ATNs, the Audit made the following comments:-

“The references mentioned by the Department in it’s reply has already been examined by PAC while adopting the PAC Report. No dedicated Reserve Fund i.e. OI DF has been created so far in the Public Account.”

9. **The Committee had observed that for the development of Oil Industry, Oil Industry (Development) Act, 1974 provides for levying a duty of excise on crude oil and natural gas as a cess and establishment of Oil Industry Development Board (OIDB). The Committee while noting that no dedicated Reserve Fund i.e. OI DF had been created in the Public Account had recommended that besides strengthening compliance mechanism in the Ministry, the reasons for non-constitution of a reserve fund in public account in favour of Oil Industry Development Board from inception in 1974 may be ascertained and to obviate recurrence of such lapses in future. The Committee note from the reply of the Ministry that a considered decision has been taken by Ministry of Finance not to earmark the cess collected under the Oil Industry Development Act 1974 towards OI DF. The Committee do not find the contention of the Government that it has been financing various activities from the budget that qualifies as development of oil industry within the purview of the act convincing as non creation of the reserve fund and not earmarking the funds meant specifically for oil industry questions the very rationale of imposition and collection of the cess itself. The Committee are of the considered opinion that the receipts from oil cess should be channelized by creating the reserve fund as enshrined in OI DF Act. The Committee while opining that provisions of OI DF Act need to be followed in letter as well as in spirit reiterate their earlier recommendation that the Ministry may take necessary action for ensuring actual utilization of the cess collected for the intended purposes.**

#### **B. Road and Infrastructure Cess- Issues related to nomenclature** **(Recommendation Para No. 10)**

10. The Committee note that cesses in the nature of additional excise duties on petrol and diesel collected under the Central Road Fund Act, 2000 are to be credited to the Central Road Fund (CRF) to the extent provided by Parliament through appropriation by law. Further, the Committee note that the Finance Act 2018 re-designated the Fund as the Central Road and Infrastructure Fund (CRIF) with effect

from 01 April 2018, enlarging its scope of deployment and increasing the quantum of cess. Audit scrutiny revealed that Statement 13 continued to depict the Fund as CRF instead of CRIF. As per the Ministry of Finance Background Note, the Central Road Fund was still functional in the Ministry and the proposal for change of name from the Central Road Fund (CRF) to Central Road and Infrastructure Fund (CRIF) is under process with the concerned authorities. In this regard, the Ministry further stated that efforts are being taken to resolve the issue in consultation with office of the CAG and that two meetings were held (on 27.4.2022 and 14.7.2022) with officers of CAG to impress upon the need to have a procedure suitable to address the pending issues. The Ministry also stated that the Office of the CAG and CGA both were requested to re- consider this issue. The Committee are concerned to note that the issues related to nomenclature of funds not only remained unnoticed until pointed out by the Audit but have not been resolved also as yet. The Committee desire that before making changes to the provisions underlying a cess fund all the agencies concerned be taken on board. Highlighting the need for enhanced cooperation between various agencies, the Committee desire that issues may be resolved at the earliest.

The Committee would like to be apprised of the final outcome of the initiatives taken for changing the name from the Central Road Fund (CRF) to Central Road and Infrastructure Fund (CRIF) and bolstering the monitoring mechanism in the Ministry.

### **C. Road and Infrastructure Cess - Erroneous transfer** **(Recommendation Para No. 11)**

11. The Committee observe from audit scrutiny that against total collection of cess of ₹1,22,440 crore under the CRIF Act, Parliament approved ₹1,22,369 crore for appropriation, however actual transfer to the Road and Infrastructure Cess Fund was ₹90,252 crore only. The Committee have been informed that part of the short transfer was due to erroneous transfers of ₹17,250 crore and ₹4,380 crore to the Railway Safety Fund by the Ministry of Railways and to 'Other Funds' by the Ministry of Power, respectively and these funds were, however, fully utilised for the purposes for which the CRIF had been created. On a request for providing year-wise details of funds transferred to CRF and CRIF by various Ministries, the Committee note with dismay that the Ministry furnished an account of receipts and disbursements but the Ministry-wise data remained unavailable. The Committee insist that to ensure accountability and transparency, a thorough analysis of the transfers made to and from CRIF is necessary. Moreover, since the data available shows only the receipts and disbursements, erroneous transfers, if any, cannot be determined. The Committee, therefore desire that a detailed statement regarding transfers made to and from CRIF by various Ministries may be prepared and sent to Audit, under intimation to this Secretariat, for in-depth scrutiny.

12. The Ministry of Finance, Department of Economic Affairs in their Action Taken Notes have stated as under:-

“The Observations/recommendations of the Public Accounts Committee have been noted.

2. The renaming of “Central Road Fund” as “Central Road and Infrastructure Fund” has been made effective from accounts of FY 2021-22.

3. The accounting procedure for operationalizing CRIF was held up for want of concurrence from the office of the C&AG for transfers from Major Head „3601-Grants-in-aid to State Governments', „3602-Grants-in-aid to UT Governments with legislature' and Capital Expenditure Major Heads. While the issue regarding transfers from MH 3601/3602 has been resolved, the transfers from capital expenditure Major Heads are under active consideration in the office of the C&AG. The revised accounting procedure will be made effective after resolution of the aforementioned issue.

4. With regard to the Ministry-wise year-wise details of funds transferred to CRF and CRIF by various Ministries, the same are enclosed as Annexure.”

13. While vetting the above ATNs, Audit made the following comments:-

“As recommended by the PAC a detailed statement regarding transfers made to and from CRIF by various Ministries be shared with PAC secretariat with a copy to Audit.”

**14. The Committee were concerned to note that the issues related to re-designation of the Central Road Fund as the Central Road and Infrastructure Fund (CRIF) remained unnoticed until pointed out by the Audit and had desired that before making changes to the provisions underlying a cess fund all the agencies concerned be taken on board. The Committee had desired to be apprised of the final outcome of the initiatives taken for changing the name from the Central Road Fund (CRF) to Central Road and Infrastructure Fund (CRIF) and bolstering the monitoring mechanism in the Ministry. Further, the Committee had observed that against total collection of cess of ₹1,22,440 crore under the CRIF Act, Parliament approved ₹1,22,369 crore for appropriation, however actual transfer to the Road and Infrastructure Cess Fund was ₹90,252 crore only. The Committee were informed that part of the short transfer was due to erroneous transfers of ₹17,250 crore and ₹4,380 crore to the Railway Safety Fund by the Ministry of Railways and to 'Other Funds' by the Ministry of Power, respectively . The Committee, however, noted that year-wise details of funds transferred to CRF and CRIF by various Ministries was not provided to them and had , therefore, insisted that to ensure accountability and transparency, a thorough analysis of the transfers made to and from CRIF is necessary. The Committee had desired that a detailed statement regarding transfers made to and from CRIF by various**

Ministries may be prepared and sent to Audit, under intimation to the Committee, for in-depth scrutiny. The Committee note from the reply of the Ministry that the renaming of “Central Road Fund” as “Central Road and Infrastructure Fund” has been made effective from accounts of FY 2021-22. The Committee while noting that the accounting procedure for operationalizing CRIF has been held up for want of concurrence from the office of the C&AG and while the issue regarding transfers from MH 3601/3602 has been resolved, the transfers from capital expenditure Major Heads are under active consideration in the office of the C&AG desire that the accounting procedure may be finalized and opeartionalized at the earliest. The Committee desire to be apprised of the specific steps taken for bolstering monitoring mechanism in the Ministry. The Committee find that the Ministry-wise year-wise details of funds transferred to CRF and CRIF by various Ministries have not been enclosed and desire that the same may be provided to the Audit for in depth scrutiny.

\*\*\*\*\*



## CHAPTER II

### OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Observation/Recommendation

The Committee note that Government imposes levies/cesses and other charges to raise funds for specific purposes; and accounting of collection of such receipts is, in most cases, regulated by legislation and rules which often provide for creation of reserve funds to ensure that these levies/charges/cesses are used for intended purposes. However, the Ministry in a written reply stated that creation/operationalization of Reserve Funds in Public Account pertaining to cesses /levies are based on the provisions of the enabling act (e.g., USOF, CRIF etc.) or based on executive decision if a need is felt for creation of the same (e.g., PSK, MUSK, PMSSN). Further, in case when the nature of levy is very broad and generic in nature and not relatable to a specific function of any Ministry, Government may take a decision not to create the Reserve Fund e.g. Social Welfare Surcharge. As regards importance of creating Reserve Funds in Public Account, the Ministry in a separate reply underlined that the purpose of establishing a reserve fund in Public Account is to transparently demonstrate the flow of funds from CFI and its utilisation on intended purposes. While observing that creation/operationalization of Reserve Funds in Public Account pertaining to Cesses /Levies is subject to provisions of the Act governing them and executive decision of the Government to create them. The Committee are of the view that non- creation/non operation of Reserve Funds makes it difficult to ensure that cesses and levies have been utilised for the specific purposes for which they were intended and levied. The Committee are of the opinion that to ensure utilization of levies/charges/cesses for their intended purposes, the provisions for creation/ operationalization of reserve funds in public account in the designated acts/rules/legislations should be clearly defined. Further, the Committee, recommend that earnest efforts in the matter be taken so that the reserve funds in Public Account are invariably created and the flow of funds from CFI and its utilization and accomplishments on intended purposes in a time bound manner ensured.

[Observations/Recommendation No. 1 of 69th Report of the Public Accounts Committee (17<sup>th</sup>LokSabha)]

#### Action Taken

The Observations/recommendations of the Public Accounts Committee have been noted for compliance.

2. The Reserve funds „Madhyamik and Uchhtar Shiksha Kosh“ and „Pradhan Mantri Swasthya suraksha Nidhi“ have been operationalized from 2022-23 and the flow of proceeds from „Health and education Cess“ reflected in Union Government Finance Accounts for 2022-23. Further, it has been decided to create reserve fund 'Agriculture Infrastructure and Development Fund' to channelize the receipts of the „Agriculture Infrastructure and Development Cess“ being levied on goods imported and on goods manufactured or produced for the purposes of financing the agriculture and other development. The Accounting Procedure for operationalization of the same in the Financial Year 2023-24 has been forwarded to the Comptroller and Auditor General of India for concurrence.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit's vetting comments on Ministry's ATN**

In view of the Department's reply, Audit has no further comments to offer.

*(Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

### **Observation/Recommendation**

The Committee observe that some of the provisions for crediting of sum from cess collection to Consolidated Fund of India, are open to interpretation viz. in The Indian Telegraph (Amendment) Act, 2003 (giving statutory status to the Universal Service Obligation Fund (USOF)) wherein it has been provided that the sums of money received towards the Universal Service Obligation under section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law In this behalf so provides, credit "such proceeds" to the Fund from "time to time" for being utilised exclusively for meeting the Universal Service Obligation. The Committee in this regard, would draw reference to a recent judgement of the Division Bench of Madras High court where in they have maintained that "The purpose and collection of any cess remains distinct, as any cess amount collected, is liable to be spent for the avowed and dedicated purpose for which such imposition was made, unlike in the case of collection of taxes. Such distinction is a settled principle of law and the Supreme Court has upheld it in various decisions." Further, as explained in V. Nagappa v. Iron Ore Mines Cess Commissioner, the legislation imposing a cess must spell out its earmarked purpose. The purpose must not be vague or uncertain, as it could lead to a claim of excessive delegation of power. The Committee also opine that the nature of the levy should be specific, the provisions governing the cesses need specific details regarding frequency of their appropriation and utilisation for the 'specific

purposes' and should be achievable in a given timeframe. Since cesses are to be imposed for only specific purposes, the use of broad and general language for their imposition and collection may lead to discrepancies in utilisation of the proceeds. Impressing upon the need to ensure specificity, the Committee are of the view that cesses should be levied for well defined purposes and for limited periods.

[Observations/Recommendation No. 3 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup>Lok Sabha)]

### **Action Taken**

The recommendations of the Committee have been noted for future compliance.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry's ATN**

In view of the Department's reply, Audit has no further comments to offer.

*(Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

### **Observation/Recommendation**

The Committee note from the Audit observation that out of the ₹ 2,74,592 crore received from 35 cesses, levies and other charges in 2018-19, only ₹ 1,64,322 crore had been transferred to Reserve Funds/ Boards during the year and the rest was retained in the CFI leading to the understatement of revenue/ fiscal deficit for the year. The Committee observe from the data furnished by the Ministry of Finance for the period from FY 2012-13 to FY 2021-22 that in the Year 2021-22, the number of cesses appearing in Union Government Finance Accounts (UGFA) was 25 and the total Revenue from cesses was ₹ 4,17,340.30 crore. The Committee also note from the same data that total Cess/Levy as percentage of gross tax revenue stood at 20.56% in the FY 2020-21. The Committee note that in terms of the provisions of Article 270 and Article 271, revenues collected from certain sources such as income tax are necessarily part of the divisible pool while cesses and surcharges can be kept outside the divisible pool. While observing that there have been many discrepancies pertaining to the administration and utilisation of the proceeds from cess taxes which gives the impression that the proceeds are being levied to finance the revenue deficit of the Government, the Committee opine that prior to imposition of levy, a scientific study should be conducted about the quantum of money required and the likely time period within which the same is expected to be collected through

the proposed levy. Further, in light of the fact that burden of taxes/cesses/levies eventually falls on the common man, the Committee believe that for effective decision making, a review of cesses be periodically undertaken to determine the extent of achievement of the intended purpose by prescribing a specific timeframe. Highlighting the recommendation made by the Thirteenth Finance Commission that the Centre shall review the surcharges and cesses in order to reduce its share in the gross tax revenue, the Committee urge the Ministry to include within provisions of Cesses, a clause for timely review of Cesses, through a sunset clause or any other method as deemed suitable by the Ministry so that discontinuation of the Cess may be considered if its objectives have been achieved.

[Observations/Recommendation No. 4 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup> Lok Sabha)]

### **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. With regard to the statement regarding a total number of 35 cesses, levies and other charges indicated in the report, it is submitted that with the roll out of Goods and Services Tax (GST) w.e.f. 1<sup>st</sup> July, 2017, most of the cesses levied stood abolished.
3. It may be seen with regard to major cesses/ surcharges being levied as duty of customs and duty of excise are Agriculture infrastructure & Development Cess, Health Cess, Social Welfare Surcharge (SWS), National Calamity Contingent Duty, Road and Infrastructure cess (RIC), Cess on Crude Oil and Special Additional Excise Duties (SAED) that the scope of these cesses is limited as most of these cesses are applicable only on select goods.
4. Specific reference is invited to the GST Compensation Cess which was levied as part of compensation to States for a period of five years for loss of revenue due to introduction of GST. The Cess is primarily being levied on items like pan masala, tobacco, coal, cars, etc,. The Cess so collected has been duly transferred/credited to the GST Compensation Fund as per the GST (Compensation to States) Act 2017. GST compensation to States for the financial years 2017-18, 2018-19 and 2019-20 have been released on a regular basis out of the Compensation Fund. However, from 2020-21 onwards, due to the economic impact of the pandemic, compensation requirement went up due to lower GST collection but the States' protected revenue has been growing at 14% compounded growth. At the same time, collection of GST compensation

cess went down due to covid. To ensure that States have adequate and timely resources to combat covid and related challenges, Centre borrowed ₹ 1.1 lakh crore in 2020-21 and ₹ 1.59 lakh crore in 2021-22 taking into account the need for resources and overall macro-economic stability and passed it on to States on a back-to-back basis after all the States agreed. The Cess is being continued to be levied to repay loan taken by Central Government that has been passed on to States on back to back basis to States in 2020-21 and 2021-22 in lieu of GST Compensation and for payment of full GST compensation to States for period up to June, 2022 including arrears of previous FYs based on AG reconciled figures.

5. It is ensured at the time of imposition of the cesses that the same are structured in such a way that the tax incidence broadly remains the same and do not put additional burden on consumers. For example, while levying Road & Infrastructure Cess in 2018, government abolished Additional Duty of Excise (Road Cess). Similarly, with the imposition of Social Welfare Surcharge (SWS), Education Cess and Secondary & Higher Education Cess on certain imported goods were abolished in 2018.
6. With regards to the recommendation for “sunset clause”, it is stated that Agriculture Infrastructure & Development Cess, Health Cess, Social Welfare Surcharge, National Calamity Contingent Duty and Road and Infrastructure Cess have been imposed with objective of financing agriculture infrastructure, other development expenditure, health infrastructure and service, to provide and finance education, health and social security, and to fund National Disaster Response Fund. The transformative power of new infrastructure is a pre-condition of high economic growth that India aspires to achieve. The critical role played by infrastructure is crucial for accelerating economic growth & sustaining it in long term. More pertinently, the cesses collected by the Central Government are primarily used for funding various Centrally Sponsored schemes, whereby funds are transferred to the States for implementing these schemes in their States.
7. With regard to the recommendation for “review of Cesses”, it may be mentioned that the cesses are reviewed periodically as part of annual budget exercise.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry’s ATN**

In view of the Department’s reply, Audit has no further comments to offer.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

## **Observation/Recommendation**

The Committee observe that accounting procedures could not be finalized for some of the cess funds viz. the National Mineral Exploration Trust Fund, Madhyamik & Uchchatar Shiksha Kosh (MUSK), Oil Industry Development Fund (OIDF) and Road and Infrastructure Cess. The Committee also observe that the Ministry has been silent over the timeline of finalization of accounting process of funds created for Cesses. Instead, the Ministry apprised the Committee about the current status of the extant proposals for the same. Regarding Madhyamik & Uchchatar Shiksha Kosh (MUSK), the Ministry's response indicates that the accounting procedure is under process. As regards Oil Industry Development Fund (OIDF), the Ministry of Petroleum and Natural Gas has stated that the same has not been created yet. Further, for Road and Infrastructure Cess, the process of finalization of accounting procedure was still under process as the same was pending with Budget Division, DEA. Regarding reasons for delay in finalization of accounting procedure, the Ministry stated that based on the broad accounting guidelines issued by Department of Economic Affairs (Budget Division), the detailed accounting procedure is proposed by the Ministry/Department administering the fund and is sent to the office of the Controller General of Accounts (CGA). After due examination, Office of the CGA forwards the draft accounting procedure to the office of the Comptroller and Auditor General of India (CAG) for concurrence. After concurrence of the accounting procedure by the office of CAG under Article 150 of the Constitution, the same is notified by administrative Ministry/Department. Similarly, Audit had noticed that as no new reserve funds had been created for the Health and Education Cess, BE and RE for FY 2020 continued to provide for transfer of proceeds of this cess to the Prarambhik Shiksha Kosh (PSK), and Madhyamik and Uchchatar Shiksha Kosh (MUSK) that were created for Primary Education Cess, and Secondary and Higher Education Cess, respectively. The Ministry also stated that the Accounting Procedure for MUSK and Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN) is pending finalization in the office of the CAG and the pending issues with office of the CGA/CAG are being resolved in consultation with them. The Committee are of the opinion that accounting procedures is one of the foundational aspects of creation and monitoring of cess and funds. Therefore, its non-finalization/delay in finalization, inhibit the overall monitoring of the Inflow and outflow of moneys from the designated funds which hinders executive accountability to the Parliament. While acknowledging the importance of the subject matter, Secretary, Ministry of Finance, during the oral evidence admitted that "it should not take us so long to finalise the accounting rules". The Committee observe that since each cess may require deliberations in respect of how objectives of the cess as enshrined in the law are to be achieved, there is an urgent need for enhancing cooperation among all the agencies involved in finalization of accounting procedure so that concerns and issues wherever arising may be highlighted at an early stage and the same may be resolved promptly within a specific time frame. The Committee also desire that all the agencies involved in finalization of accounting procedures for a cess fund may also deliberate upon the

possibility of having an accounting standard/ guidance note on treatment and disclosure of various issues related to the management of cess funds.

[Observations/Recommendation No. 5 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup> Lok Sabha)]

### **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. With regard to the Madhyamik and Uchhatar Shiksha Kosh (MUSK) and Prime Minister Swasthya Suraksha Nidhi (PMSSN), the funds were not operationalized due to non-finalization of Accounting Procedure resulting from differing/divergent view points on the issue of transfers of funds from Major Heads „3601 – Grants-in-aid to State Governments”/ `3602 – Grants-in-aid to Union Territory Governments with Legislature”. The issue has since been resolved and the funds stand operationalized in the FY2022-23
3. The accounting procedure for operationalizing CRIF was held up for want of concurrence from the office of the C&AG for transfers from Major Head „3601-Grants-in-aid to State Governments', „3602-Grants-in-aid to UT Governments with legislature' and Capital Expenditure Major Heads. While the issue regarding transfers from MH 3601/3602 has been resolved, the transfers from capital expenditure Major Heads are under active consideration in the office of the C&AG. The revised accounting procedure will be made be effective after resolution of the aforementioned issue.
4. With regard to the recommendation on preparation of accounting standard/guidance note, it may be submitted that the accounting procedure(s) in operation conforms to the accounting framework as provided in the Manuals/Rules.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry’s ATN**

In view of the Department’s reply, Audit has no further comments to offer.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

## **Observation/Recommendation**

The Committee note that the 'Universal Access Levy' (UAL) was set up in April 2002 for achieving universal service objectives by providing access to telephone services in rural and remote areas and creation of infrastructure for mobile services and broad band in these areas. The Committee also note that the levy is first credited to the CFI and subsequently, transferred, based on the appropriation approved by Parliament, to a non-lapsable Universal Service Obligation (USO) Fund created in the Public Account for being utilized exclusively for the aforementioned purposes. Audit scrutiny revealed that during FY 2020, although, Parliament had approved the transfer of UAL amounting to ₹ 8,350 crore to the USO Fund in the budget, there was short transfer of UAL to the USO Fund amounting to ₹ 5,035.53 crore. Audit also pointed out that issue of short transfer of the levy to the USO Fund had been brought out in earlier reports of the CAG on the Union Accounts for the years 2009-10 to 2014-15 and 2018-19 but the matter remained unresolved. In their reply, the Ministry stated that the USO Fund is financing two schemes viz. for providing compensation to telecom service providers for creation and augmentation of telecom infrastructure and access to various telecom services to people in the rural and remote areas including operation and maintenance of Village Public Telephones and for implementation of Bharatnet project towards creation of telecom infrastructure required for providing broadband connectivity to all the Gram Panchayats in the country and facilitating non-discriminatory access to service providers, for provisioning of broadband services in rural areas. The Ministry also stated that the purpose of such Funds is, inter-alia, to ensure utilisation for the earmarked purpose over a period of years, but not necessarily, within each financial year and that transfer of funds depend, mainly, on the absorptive capacity of the Department to spend in any particular year. Further, Section 9C of Indian Telegraph (Amendment) Act, 2003 provides that the Central Government may, after due appropriation made by Parliament credit such sums of money as that Government may consider necessary in the Fund. Thus, transfers to USOF are made in line with the statutory provisions. From the information provided by the Ministry regarding funds allocated and disbursed through USOF since the year 2002-03 to 2022-2023, the Committee note that as against a total collection of ₹ 130923.91 crore, only ₹ 68683.44 crore was utilized leaving ₹ 62240.46 crore (47.5%) as unspent. Observing that almost fifty percent of the UAL collected for the designated purpose remains undisbursed, the Committee would like to be apprised of the accounting procedure adopted by the Ministry to reflect the undisbursed amount in the Government Accounts.

[Observations/Recommendation No. 6 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup> Lok Sabha)]



### **Observation/Recommendation**

Further, the Committee are of the considered view that the extent of collection of UAL may be revisited to ascertain whether the rate of UAL needs adjustment so that instead of short transfers, an amount more in tune with the absorptive capacities of the Department may be collected.

[Observations/Recommendation No. 7 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup>LokSabha)]

### **Observation/Recommendation**

Besides, as a part of initiatives for gainful utilization of the significant portion of amount lying undisbursed and also for the achievement of avowed objectives envisaged under UAL and specifically under the two schemes, the Committee desire that the Ministry come up with a perspective plan so that time bound utilization of the financial resources collected under UAL may be ensured.

[Observations/Recommendation No. 8 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup>LokSabha)]

### **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. The following submissions are made with regard to the accounting procedure being followed in respect of undisbursed amount of cess:
  - i. All the cesses and levies during a year stand credited in the Consolidated Fund of India in pursuance of Article 266 of the Constitution and reflected in the Union Government Finance Accounts of the corresponding year;
  - ii. All transfers to the reserve funds and expenditure there from for specific purposes are carried out by the respective administrative Ministries/Departments through their Programme Divisions after due appropriations authorized by Parliament and the same are reflected in the audited accounts of that particular year.
  - iii. The provisions of expenditure and the transfers from and to Reserve Fund are done based on the estimates of cess receipts during the given year and the absorptive capacity of the Ministry/Department;
  - iv. In the case of Universal Access Levy, Section 9C of Indian Telegraph (Amendment) Act, 2003 provides that the Central Government may, after due appropriation made by Parliament credit such sums of money as the Government may consider necessary in the Fund. Thus, transfers to USOF are made in line with the statutory provisions.

- v. With this established procedure, the collection of cesses and their utilisation are monitored.
  - vi. Any mismatch between cess collected during the year and amount utilized during the same year is acknowledged and taken note of for transfers during the ensuing years;
3. The assessment/review of the Cesses being levied during the year is done as part of the budgetary exercise.
  4. The difference between the cess collections and the utilizations thereof has reduced considerably in recent years. In the case of Universal Service Obligation Fund (USOF), with an additional transfer of ₹ 50,000 crore during 2022-23, the balance UAL collection to be transferred to USOF stand at ₹ 14,775.23 crore at the end of March 2023.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry's ATN**

In view of the Department's reply, Audit has no further comments to offer.

**Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)**

### **Observation/Recommendation**

The Committee note that in accordance with the Mines and Minerals (Development and Regulation) Act, the National Mineral Exploration Trust which was set up in 2015-16 is funded through payments made by holders of mining leases as a percentage of royalty paid which is collected by State Governments and thereafter paid to the Union Government. Audit observed that the collection towards this trust was ₹ 664.85 crore and transfer to the fund was ₹ 100 crore, resulting in short transfer of ₹ 564.85 crore. As regards the reasons for short transfer of funds, the Ministry of Mines in their response stated that during the year 2021, Ministry submitted a proposal to the Department of Economic Affairs in third and final Batch of Supplementary Demand for Grants 2021-22 for transfer of balance NMET fund of ₹ 2271.82 crore (accumulated upto Dec 2021) which has since been transferred including the short transfer of ₹ 564.82 crore. The Ministry further stated that with the higher transfer of ₹ 2,872 crore in 2021-22, NMET Fund is having a positive (credit) balance of ₹ 2,862 crore, pending utilisation, in Public Account as on 31.3.2022. The Committee opine that the practice of short transfers and subsequent recuperation of the designated funds with higher transfers at one go is not prudent viz-a-viz of the principle of sound financial management. The

Committee desire to be apprised of the reasons for non-transfer of funds previously and the utilization of funds by the NMET since its creation.

[Observations/Recommendation No. 9 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup>Lok Sabha)]

**Action Taken:**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. The following submissions are made with regard to the non- transfer of funds to the NMET Fund since its creation:
  - a) In terms of Section 9(C) 4 of the MMDR (Amendment) Act 2015, every mine lease holder is supposed to contribute a sum equivalent to 2% of the royalty paid to the State Government to the NMET Trust;
  - b) The funds in the trust is used for regional and detailed mineral exploration;
  - c) The NMET Fund was previously being maintained in the nationalized Bank outside the Government Account;
  - d) A decision was taken with due approval of the Hon<sup>ble</sup> FM that additional levy payable by the mine lease holders may be credited to the Consolidated Fund of India and withdrawals be made therefrom through appropriations authorized by the parliament;
  - e) The NMET was accordingly established as a reserve fund in the public Account so that additional levies credited into CFI is transferred after taking due approval of the Parliament through Demands for Grants, to National Mineral Exploration Trust Fund.
3. With regard to the expenditure provisions made available to Ministry of Mines towards transfer to National Mineral Exploration Trust Fund (NMET), it is submitted that the same is regulated as per the absorptive capacity of the Ministry of Mines. The NMET Fund is however having a positive (credit) balance of ₹ 2,469 crore, pending utilisation, in Public Account as on 31.3.2023.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

**Audit Vetting comments on Ministry's ATN**

In view of the Department's reply, Audit has no further comments to offer.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

**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**

#### **Observation/Recommendation**

The Committee observe that for the development of Oil Industry, Oil Industry (Development) Act, 1974 provides for levying a duty of excise on crude oil and natural gas as a cess and establishment of Oil Industry Development Board (OIDB). Further, the Act also provides for crediting the cess first in the Consolidated Fund of India (CFI) and thereafter paying to the Board such sums as Parliament may approve to be kept in the Oil Industry Development Fund (OIDF). The Committee also note that Section 18(2) of the Oil Industry (Development) Act, 1974 provides that "the Fund shall be applied- (a) for meeting the salaries, allowances, honoraria and other remuneration of the officers and other employees of the Board and of the advisers, consultants or other agencies whose services are availed of by the Board; (b) for meeting the other administrative expenses of the Board; (c) for rendering assistance under section 6; (d) for repayment of any loans taken by the Board or for meeting other liabilities under this Act." Through Audit scrutiny for the period FY 10 to FY 20, the Committee note that since 1974, the total cess on crude oil collected was ₹ 1,28,461 crore, however only ₹ 902.40 crore had been transferred to OIDB and since 1991- 92, no funds out of the cess collected by the Government were transferred to OIDB. According to the Ministry, implementation/operation of schemes is not affected by delay in finalization of accounting procedure of any fund, only transactions are not routed through respective Reserve Funds. Further, the Government has been financing various activities from the budget that qualify as being aimed development of oil industry within the purview of the OI Act, 1974 and in view of the emergent situation of the energy security, expenditure on energy security is likely to increase in the near future. Also, these activities are financed from the resources of the Government of which the Cess under the Act is a part. The Committee also, while noting the Ministry's response that the reasons for non-constitution of a reserve fund in public account in favour of Oil Industry Development Board from inception in 1974 could not, readily, be ascertained, wonder how payments were made for meeting the liabilities as specified in Section 18(2) (d) of the Oil Industry (Development) Act, 1974, when the fund was not created. The Committee opine that the Ministry's response regarding non creation of OI DF not only questions the rationale of collection of the cess but also the actual utilization of the same for the intended purposes. The Committee feel that absence of binding provisions regarding specific timeline for creation of reserve funds also contributed to the non creation of OI DF. The Committee, therefore, while expressing concern over the Ministry's lackadaisical reply on non-creation of OI DF in terms of the provisions of OI DB Act 1974, desire that besides strengthening compliance mechanism in the Ministry, the reasons for non-constitution of a reserve fund in public account in

favour of Oil Industry Development Board from inception in 1974 may be ascertained urgently and the Committee may be apprised thereof. The Committee, also, recommend that to obviate recurrence of such lapses in future, the Ministry revisit the provisions of the OI DB act and take necessary action for ensuring adherence to the Act both in letter and spirit.

[Observations/Recommendation No. 2 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup> Lok Sabha)]

### **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. Section 16 of the Oil Industry Development Act 1974 provides that *„proceeds of duties of excise levied under Section 15 shall first be credited to the Consolidated fund of India and the Central Government may, if Parliament by appropriation made by law in this behalf, so provides, pay to the board from time to time, from out of such proceeds, after deducting the expenses of collection, such sums of money as it may think fit for being utilized exclusively for the purpose of the Act’.*
3. Section 17 of the Oil Industry Development Act 1974 provides that the Central Government may also, after due appropriation made by Parliament by law in this behalf, pay to the Board by way of grants or loans such sums of money as the Central Government may consider necessary.
4. Section 18 of the Oil Industry Development Act 1974 provides for source of the Oil Industry Development Fund which includes sums of money paid under Section 16 or Section 17, grants, borrowings and any sum realized by the Board in carrying out its functions or in administration of the Act.
5. Keeping in view the legislative provisions, it may be observed that the payment to be made to the Oil Industry Development Board (OIDB) is discretionary at the end of the Government
6. OI DB generates its own resources by way of interest income on loans given to various oil sector companies and short-term investment of surplus funds in Fixed Deposit receipts.
7. A considered decision was taken by Ministry of Finance not to earmark the cess collected under the Oil Industry Development Act 1974 towards OI DB. Hon<sup>ble</sup> Finance Minister vide his DO No. 22(01)/PF.II/2008 dated 15.01.2015

conveyed the extant decision to the Hon<sup>ble</sup> Minister of State, Ministry of Petroleum and Natural Gas that *the Government has been financing various activities from the budget that qualifies as development of oil industry within the purview of the act and in view of the emergent situation of the energy security, such expenditure is likely to increase in the near future. These activities are financed from the resources of the Union Government of which the Cess under the Act, is a part. Since Government cannot withdraw itself from these activities the Cess receipts already stand committed.*

8. In view of the huge expenditure being incurred by the Government in oil sector, additional fund transfers to the Oil Industry Development Board (OIDB) was considered not necessary.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

#### **Audit Vetting comments on Ministry's ATN**

The references mentioned by the Department in its reply has already been examined by PAC while adopting the PAC Report. No dedicated Reserve Fund i.e. OI DF has been created so far in the Public Account.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

#### **Comments of the Committee**

Please see Paragraph No. 9 of Chapter I

## **CHAPTER V**

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES/NO REPLIES**

#### **Observation/Recommendation**

The Committee note that cesses in the nature of additional excise duties on petrol and diesel collected under the Central Road Fund Act, 2000 are to be credited to the Central Road Fund (CRF) to the extent provided by Parliament through appropriation by law. Further, the Committee note that the Finance Act 2018 re-designated the Fund as the Central Road and Infrastructure Fund (CRIF) with effect from 01 April 2018, enlarging its scope of deployment and increasing the quantum of cess. Audit scrutiny revealed that Statement 13 continued to depict the Fund as CRF instead of CRIF. As per the Ministry of Finance Background Note, the Central Road Fund was still functional in the Ministry and the proposal for change of name from the Central Road Fund (CRF) to Central Road and Infrastructure Fund (CRIF) is under process with the concerned authorities. In this regard, the Ministry further stated that efforts are being taken to resolve the issue in consultation with office of the CAG and that two meetings were held (on 27.4.2022 and 14.7.2022) with officers of CAG to impress upon the need to have a procedure suitable to address the pending issues. The Ministry also stated that the Office of the CAG and CGA both were requested to re- consider this issue. The Committee are concerned to note that the issues related to nomenclature of funds not only remained unnoticed until pointed out by the Audit but have not been resolved also as yet. The Committee desire that before making changes to the provisions underlying a cess fund all the agencies concerned be taken on board. Highlighting the need for enhanced cooperation between various agencies, the Committee desire that issues may be resolved at the earliest. The Committee would like to be apprised of the final outcome of the initiatives taken for changing the name from the Central Road Fund (CRF) to Central Road and Infrastructure Fund (CRIF) and bolstering the monitoring mechanism in the Ministry.

[Observations/Recommendation No. 10 of 69<sup>th</sup> Report of the Public  
Accounts Committee (17<sup>th</sup> Lok Sabha)]

#### **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.



2. The renaming of “Central Road Fund” as “Central Road and Infrastructure Fund” has been made effective from accounts of FY 2021-22.
3. The accounting procedure for operationalizing CRIF was held up for want of concurrence from the office of the C&AG for transfers from Major Head „3601-Grants-in-aid to State Governments', „3602-Grants-in-aid to UT Governments with legislature' and Capital Expenditure Major Heads. While the issue regarding transfers from MH 3601/3602 has been resolved, the transfers from capital expenditure Major Heads are under active consideration in the office of the C&AG. The revised accounting procedure will be made be effective after resolution of the aforementioned issue.
4. With regard to the Ministry-wise year-wise details of funds transferred to CRF and CRIF by various Ministries, the same are enclosed as Annexure.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry’s ATN**

As recommended by the PAC a detailed statement regarding transfers made to and from CRIF by various Ministries be shared with PAC secretariat with a copy to Audit.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

### **Comments of the Committee**

Please see Paragraph No. 14 of Chapter I

### **Observation/Recommendation**

The Committee observe from audit scrutiny that against total collection of cess of ₹1,22,440 crore under the CRIF Act, Parliament approved ₹1,22,369 crore for appropriation, however actual transfer to the Road and Infrastructure Cess Fund was ₹90,252 crore only. The Committee have been informed that part of the short transfer was due to erroneous transfers of ₹17,250 crore and ₹4,380 crore to the Railway Safety Fund by the Ministry of Railways and to 'Other Funds' by the Ministry of Power, respectively and these funds were, however, fully utilised for the purposes for which the CRIF had been created. On a request for providing year-wise details of funds transferred to CRF and CRIF by various Ministries, the Committee note with dismay that the Ministry furnished an account of receipts and disbursements but the Ministry-wise data remained unavailable. The Committee insist that to ensure

accountability and transparency, a thorough analysis of the transfers made to and from CRIF is necessary. Moreover, since the data available shows only the receipts and disbursements, erroneous transfers, if any, cannot be determined. The Committee, therefore desire that a detailed statement regarding transfers made to and from CRIF by various Ministries may be prepared and sent to Audit, under intimation to this Secretariat, for in-depth scrutiny.

[Observations/Recommendation No. 11 of 69<sup>th</sup> Report of the Public Accounts Committee (17<sup>th</sup> Lok Sabha)]

### **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. The renaming of “Central Road Fund” as “Central Road and Infrastructure Fund” has been made effective from accounts of FY 2021-22.
3. The accounting procedure for operationalizing CRIF was held up for want of concurrence from the office of the C&AG for transfers from Major Head „3601-Grants-in-aid to State Governments', „3602-Grants-in-aid to UT Governments with legislature' and Capital Expenditure Major Heads. While the issue regarding transfers from MH 3601/3602 has been resolved, the transfers from capital expenditure Major Heads are under active consideration in the office of the C&AG. The revised accounting procedure will be made be effective after resolution of the aforementioned issue.
4. With regard to the Ministry-wise year-wise details of funds transferred to CRF and CRIF by various Ministries, the same are enclosed as Annexure.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry’s ATN**

As recommended by the PAC a detailed statement regarding transfers made to and from CRIF by various Ministries be shared with PAC secretariat with a copy to Audit.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

### **Comments of the Committee**

Please see Paragraph No. 14 of Chapter I

## **Conclusion**

The Committee observe from audit scrutiny that against total collection of cess of ₹1,22,440 crore under the CRIF Act, Parliament approved ₹1,22,369 crore for appropriation, however actual transfer to the Road and Infrastructure Cess Fund was ₹90,252 crore only. The Committee have been informed that part of the short transfer was due to erroneous transfers of ₹17,250 crore and ₹4,380 crore to the Railway Safety Fund by the Ministry of Railways and to 'Other Funds' by the Ministry of Power, respectively and these funds were, however, fully utilised for the purposes for which the CRIF had been created. On a request for providing year-wise details of funds transferred to CRF and CRIF by various Ministries, the Committee note with dismay that the Ministry furnished an account of receipts and disbursements but the Ministry-wise data remained unavailable. The Committee insist that to ensure accountability and transparency, a thorough analysis of the transfers made to and from CRIF is necessary. Moreover, since the data available shows only the receipts and disbursements, erroneous transfers, if any, cannot be determined. The Committee, therefore desire that a detailed statement regarding transfers made to and from CRIF by various Ministries may be prepared and sent to Audit, under intimation to this Secretariat, for in-depth scrutiny.

[Conclusion of 69<sup>th</sup> Report of the Public  
Accounts Committee (17<sup>th</sup> Lok Sabha)]

## **Action Taken**

1. The Observations/recommendations of the Public Accounts Committee have been noted.
2. Article 149 of the Constitution on „Duties and Powers of the Comptroller and Auditor-General“ provides that the Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by of under any law made by Parliament.... . Further, Article 151 of the Constitution provides that „...the reports of the Comptroller and Auditor General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament“.
3. Rule 90 of the General Financial Rules 2017 read with Provisions of Section 11 & 13 of the C&AG's (DPC) Act, 1971 provides for audit and certification of Annual Accounts by the Comptroller & Auditor General of India and submission of the same to the President which includes audit of all expenditure from the Consolidated Fund of India, ascertaining whether the

moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it.

4. It is accordingly submitted that the extant powers of the Comptroller & Auditor General of India include in its ambit the audit of utilization of the proceeds from the collection of various cesses. Besides, sufficient internal controls/mechanisms exist in the Government financial system to ensure transparency.

*(Ministry of Finance/ Department of Economic Affairs (Budget Division); OM No. 7(4)-B(AC)/2023; Dated 6.02.2024)*

### **Audit Vetting comments on Ministry's ATN**

As per the recommendations of the honourable PAC, detailed Audit of utilization of the proceeds from collection of various Cesses would be considered in ensuing years.

*Audit Letter No AMG-II/DP/VettingofATRs/2023-24/352 dated 20.02.2024)*

**NEW DELHI:**  
**27 April, 2024**  
**7 Vaishakha, 1946 (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 SIXTY-NINTH REPORT  
(SEVENTEENTH LOK SABHA)**

<b>(i)</b>	<b>Total number of Observations/Recommendations</b>	<b>11</b>
<b>(ii)</b>	<b>Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1, 3, 4 5, 6, 7, 8 and 9</b>	<b>Total : 8 Percentage: 73</b>
<b>(iii)</b>	<b>Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:  Para Nos. - Nil</b>	<b>Total : 0 Percentage: 0</b>
<b>(iv)</b>	<b>Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:  Para Nos. - 2</b>	<b>Total : 1 Percentage: 9</b>
<b>(v)</b>	<b>Observations/Recommendations in respect of which the Government have furnished interim replies:  Para No. - 10 and 11</b>	<b>Total : 2 Percentage: 18</b>