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**STANDING COMMITTEE ON FINANCE
(2015-16)**

SIXTEENTH LOK SABHA

MINISTRY OF PLANNING

[Action taken by the Government on the recommendations contained in Twelfth Report of the Standing Committee on Finance on 'Demands for Grants (2015-16)']

TWENTY-FOURTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2015 / Agrahayana, 1937 (Saka)

TWENTY-FOURTH REPORT

**STANDING COMMITTEE ON FINANCE
(2015-2016)**

(SIXTEENTH LOK SABHA)

MINISTRY OF PLANNING

[Action taken by the Government on the recommendations contained in Twelfth Report of the Standing Committee on Finance on 'Demands for Grants (2015-16)]

Presented to Lok Sabha on 03 December, 2015

Laid in Rajya Sabha on 03 December, 2015



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2015 / Agrahayana, 1937 (Saka)

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* Not appended in the cyclostyled copy

COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2015-16

Dr. Veerappa Moily - Chairman

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Chandrakant B. Khaire
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Shri Shivkumar Udasi
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Shri Satish Chandra Misra
26. Dr. Mahendra Prasad
27. Shri K.N. Balagopal
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. | Shri P.C. Tripathy | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Tenzin Gyaltsen | - | Committee Officer |

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Twenty-fourth Report on action taken by Government on the Observations / Recommendations contained in the Twelfth Report of the Committee (Sixteenth Lok Sabha) on “Demands for Grants (2015-16)” of the Ministry of Planning.

2. The Twelfth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 24 April, 2015. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 22 June, 2015.

3. The Committee considered and adopted this Report at their sitting held on 19 November, 2015.

4. An analysis of the action taken by the Government on the recommendations contained in the Twelfth Report of the Committee is given in the Appendix.

5. For facility of reference, the observations / recommendations of the Committee have been printed in bold in the body of the Report.

NEW DELHI
01 December, 2015
10 Agrahayana, 1937 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance

REPORT

CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 12th Report (Sixteenth Lok Sabha) on Demands for Grants (2015-16) of the Ministry of Planning which was presented to Lok Sabha / Laid in Rajya Sabha on 24 April, 2015.

2. The Action Taken Notes have been received from the Government in respect of all the 9 recommendations contained in the Report. These have been analyzed and categorized as follows:

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

Recommendation Nos. 1,2,3,5,6,8 and 9

(Total 07)
(Chapter- II)

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

Recommendation No. NIL

(Total NIL)
(Chapter- III)

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

Recommendation No. 4 & 7

(Total 02)
(Chapter -IV)

- (iv) Recommendations/Observations in respect of which final replies by the Government are still awaited:

Recommendation No. NIL

(Total - NIL)
(Chapter- V)

3. The Committee will now deal with the action taken by the Government on some of their recommendations.

A.

Analysis of Demands for Grants
Public Finance Management System
Recommendation (Sl. No. 2)

4. The Committee observed that such a paradigm of technical process needed to be inculcated within the working of Government so as to track and report various expenditure, alongside establishing a sound financial record process. The Committee expected that this process shall consequently lead to effective tracking of flow of funds from Centre to States. The Committee also desired the Government to endeavour to increase the scope of Public Finance Management System into all spheres of financing, which would usher a transparent and a common format and citizen friendly flow of funds. To further the benefits of these scheme, it is also imperative that all the concerned recipients are registered and identified on the system. The Committee further desired that the Government should attract the interest of States thereto so that the main objective of an absolute national roll out of the scheme by the end of 12th Plan period is achieved. The Committee also recommended that in view of the dismantling of the Planning Commission and constitution of NITI Aayog, it would be more appropriate to place the PFMS under the jurisdiction of the Ministry of Statistics and Programme Implementation, which would now be expected to play a more significant role in implementation processes.

5. The Ministry of Planning, in their action taken reply, on the issue of current status of PFMS, its future course and placement of aforementioned scheme under the jurisdiction of Ministry of Statistics and Programme Implementation, have submitted as follows:-

" Public Financial Management System (PFMS), formerly CPSMS – Central Plan Scheme Monitoring System is a Central Sector Scheme of NITI Aayog/Planning Commission, which is being implemented by the Office of Controller General of Accounts, since 2008. It aims at establishing a suitable on-line Financial Management Information System (FMIS) and Decision Support System (DSS) for tracking of funds released under all Plan Schemes of Government of India and real time reporting of expenditure at all levels of programme implementation through treasury and bank interface. Based on the successful pilots under the Scheme, the Cabinet accorded approval for national rollout of PFMS in December, 2013. In December, 2013, the Cabinet has approved a total plan outlay of Rs.1080 crore for national roll out of PFMS over a period of 4 years (2013-14 to 2016-17) during the 12th Five Year Plan. As per the Demands for

Grants of M/o Planning for 2015-16, the B.E allocated for PFMS for the FY 2015-16 is Rs. 49.73 crore.

PFMS has been made operational in the Central Civil Ministries. All releases/sanctions under Plan Schemes to implementing agencies are made through its web-based application that requires mandatory registration of recipient agencies along with their Bank details. The application is integrated with COMPACT and e-Lekha, the core accounting applications and e-payment gateway of CGA and has led to significant efficiency gains in movement of Plan funds to recipient agencies and beneficiaries. PFMS has also developed an interface with Core Banking Solution(CBS) of 91 Banks whereby Bank balances and transaction details of implementing agencies receiving Grants from Government is available on a real time basis. PFMS is thus able to provide reports on geographical distribution of Scheme-wise, agency-wise, Sector-wise funds on a Central platform. These reports are being extensively used by the Ministry of Finance, NITI Aayog, other Ministries and State governments.

PFMS has automated the function of Inter Government Adjustment Advices (IGAA), whereby funds are transferred to States. From 1st of November 2014 onwards, in phased manner, all Plan and non-Plan IGAA to RBI are being digitally signed by the PAO/Pr.AO of the Ministries and routed online through PFMS. This is facilitating online-real time transfer of funds from Central Ministries/ Departments to State and UT Governments, along with real time Advice reports from RBI. Ministry of Finance has issued instructions to use PFMS for DBT payments. Accordingly, letters have been issued to all Ministries for its implication. PFMS-Treasury interface tracks devolution of funds through treasury route. Ministry of Finance and all Civil Ministries can track the Central Share, State government Share and fund utilization Scheme-wise through reports available on PFMS portal. Ministries can also track the fund disbursed in the Bank accounts of implementing agencies (Special Purpose Vehicle-SPV) and its utilization directly on PFMS portal. Further, when the money is disbursed for further implementation from Treasury to Bank accounts of the State and below State level implementing agencies, it can also be tracked by PFMS-CBS interface by registration of agencies on PFMS portal with their Bank Accounts. PFMS-RBI-Treasury-CBS interface is a useful tool for all the Central Civil Ministries and the Finance Department of State Governments.

The PFMS – Treasury interfaces have been done for 6 States, namely, Madhya Pradesh, Maharashtra, Odisha, Puducherry, Rajasthan and Assam. PFMS has agency registration module, where fund recipient agencies and their sub-agencies are registered upto last level. Seventeen lakh eight thousand agencies with their Bank Accounts have been registered so far (as on 24.05.2015). The major Schemes for which Agency registration has been done for State and below State level are SarvaShikshaAbhiyan, National Health Mission, MGNREGA, IWMP, MPLADS, NRDWP, RMSA and IAY. PFMS was essentially initiated as a Decision Support System and Financial Management System for Plan Schemes. The scope of the Scheme has gone much beyond the mandated role in view of

the Digitization of Accounts being undertaken by Department of Expenditure on the PFMS platform, covering all receipts and payments, which involves re-engineering of processes. DBT is also being implemented through PFMS in a major way across the country under it and the Office of the CGA operating PFMS is attached to Department of Expenditure. In this context, recently, the Cabinet Secretariat referred to NITI Aayog for comments, the issue regarding the transfer of the Scheme to Department of Expenditure. Subsequently, NITI Aayog conveyed its 'No Objection' to the Cabinet Secretariat to cover PFMS in Department of Expenditure's Allocation of Business Rules and shift the respective Budget Line to its Demand for Grants. Irrespective of the administrative control over the Scheme, NITI Aayog would continue to be the beneficiary of the Scheme as a user of real time data generated through PFMS for monitoring and evaluation of Programmes and no requirement is seen for the Scheme to be anchored in NITI Aayog.

The Cabinet Secretariat was also requested to have a special audit of PFMS before it is transferred to the Department of Expenditure. However, according to the Cabinet Secretariat, the matter relating to Special Audit of PFMS may be taken up by NITI Aayog before sending its comments to the Cabinet Secretariat. The process of initiating Special Audit is under consideration in NITI Aayog."

6. The Committee note with satisfaction that the Public Financial Management System (PFMS), has been made operational in central civil ministries which has led to the Bank balances and transaction details of implementing agencies receiving grants from the Government being monitored on a real time basis. Consequently, PFMS is also able to provide information on geographical distribution of schemes, agencies, sectors on a common platform and these reports are being extensively utilised by NITI Aayog, various central ministries and State Government. The Committee also note that the Ministry has conceded the recommendation of the Committee with respect to the placement of PFMS under a more appropriate department on the grounds of dismantling of the Planning Commission. The Committee, therefore, desire that the process of suitable placement of PFMS and related issues, may be ironed out and a decision in this regard be taken and duly intimated to the Committee.

**B. New Programme - Central Plan
Recommendation (Sl. No. 4)**

7. The provisioning of Rs. 24.79 crore under the 'New Programme - Central Plan' with an objective to provide for the expenditure in respect of New Programme in the newly formed NITI Aayog does not seem to be in sync with the changing dynamics at play. Although the commitments made by the erstwhile Planning Commission cannot be neglected and have to be seen as 'liabilities' (to be fulfilled) upon the NITI Aayog, it will be proper that the remaining liabilities for better oversight and implementation be transferred to the Ministry of Statistics and Programme Implementation. The Committee also expected the Ministry to be more dedicated in future while providing relevant documents for analysis to the Committee, since the 'Outcome Budget' was not provided until the drafting of the report and therefore desired that the process of discharging of liabilities and its consequent transfer to Ministry of Statistics and Programme Implementation be executed without further delay.

8. On the issue of the need for a better synchronization with the evolving situation of the new set-up, unfulfilled liabilities and transfer of remaining schemes (Central Plan) to a proper Ministry, the Ministry of Planning, in their action taken reply have stated as under:-

"Even though the Government has replaced Planning Commission with a new institution named NITI Aayog (National Institution for Transforming India) by issuing Cabinet Secretariat Resolution on 1st January, 2015, the Allocation of Business Rules 1961 of the NITI Aayog were notified on 21st March, 2015. In the notification it is mentioned that NITI Aayog would be successor in the interest of erstwhile Planning Commission. At the time of formulation of Budgetary proposals, Resolution of NITI Aayog was kept in mind. As such, the Budget entry made provision for existing initiatives and also provision for new schemes/activities of the organization expected to be undertaken in accordance with the Resolution and Allocation of Business Rules of the NITI Aayog. As regards the observation of the Committee regarding transfer of committed liabilities to Ministry of Statistics and Programme Implementation; it is submitted that Ongoing Schemes (for committed liabilities) and New Schemes (for new liabilities) were framed in accordance with the mandate as given in the Allocation of Business Rules and Resolution of NITI Aayog."

9. The Committee are constrained to note that the reply of the Ministry with regard to the New Programme-Central Plan is rather vague. The Committee are not convinced with the reply of the Ministry that allocation of Business Rules is a reason leading to retainment of committed and new liabilities (schemes) within the Ministry of Planning (i.e. NITI Aayog). The Committee, therefore, would like to reiterate their recommendation that appropriate placement of funds in a dedicated Ministry/Department for better utilisation of funds.

**C. Unique Identification Authority of India (UIDAI)
Recommendation (SI. No. 7)**

10. The Committee took cognizance of the fact that 5 Public Interest Litigations (PIL)/writ petitions had been filed before the Supreme Court of India on issues such as the manner and collection of data, privacy, data security, convergence of data and constitutional validity of the scheme. The Committee noted that the issues facing the Hon'ble Supreme Court were the same which had been time and again pointed out by the Committee. They felt that if the Government had paid due diligence to the recommendations of the Standing Committee on Finance, the bearings could have been different. The Committee reiterated its concern regarding the similarity in the UIDAI scheme and NPR (under the aegis of Ministry of Home Affairs) as mentioned in their 4th Report of Sixteenth Lok Sabha (on Demands for Grants 2014-15) which may be dispelled completely as there are various unresolved issues with both of them. The Committee also expressed its concern regarding lack of proper response to a pointed query with respect to the status of the revised UIDAI Bill incorporating the various suggestions of the Standing Committee on Finance and hopes that in future the Ministry of Planning process its reply more professionally. The Committee, therefore, suggested that the Aadhaar Scheme presently under the Ministry of Planning should be moved under the aegis of Ministry of Home Affairs which would lead to a better convergence of both the UID and NPR scheme. The Committee desired the Government to clearly define and spell out the future course of action with respect to the above issues and address them point by point so that the public at large does not feel the disconnect with any process initiated by the executive. The Committee expressed their desire to be

apprised about the progress and initiative to bring forth a fresh legislation before parliament.

11. On the issue of delay in proper legislative approval for the UIDAI Bill and other concerned issues of importance related to the Bill, the Ministry of Planning in their action taken reply have submitted as follows:-

"As on 26.05.2015, a total of 85.01 crore Aadhaars have been generated. As per Government directions, enrolment for Aadhaar is being carried out in co-ordination with the NPR exercise so as to avoid any overlapping.

As per the government decision, a mechanism has been put in place to avoid duplication of work between RGI and UIDAI, under which, the RGI does not collect biometrics from a resident already enrolled for Aadhaar. In such cases, only the Enrolment ID or Aadhaar number is collected by RGI. Further Aadhaar Numbers are generated for all residents who undertake Biometric Enrolment (BME) under with NPR process thus obviating the need for such residents to re-enroll with the UIDAI. The front-end activities of collection of enrolment data are geographically demarcated between UIDAI and NPR from time to time, with UIDAI being responsible for undertaking enrolment activity currently in 24 States/UTs and NPR in 12 States/UTs. Although the purposes of UIDAI and NPR are different, eliminating avoidable overlapping in UID and NPR schemes and ground level convergence of efforts have been ensured. Further both Systems are progressing smoothly in accordance with their respective mandates/objectives. Aadhaar is being successfully linked to citizen centric schemes like DBTL, MGNREGA, PDS, Scholarships, Pensions etc. and has started yielding dividends in form of direct benefit transfers to the intended beneficiaries and elimination of ghost beneficiaries. Recently, government has notified 'Transaction of Business Rules' in respect of National Institute for Transforming India (NITI Aayog) with UIDAI as an attached office of NITI Aayog.

Consequent to the submission of the 42nd Report of the Standing Committee on Finance, the observations and recommendations of the Committee were considered by the Government and a Cabinet Note was submitted containing the stand of Government on various issues. Subsequently, the draft Cabinet Note was circulated among various stake holders viz. Ministry of Home Affairs, Ministry of Finance (Department of Expenditure, and Department of Financial Services), Ministry of Law and Justice (Department of Legal Affairs, and the Legislative Department), and Ministry of Science and Technology, for seeking their views and comments. The Cabinet Note containing the stand of Government on the observations/recommendations made by the Committee and official amendments to the Bill was approved by the Government on 8th October 2013. The recommendation of the Hon'ble President of India was also obtained for consideration and passing of the Bill, pursuant to which, the notice for introduction of the NIDAI Bill, 2010 along with Official Amendments were moved

in the Rajya Sabha. The Bill was listed as part of the Business during the Winter Session, 2013 but could not be taken up for consideration and passing.

In view of the recent steps taken by the Government to universalise Aadhaar Enrolments and to utilise Aadhaar for several service delivery initiatives, the Government recognizes that there is an urgent requirement to pass the Bill. Further steps, that are required to be taken, to take the proposed legislation further, are being taken."

12. The Committee find the reply of the Ministry on the pending legislation on UIDAI to be repetitive. The Committee had time and again urged the Government to address the key issues related to the UIDAI Bill, particularly in light of recent Supreme Court Judgment. The Committee would, therefore, once again reiterate that the Government should immediately address the key issues relating to UIDAI and initiate measures for early legislation on the subject.

**NEW DELHI
01 December, 2015
10 Agrahayana, 1937 (Saka)**

**DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance**

Minutes of the Fifth sitting of the Committee on Finance

The Committee sat on Thursday, the 19 November, 2015 from 1100 hrs. to 1300 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Nishikant Dubey
5. Shri P.C. Gaddigoudar
6. Shri Chandrakant B. Khaire
7. Shri Rattan Lal Kataria
8. Shri Prem Das Rai
9. Shri Rayapati Sambasiva Rao
10. Shri Gopal Shetty
11. Dr. Kirit Somaiya

RAJYA SABHA

12. Shri Naresh Agrawal
13. Shri Naresh Gujral
14. Shri Digvijay Singh
15. Dr. Manmohan Singh

SECRETARIAT

- | | | |
|---------------------------------|---|---------------------|
| 1. Smt. Abha Singh | - | Joint Secretary |
| 2. Shri P.C. Tripathy | - | Director |
| 3. Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. Shri Kulmohan Singh Arora | - | Deputy Secretary |

2. The Committee then took up the following draft Reports for consideration and adoption.

- I. Draft Report on Action taken by the Government on the recommendations contained in the 10th report on Demands for Grants (2015-16) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Disinvestment).

- II. Draft Report on Action taken by the Government on the recommendations contained in the 11th report on Demands for Grants (2015-16) of Ministry of Finance (Department of Revenue).
- III. Draft Report on Action taken by the Government on the recommendations contained in the 12th report on Demands for Grants (2015-16) of Ministry of Planning.
3. After some deliberations, the Committee adopted the above draft Reports with minor modification and authorised the Chairperson to finalize them and present these Reports to Parliament.

4. XX XX XX XX XX

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWELFTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SIXTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2015-16) OF THE MINISTRY OF PLANNING

	Total	% of total
(i) Total number of Recommendations	09	
(ii) Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos.1,2,3,5,6,8 &9)	07	77.78%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00%
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee Recommendation Nos. 4 & 7)	02	22.22%
(v) Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0.00%