19

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2012-13)

PUBLIC ACCOUNTS COMMITTEE 2014-2015

NINETEENTH REPORT

SIXTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2012-13)

Presented to Lok Sabha on 29 *April* 2015
Laid in Rajya Sabha on 29 *April* 2015

LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/*Vaisakha,* 1937 *(Saka)*

PAC No. 2050

Price: ₹ 175.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fifteenth Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

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(2014-2015)

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[1] Elected *w.e.f.* 3rd December, 2014 *vice* Shri Rajiv Pratap Rudy who has been appointed as Minister *w.e.f.* 9th November, 2014.

[2] Elected *w.e.f.* 3rd December, 2014 *vice* Shri Jayant Sinha who has been appointed as Minister *w.e.f.* 9th November, 2014.

[3] Elected *w.e.f.* 3rd December, 2014 *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

INTRODUCTION

I, the Chairman, Public Accounts Committee, having been authorised by the Committee, do present on their behalf this Nineteenth Report (Sixteenth Lok Sabha) on **"Excesses over Voted Grants and Charged Appropriations (2012-13)".**

2. The Union Government Appropriation Accounts (Civil) 2012-13; the Union Government Appropriation Accounts (Postal Services) 2012-13; the Union Government Appropriation Accounts of the Defence Services 2012-13; and the Report of the Comptroller & Auditor General of India for the year ended March, 2013, No. 1 of 2014 for the year 2012-13, Union Government (Accounts of the Union Government) were laid on the Table of the House on 1st August, 2014. The Indian Railways Appropriation Accounts Part-I—Review, 2012-13; the Indian Railways Appropriation Accounts Part-II—Detailed Appropriation Accounts, 2012-13; the Indian Railways Appropriation Accounts Part-II—Detailed Appropriation Accounts (Annexure-G), 2012-13; and the Report of the Comptroller & Auditor General of India for the year ended March, 2013, No. 19 of 2014, Union Government (Railways) Railways Finances were laid on the Table of the House on 28th November, 2014.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Defence, Finance, Indian Audit and Accounts Department, Department of Urban Development, Ministries of Communications and Information Technology (Department of Posts) and Railways of the Union Government in the 2012-13 fiscal on the basis of the Appropriation Accounts; observations of Audit as contained in the relevant Reports of the Comptroller & Auditor General of India, and the Explanatory Notes/ Advance Information furnished by the Ministries/Departments concerned. The Committee also took oral evidence of the representatives of the Ministries of Defence, Finance, Communications and Information Technology (Department of Posts) and Railways on 16th December, 2014. The Committee considered and finalised this Report at their sitting held on 09th April, 2015. Minutes of the sittings are given at Appendix-I and II respectively.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix-III.

5. The Committee would like to express their thanks to the representatives of the Ministries of Defence, Finance, Indian Audit and Accounts Department, Department of Urban Development, Ministries of Communications and Information Technology (Department of Posts) and Railways for the cooperation extended by them in furnishing the requisite information to the Committee.

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

NEW DELHI;
27 *April*, 2015
7 *Vaisakha*, 1937 (*Saka*)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

REPORT

PART I

A. INTRODUCTORY

(a) Annual Appropriation Accounts of the Union Government

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

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

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

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

(a) that the moneys shown in the accounts are having been disbursed were legally available for, and applicable to, the service of purpose to which they have been applied or charged;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under Rules framed by the competent authority.

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

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

**This Rule defines the functions of the Public Accounts Committee.

(b) Rules/Provisions for controlling excess expenditure

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

(i) Article 114 (3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.

(ii) Further, Rule 52 (3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total Grant or appropriation authorised by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.

(iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount Granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.

(iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over Grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds alloted to that head.

(c) Procedure for regularization of excess expenditure

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

(d) Union Government Appropriation Accounts (2012-2013)

8. The details of the four Union Government Appropriation Accounts (2012-13) *viz.* the dates of laying of these Accounts on the Table of the House, the number of Grants/ Appropriations operated under each of the four Appropriation Accounts and the relevant Chapters/Paragraphs of the Audit Reports highlighting the Audit findings are given below:—

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/ Appropriations highlighted	C&AG's Report in which audit findings are highlighted
1.	Civil	01.08.2014	99	Chapter 3 (Para 3.4 and 3.5 of C&AG's Report No. 1 of 2014, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	01.08.2014	6	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 1 of 2014, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	01.08.2014	1	Chapter 3 (Para 3.4 and 3.5 of C&AG's Report No. 1 of 2014, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	28.11.2014	16	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 1 of 2014, Union Government, Accounts of the Union Government, (Financial Audit) and Chapter 2 of C&AG's Report No. 19 of 2014, Union Government (Railways) Railways Finances

Total No. of Grants/Appropriations: 122

9. In this Report, the Committee have examined the cases of those Grants/ Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2012-13 and which require regularization by Parliament under Article 115(1)(b) of the Constitution of India.

B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2012-13)

10. Scrutiny of the four Appropriation Accounts (2012-13) revealed that, there was an excess disbursement of ₹ 6591,30,34,331 (₹ 6591.30 crore) over the authorization from the CFI during 2012-13. There was an excess disbursement of ₹ 4565,39,25,407 (₹ 4,565.39 crore) in five segments of four Grants/Appropriations in Civil Ministries/ Departments, ₹ 195,53,44,892 (₹ 195.53 crore) in three segements of three Grants of Defence Services; ₹ 160,13,57,173 (₹ 160.14 crore) in one segment of one Grant operated by the Department of Posts and ₹ 1670,24,06,859 (₹ 1,670.24 crore) in 10 segments of

eight Grants/Appropriations of the Ministry of Railways. These are illustrated below in a tabular form:—

(In unit of ₹)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	4	5	4565,39,25,407
2.	Defence Services	3	3	195,53,44,892
3.	Postal Services	1	1	160,13,57,173
4.	Railways	8	10	1670,24,06,859
	Total	16	19	6591,30,34,331

(a) Details of Excess Disbursement over Voted Grants/Charged Appropriations (2012-13)

11. The details of 19 cases of 16 Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2012-13 as shown in the relevant Union Government Appropriation Accounts/ Explanatory Notes furnished by the Ministries/Departments concerned are given below:—

(In unit of ₹)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Original Grant/Appropriation (O) Supplementary Grant/Appropriation (S) Total Grant/ Appropriation (T)	Actual Expenditure	Excess Expenditure	Percentage of excess Expenditure over total Grant/ Appropriation
1	2	3	4	5	6	7
I—Appropriation Accounts (Civil)						
Revenue (Voted)						
1.	21—Defence Pensions	Defence	O-38999,74,00,000 S-499,44,00,000 T-39499,18,00,000	43362,89,24,944	3863,71,24,944	9.78
2.	40—Indian Audit and Accounts Department	Finance	O-2479,66,00,000 S-81,89,00,000 T-2561,55,00,000	2563,60,98,350	2,05,98,350	0.08
Revenue (Charged)						
3.	21—Defence Pensions	Defence	O-26,00,000 S-56,00,000 T-82,00,000	4,81,60,400	3,99,60,400	487.32
4.	34—Interest Payments	Finance	O-324769,43,00,000 S-4718,00,00,000 T-329487,43,00,000	330182,67,86,901	695,24,86,901	0.21

1	2	3	4	5	6	7
5.	101—Department of Urban Development	Urban Development	O-38,48,00,000 S-5,75,00,000 T-44,23,00,000	44,60,54,812	37,54,812	0.85
Total (Civil)		**371593,21,00,000**		**376158,60,25,407**	**4565,39,25,407**	**1.23**
II. Appropriation Accounts — Defence Services Revenue (Charged)						
6.	22—Defence Services—Army	Defence	0.45,27,00,000 S-Nil T-45,27,00,000	221,87,35,739	176,60,35,739	390.11
7.	23—Defence Services—Navy	Defence	O-620,00,000 S-700,00,000z T-13,20,00,000	22,76,80,239	9,56,80,239	72.49
8.	24—Defence Services—Air Force	Defence	O-232,00,000 S-386,00,000 T-618,00,000	15,54,28,914	9,36,28,914	151.50
Total (Defence Services)			**64,65,00,000**	**260,18,44,892**	**195,53,44,892**	**302.45**
III—Appropriation Accounts—Postal Services Revenue (Voted)						
9.	13—Department of Posts	Communica-tions and Information Technology	O-14379,61,00,000 S-940,88,00,000 T-15320,49,00,000	15480,62,57,173	160,13,57,173	1.05
Total (Postal Services)			**15320,49,00,000**	**15480,62,57,173**	**160,13,57,173**	**1.05**
IV-Appropriation Accounts—Railways Revenue (Voted)						
10.	8—Working Expenses—Operating Expenses—Rolling Stock & Equipment	Railways	O-7360,74,70,000 S-500,03,24,000 T-7860,77,94,000	7888,94,97,579	28,17,03,579††	0.36
11.	10—Working Expenses—Operating Expenses—Fuel	Railways	O-21346,72,40,000 S-382,61,62,000 T-21729,34,02,000	22388,16,45,046	658,82,43,046	3.03
12.	13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits	Railways	O-19120,65,95,000 S-1456,06,05,000 T-20576,72,00,000	21558,67,20,896	981,95,20,896	4.77
	Revenue (Charged)					
13.	03—Working Expenses—General Superintendence and Services	Railways	O-Nil S-91,000 T-91,000	42,73,995	41,82,995	4596.70
14.	04—Working Expenses—Repairs and Maintenance of Permanent Way and Works	Railways	O-33,01,000 S-18,21,000 T-51,22,000	97,41,936	46,19,936	90.20

††There was an excess expenditure of ₹28,17,03,579 under this Grant. However, taking into account the misclassification of ₹571.55,478 the actual excess requiring regularization works out to ₹3388,59,057.

1	2	3	4	5	6	7
15.	05—Working Expenses—Repairs and Maintenance of Motive Powers	Railways	O-Nil S-Nil T-Nil	4,12,746	4,12,746	—
16.	07—Working Expenses—Repairs and Maintenance of Plant and Equipment	Railways	O-Nil S-17,000 T-17,000	2,28,968	2,11,968	1246.87
17.	08—Working Expenses—Operating Expenses—Rolling Stock and Equipment	Railways	O-Nil S-Nil T-Nil	4,96,123	4,96,123	—
18.	11—Working Expenses—Staff Welfare and Amenities	Railways	O-Nil S-4,69,000 T-4,69,000	19,21,241	14,52,241	309.65
19.	13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits	Railways	O-58,20,000 S-Nil T-58,20,000	73,83,329	15,63,329	26.86
Total (Railways)			**50167,99,15,000**	**518,38,23,21,859**	**16,70,24,06,859**	**3.33**
Grand Total			**437146,34,15,000**	**443737,64,49,331**	**65,91,30,34,331**	**1.51**

12. The above statement reveals that out of five cases of excess expenditure incurred under the Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Defence under two sections of Grant No. 21—Defence Pensions incurred excess expenditure of ₹ 3867.71 crore which is 58.63% of total excess expenditure incurred during the year 2012-13. Further, the Ministry of Finance under Appropriation No. 34—Interest Payments, incurred excess expenditure of ₹ 695.25 crore which is 10.55 per cent. of total excess expenditure. In case of Defence Services, an excess of ₹ 195.53 crore was incurred under Grant No. 22—Defence Services—Army, No. 23—Defence Services—Havy and No. 24 Defence Services—Air Force, which is 2.97 per cent. of total excess expediture incurred. Further, there was total excess expenditure of ₹ 160.14 crore incurred under one section of Grant No. 13—Department of Posts which was about 2.43% of the total excess expenditure incurred. In the case of Grants/Appropriations administered by the Ministry of Railways, an excess expenditure of ₹ 1670.24 crore (Before misclassification of expenditure) *i.e.* 25.34% of total excess expenditure was incurred in ten cases.

(b) Actual Excess Expenditure incurred by the Ministry of Railways

13. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2012-13 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations revealed that there was a misclassification of

expenditure of ₹ (+) 571,55,478 under Grant No. 8—Working Expenses—operating Expenses—Rolling Stock and Equipment. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2012-13 works out to ₹ 1675,95,62,337 instead of ₹ 1670,24,06,859 as indicated in Indian Railways Appropriation Accounts (2012-13).

(c) Total Actual Excess Expenditure for the financial year 2012-13 requiring regularization under Article 115(1)(b) of the Constitution

14. Thus, the total amount of actual excess exenditure incurred during the financial year 2012-13, which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 6597,01,89,809 incurred in 19 cases of 16 excess registering Grants/Appropriations.

15. While furnishing the reasons for incurring excess expenditure during the year 2012-13, the Ministries/Departments concerned in their written replies submitted as follows:—

(i) Explanation of the Ministry of Defence (Grant No. 21 — Defence Pensions)

- An amount of ₹ 41784.19 crore was projected to Ministry of Finance under voted portion of the Grant, however, an amount of ₹ 39499.18 crore only was approved by Ministry of Finance, *i.e.,* the amount approved by Ministry of Finance was less than amount projected by this Ministry which resulted into excess expenditure.

- Further, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for want of Budget, which has resulted in excess expenditure.

- The excess expenditure of ₹ 3863.71 crore under voted portion in respect of Grant No. 21—Defence Pensions has occurred mainly due to receipt of more cases of MACP, death cases and booking of pending pension scrolls received from banks to clear amount under suspense.

- Moreover, the expenditure for which cash flow had already taken place in the books of RBI, was required to be brought to account, the pending pension scrolls had to be booked under the Defence Pensions Head to clear the amount lying under RBI Suspense to reflect the true picture of cash flow from the Government account.

(ii) Explanation of the Ministry of Defence (Grant Nos. 22, 23 and 24)

Likely cash outgo on payment of arrears on account of implementation of court orders in the Dhanapalan case could not be correctly estimated given the paucity of time given to implement the orders and the fact that implementation began in the last quarter of the financial year leaving no time to properly assess and provide for funds. Moreover, payment had to be made in order to comply with Supreme Court orders, resulting in excess over allocation.

(iii) Explanation of the Ministry of Finance [Department of Economic Affairs (Appropriation No. 34)]

The interest payment is a Charged expenditure in terms of Article 112(3)(c) of the Constitution of India, it is difficult to estimate precisely the interest payments, which are largely dependent on numerous factors such as market borrowings, variation in interest rates, foreign exchange rates, etc. The variation in exchange rate, interest rate etc. cannot be pre-assessed.

(iv) Explanation of the Indian Audit and Accounts Department (Grant No. 40)

The actual expenditure during 2012-13 was well anticipated. However, the joining of the 3226 number of new Group 'C' Staff resulted in excess expenditure on account of salaries amounting to ₹ 2,05,98,350 *i.e.* 0.08 per cent. of Voted portion of ₹ 2561,55,00,000.

The expenditure under voted portion of IA&AD Grant exceeded the budget allocation due to joining of 3226 Group 'C' officials in the department during the last quarter of financial year 2012-13. The monthly outgo on salaries for newly recruited officials is estimated to be ₹ 7.74 crore taking base salary of ₹ 24,000 per person. The IA&AD Grant could absorb this additional outgo on account of salaries by resorting to tight fiscal control measures like stopping of non-essential payments and utilizing funds from non-salary heads to pay the salaries to the newly recruited staff, salaries being a committed liability.

(v) Explanation of the Ministry of Urban Development (Grant No. 101)

Due to unforeseen payments of arrears to the Work Charged staff due to Grant of selection Grade and MACP Scheme, execution of important and timebound furnishing works and related supplies in Rashtrapati Bhawan and increased charges of water bills in the last quarter of the year.

(vi) Explanation of the Department of Posts (Grant No. 13)

Department of Posts had incurred an excess expenditure of ₹ 160.14 crore during the year 2012-13 under Revenue Voted section of Grant No. 13. The Department had furnished its requirement of funds amounting to ₹ 15479.32 crore to the Ministry of Finance for getting their approval. Against which, Ministry of Finance had approved ₹ 15223.84 crore for the year 2012-13 which was less by ₹ 255.48 crore under 3201 Working Expenses (Non-Plan). As a result, Department had incurred excess expenditure of ₹ 160.14 crore which is 1.03% of the total expenditure of ₹ 15480.63 crore under Revenue Section Voted.

(vii) Explanation of the Ministry of Railways (Grant Nos. 8, 10 & 13 and Appropriation Nos. 3, 4, 5, 7, 8, 11 & 13)

The 'Excess' under Grant No. 8 was mainly due to more expenditure towards operating staff cost under Diesel and Electric traction and has occurred mainly under D.A. and other primary units like kilometerage allowance relating to running staff. The 'Excess' under Grant No. 10 is mainly due to higher than anticipated increase in price of High Speed Diesel for traction and increase in rate of electrical energy for traction. The 'Excess' under Grant No. 13 was mainly due to receipt of more debits from various pension disbursing authorities, higher than anticipated dearness relief and certain decisions taken later like Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS), Grant of one extra increment with retrospective effect to the staff whose date of natural increment was falling between February to June, revision of Fixed Medical Allowance rates, MACP balance cases. The amounts involved in excess under Charged Approrpriation Nos. 3, 4,5, 7, 8, 11 & 13 are minor, though in percentage terms they are high.

16. The comments of the Ministry of Finance (Department of Economic Affairs) being a nodal Ministry on the excess expenditure incurred under all the above-said cases during the year 2012-13 are as under:—

"As a general rule, the excess expenditure incurred must be avoided as the same is not authorized by Parliament and is over and above the sums authorized in the Appropriation Act. This Department has not been supportive of the excess expenditure incurred by Ministries/Departments in their Demands/ Appropriations controlled by them. However, certain expenditure such as interest payments, payment of pension, repayment of debt, operational expenses of Department of Posts, payments arising out of Court Orders are obligatory in nature and cannot be postponed. The excess expenditure in such cases arises due to either unforeseen exigencies or poor/unrealistic estimation based on inconsistent reporting system."

17. When asked as to how the Ministry of Finance ensure that the functionaries controlling implementation of various plans and schemes do not create liabilities without assurance of funds from competent fund controlling authorities, the Ministry submitted as follows:—

"Finances made available through Budget to implementing agencies are well known to Ministries/Departments much ahead of commencement of the financial year. Ministries/Departments are expected to formulate the plan of spending according to the funds provided. Further, during mid-year review, the details of reductions in/additions to provision of funds are also provided to the Ministries/ Departments. Hence, Ministries/Departments should not create liabilities anticipating provision of funds."

18. Apprising the Committee about internal check arrangement prescribed by the Department of Economic Affairs in each Ministry to keep watch over the trend of

expenditure against the sanctioned Grant or Appropriation, the Department stated as follows:—

> "All the payments, except those payments made by Reserve Bank of India directly towards interest payments, repayment of debt, are subject to pre-check by the Pay & Accounts Offices (PAOs) of the line Ministries/Departments. PAOs are also expected to maintain expenditure control register, check availability of funds before release of payments. Each cheque-Drawing and Disbursing Officers (DDOs) is also required to regulate the payments within the funds provided to each of them. These are standing instructions issued by Controller General of Accounts under Department of Expenditure.
>
> As regards overall check of expenditure against budget provisions and containing the expenditure within the appropriation authorized in a Grant/appropriation, the administrative Secretary, being the Chief Accounting Authority, is responsible for watching the progress of expenditure during the year. Financial Adviser of the Ministry/Department and Chief Controller/Controller of Accounts assist the Chief Accounting Authority in monitoring the expenditure and contain the expenditure within the appropriation authorized by Parliament. In case of additional requirement, approval of Parliament, through this Department, is required to be sought by means of Supplementary Demands for Grants.''

19. When the Committee sought to know as to whether the Ministry of Finance have done any study of the best international practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions, the Ministry of Finance (Department of Economic Affairs) in their written replies stated that:—

> "No study on international practices on expenditure control mechanism is required/done in this Ministry."

19A. As regards the study of best international practices, Secretary (Department of Economic Affairs) during evidence before the Committee submitted as follows:—

> "Regarding international experience, we follow the practice which we have inherited from British which is that this is the system which the British will follow till today. We have done no serious international study. I must admit. However, Members have expressed this desire, in the next of four-five months, we would try to do a paper and present it to PAC on what the international experiences and methods are, how much error or wrong error do they achieve."

20. On being asked that there is an imperative need to review the role of the Finance Ministry's representatives in the various Ministries/Departments *viz*. the Financial Adviser with a view to making exchequer control more effective, the Ministry of Finance (Department of Economic Affairs) submitted as follows:—

> "The role of Financial Adviser in the current scenario has been redefined and a revised charter for FAs was issued by Department of Expenditure on 1.6.2006.

This Department is of the view that the extent scheme of Integrated Financial Adviser has been functioning well. However, the expenditure monitoring mechanism requires further attention at the level of Ministries/Departments."

(d) Excess Expenditure despite obtaining Supplementary Grants

21. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2012-13, out of 19 cases of excess registering Grants/Appropriations, the excess expenditure had been incurred even after obtaining Supplementary Grants/ Appropriations in the following 15 cases by the respective Ministries/Departments to meet their additional requirements:—

(In unit of ₹)

Sl. No.	No. and name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred	Percentage of excess over Supplementary Grants/ Appropriations
1	2	3	4	5
I. Appropriation Accounts — Civil				
Revenue (Voted)				
1.	21—Defence Pensions	4,99,44,00,000	3863,71,24,944	773.61
2.	40—Indian Audit and Accounts Department	81,89,00,000	2,05,98,350	2.52
Revenue (Charged)				
3.	21—Defence Pensions	56,00,000	3,99,60,400	713.58
4.	34—Interest Payments	4718,00,000	695,24,86,901	14.74
5.	101—Department of Urban Development	5,75,00,000	37,54,812	6.53
	Total (Civil)	**5305,64,00,000**	**4565,39,25,407**	**86.05**
II. Appropriation Accounts—Defence Services				
Revenue (Charged)				
6.	23—Defence Service-Navy	7,00,00,000	9,56,80,239	136.69
7.	24—Defence Service-Air Force	3,86,00,000	9,36,28,914	242.56
Total (Defence Services)		**10,86,00,000**	**18,93,09,153**	**174.32**
III. Appropriation Accounts—Postal Services				
Revenue (Voted)				
8.	13—Deptt. of Posts	940,88,00,000	160,13,57,173	17.02
Total (Postal Services)		**940,88,00,000**	**160,13,57,173**	**17.02**
IV. Appropriation Accounts—Railways				
Revenue (Voted)				
9.	8—Operating Expenses — Rolling Stock and Equipment	500,03,24,000	33,88,59,057	6.78
10.	10—Operating Expenses—Fuel	382,61,000	658,82,43,046	172.19
11.	13—Working Expenses — Provident Fund, Pension & Other Retirement Benefits	1456,06,05,000	981,95,20,896	67.44

1	2	3	4	5
Revenue (Charged)				
12.	03—Working Expenses-General Superintendence and Services	91,000	41,82,995	4596.70
13.	04—Working Expenses-Repairs & Maintenance of Permanent Way and Works	18,21,000	46,19,936	253.70
14.	07—Working Expenses -Repairs and Maintenance of Plant and Equipment	17,000	2,11,968	1246.87
15.	11—Working Expenses-Staff Welfare and Amenities	4,69,000	14,52,241	309.65
Total (Railways)		**2338,94,89,000**	**1675,70,90,139**	**71.64**
Grand Total		**8596,32,89,000**	**6420,16,81,872**	**74.68**

22. Scrutiny of the above statement has revealed that in the fiscal year 2012-13, relatively huge amounts of excess expenditure were incurred even after obtaining large sums of Supplementary Grants. Supplementary Grants to the tune of ₹ 5305.64 crore was allocated for the four excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 4565.39 crore. In Defence Sector, Supplementary Grants to the tune of ₹ 10.86 crore was allocated for two excess registering Grants, yet an excess expenditure of ₹ 18.93 crore was incurred. In the Postal Sector, a Supplementary Grant of ₹ 940.88 crore proved inadequate by ₹ 160.14 crore. In respect of Railways, out of ten cases of excess registering Grants/ Appropriation, Supplementary Grant of ₹ 2338.95 crore was obtained in seven cases, still an excess expenditure of ₹ 1675.71 crore was incurred.

23. When asked as to whether any guidelines have been issued by the Ministry of Finance for the Ministries/Departments to make their demands for Supplementary Grants on a realistic basis before presenting the same to Parliament so that additional provisions are commensurable with the actual requirement of funds, the Ministry of Finance (Department of Economic Affairs) submitted that:—

> "Extant orders/instructions and the letters calling for the Supplementary Demands for Grants issued by this Department reiterate amply clear the need for assessing the requirement of funds in a realistic manner before seeking the approval of Parliament through Supplementary Demands for Grants."

(e) Recurring Excess Expenditure

24. Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in

accordance with the provisions of this Article. Further, General Financial Rule (GFR) 52(3) stipulates that no disbursement be made which might have the effect of exceeding the total Grant or Appropriation authorized by parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund. Contrary to this, the incurrence of excess expenditure has been a recurring phenomenon in the past despite Recommendations of the Public Accounts Committee and subsequent issuance of instructions by the Ministry of Finance from time to time. The comparative data given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years:—

(₹ *in crore*)

Year	Appropriation Accounts—Civil		Appropriation Accounts—Defence Services		Appropriation Accounts—Postal Services		Appropriation Accounts—Railways		Total	
	No. of Excess registering Grants/ Appropriations	Excess Expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	Total of Columns 2,4,6,8	Total of Columns 3,5,7,9
2003-04	7	42190.20	1	37.50	-	-	9	1136.92	17	43364.62
2004-05	3	33784.53	2	41.99	1	0.04	10	2151.99	16	35978.56
2005-06	8	97062.69	2	44.84	1	97.65	11	2322.46	22	99527.64
2006-07	4	36637.20	1	667.17	-	-	8	365.16	13	37669.53
2007-08	4	100.14	1	71.19	1	0.02	8	51.22	14	222.57
2008-09	4	270.21	2	742.61	-	-	8	532.12	14	1544.94
2009-10	4	9218.89	2	2615.23	1	818.13	9	1922.84	16	14575.08
2010-11	7	3384.10	4	4239.34	1	366.63	10	3056.86	22	11046.93
2011-12	5	6545.33	1	567.91	1	400.04	4	1049.86	11	8563.14
2012-13 (year under review)	4	4565.39	3	195.53	1	160.14	8	1675.96	16	6597.02

25. It is seen from above that the various Civil Ministries/Departments, Ministry of Defence and the Ministry of Railways have been incurring large amount of excess expenditure continously during the last ten fiscals. It is further revealed that though there had been decline in excess expenditure incurred by the Civil Ministries/ Departments, Ministry of Defence and Department of Postal Services, excess expenditure incurred by the Ministry of Railways has shown an increase during the year 2012-13.

(f) Persistent excess in Grants/Apropriations

26. A scrutiny of the Grants/Appropriations registering persistent excess for the five years period *i.e.* from 2008-09 to 2012-13 revealed that in 9 Grants/Appropriations persistent excesses occurred in at least three years out of five years period for which

analysis was made. The Grant-wise and Year-wise details of persistent excesses against allocations are given below:—

(Amount in ₹)

Sl. No.	Grant No. and Name	2008-09	2009-10	2010-11	2011-12	2012-13
1	2	3	4	5	6	7
Civil Grants — Revenue (Voted)						
1.	21-Defence Pensions					
	Excess-	**13,32,985**	**8999,54,01,305**	**3336,30,72,983**	**3568,81,46,182**	**3863,71,24,944**
	Expenditure-	20233,08,32,985	34999,29,01,305	37336,05,72,983	37568,56,46,182	43362,89,24,944
	Grant-	20232,95,00,000	25999,75,00,000	33999,75,00,000	33999,75,00,000	39499,18,00,000
Postal Services—Revenue (Voted)						
2.	13-Department of Posts					
	Excess-	—	**818,12,99,976**	**366,63,29,167**	**400,03,82,246**	**160,13,57,173**
	Expenditure-	—	13344,82,99,976	13793,26,29,167	14162,36,82,246	15480,62,57,173
	Grant-	—	12526,70,00,000	13426,63,00,000	13762,33,00,000	15320,49,00,000
Railways—Revenue (Voted)						
3.	04-Repair and Maintenance of Permanent Ways and Works					
	Excess-	**104,05,87,825**	**55,50,24,359**	**7,75,52,784**	—	—
	Expenditure-	5944,26,92,825	7496,25,82,359	7386,56,17,784		
	Grant-	5840,21,05,000	7440,75,58,000	7378,80,65,000		

4.	05-Repair and Maintenance of Motive Power					
	Excess-	**95,24,56,565**	**90,87,30,288**	**75,06,60,832**	**—**	**—**
	Expenditure-	2924,36,28,565	3479,19,71,288	3423,60,13,832		
	Grant-	2829,11,72,000	3388,32,41,000	3348,53,53,000		
5.	06-Repair and Maintenance of Carriages & Wagons					
	Excess-	**149,69,22,039**	**164,57,39,230**	**221,08,77,978**	**—**	**—**
	Expenditure-	6430,23,89,039	7857,06,14,230	7799,58,75,978		
	Grant-	6280,54,67,000	7692,48,75,000	7578,49,98,000		
6.	08-Operating Expenses-Rolling Stock & Equipment					
	Excess-					
	Expenditure-	**131,05,69,735**	**36,30,60,599**	**189,88,89,127**	**—**	**28,17,03,579**
	Grant-	4711,59,77,735	5983,59,00,599	6156,81,96,127		7888,94,97,579
		4580,54,08,000	5947,28,40,000	5966,93,07,000		7860,77,94,000
7.	12-Misc. Working expenses					
	Excess-	**—**	**19,58,54,173**	**648,43,86,934**	**278,20,93,415**	
	Expenditure-		3177,23,12,173	4002,49,56,934	4388,08,15,415	—
	Grant-		3157,64,58,000	3354,05,70,000	4109,87,22,000	
8.	13-Provident Fund, Pension & other Retirement Benefits					
	Excess-	**—**	**1512,38,96,979**	**1403,97,51,918**	**769,61,68,663**	**981,95,20,896**
	Expenditure-		16911,20,69,979	16352,71,21,918	18326,96,73,663	21558,67,20,896
	Grant-		15398,81,73,000	14948,73,70,000	17557,35,05,000	20576,72,00,000
Railways—Revenue (Charged)						
9.	03-General Superintendence and Services					
	Excess-	**1,04,322**	**24,21,286**	**20,97,842**	**27,29,201**	**41,82,995**
	Expenditure-	9,52,322	34,79,286	36,49,842	30,34,201	42,73,995
	Appropriation-	8,48,000	10,58,000	15,52,000	3,05,000	91,000

27. Scrutiny of the above statement has revealed that the Ministry of Defence under Grant No. 21 Defence Pensions, had incurred excess expenditure of more than ₹ eight thousand in 2009-10 to ₹ three thousands crore recurringly for the years 2009-10 to 2012-13. Similarly, the Department of Posts under Grant No. 13—Postal Services had incurred excess expenditure of more than ₹ 100 crore for the year 2009-10 to 2012-13. Further, in case of Grants/Appropriations operated by the Ministry of Railways it has been observed that recurring excess expenditure under two Grants/Appropriations namely Grant No. 13—Provident Fund, Pension and other Retirement Benefits and Appropriation No. 03—General Superintendence & Services had been incurred for the last four years *i.e.* from 2009-10 to 2012-13. Out of which Grant No. 13—Provident Fund, Pension and other Retirement Benefits, the amount of excess expenditure incurred was more than ₹ one thousand crore during the years 2009-10 and 2010-11 while it was more than ₹ 700 crore during the years 2011-12 and 2012-13.

28. While furnishing the specific reasons for recurring phenomenon of excess expenditure of such a huge amount in all the sectors of the economy *viz.* Civil, Defence Services, Postal Services and Railways, the Ministry of Finance (Department of Economic Affairs) stated that:—

> "Recurring excess expenditure in Defence Services, Railways and Postal Services were partly due to incorrect assessment of requirement of funds, inconsistent reporting system and partly due to unforeseen expenditure arising out of Court orders."

29. On being asked about the remedial measures taken by the Ministry of Finance (Department of Economic Affairs) to impress upon all the Ministries/Departments to avoid the recurring phenomenon of excess expenditure, the Ministry of Finance (Department of Economic Affairs) stated as follows:—

> ‘‘As a nodal Ministry for managing the finances of the Union Government, FAs of Ministries/Departments are conferred at regular intervals and sensitized about the expenditure control and the need to follow the related instructions scrupulously. Further in order to improve efficiency of officers posted in Finance Divisions, Training Programmes for such officers was conducted in National Institute of Financial Management from 1st to 5th September, 2014. Another session would be considered, if required. The training programme covers budgetary process, parliament procedure, accounting principles, constitutional requirements, financial management, etc.’’

30. Explaining the reasons for not allocating the funds of committed liabilities as desired by the Ministries which led to incurring of excess expenditure year after year, the Ministry of Finance (Department of Economic Affairs) submitted as follows:—

> "Funds for committed liabilities as projected by Ministries/Departments with sufficient justification are fully provided by this Ministry.
>
> However, Ministries/Departments with inconsistent reporting system seek higher allocations based on rough estimates. Such projections are not considered by this Ministry. For example, Ministry of Defence have not overhauled their

payment and reporting system of Defence Pensions. Ministry of Defence were requested to conduct special audit on inconsistent trend of expenditure of Defence Pensions. Similarly, Department of Posts, which did not propose either in RE or in final appropriation its requirement towards payment of interest on 'Postal Insurance and Life Annuity Fund', was largely responsible for excess expenditure in Appropriation—Interest Payments for 2012-2013.

Payments which are obligatory and committed in nature are fully provided for in budget ."

(g) Recurring excess expenditure by the Ministry of Defence

31. Scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last ten financial years *i.e.* 2003-04 to 2012-13 indicated that the Ministry of Defence had been incurring recurring excess expenditure under the Grants/ Appropriations operated by them as detailed below:—

(In unit of ₹)

Sl. No.	Year	No. & Name of Grant/Appropriation	Amount of Excess Expenditure
1	2	3	4
1.	2003-04	24—Defence Ordnance Factories (Revenue—Voted)	37,50,27,533
2.	2004-05	26—Defence Ordnance Factories (Revenue-Voted)	40,00,08,594
		27-Defence Services Research and Development (Revenue—Voted)	1,99,23,373
3.	2005-06	23—Defence Services—Army (Revenue—Charged)	2,08,34,112
		25—Defence Services—Air Force (Revenue-Voted)	42,75,63,997
4.	2006-07	22—Defence Services—Army (Revenue—Voted)	667,16,95,590
5.	2007-08	22—Defence Services—Army (Revenue-Voted)	71,18,78,075
6.	2008-09	19—Ministry of Defence (Revenue-Voted)	27,49,86,122
		20—Defence Pensions (Revenue—Voted)	13,32,985
		23—Defence Services—Air Force (Revenue—Voted)	610,36,59,389
		24—Defence Ordnance Factories (Revenue—Voted)	132,24,87,268
7.	2009-10	20—Ministry of Defence (Revenue—Voted)	95,31,73,097

1	2	3	4
		21—Defence Pensions (Revenue—Voted)	8999,54,01,305
		22—Defence Services—Army (Revenue—Voted)	2464,11,11,895
		23—Defence Services—Navy (Revenue—Voted)	150,51,03,457
		22—Defence Services—Army (Revenue—Charged)	60,42,498
8.	2010-11	21—Defence Pensions (Revenue—Voted)	3336,30,72,983
		21—Defence Pensions (Revenue—Charged)	10,74,960
		22—Defence Services—Army (Revenue—Voted)	2864,01,52,379
		23—Defence Services—Navy (Revenue—Voted)	138,84,60,256
		25—Defence Ordnance Factories (Revenue—Charged)	1,16,34,961
		27—Capital Outlay on Defence Services	1235,31,94,576
9.	2011-12	21—Defence Pensions (Revenue—Voted)	3568,81,46,182
		21—Defence Pensions (Revenue—Charged)	28,54,467
		24—Defence Services—Air Force (Revenue—Voted)	567,90,83,321
10.	2012-13 (Year under Review)	21—Defence Pensions (Revenue—Voted)	3863,71,24,944
		21—Defence Pensions (Revenue—Charged)	3,99,60,400
		22—Defence Services—Army (Revenue—Charged)	176,60,35,739
		23—Defence Services—Navy (Revenue—Charged)	9,56,80,239
		24—Defence Services—Air Force (Revenue—Charged)	9,36,28,914

C. EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

32. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2012-13 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon, Explanatory Notes furnished by the Ministries/Departments concerned and oral evidence of the representatives of the Ministries/Departments concerned.

(a) Appropriation Accounts—Civil (2012-13)

33. An excess disbursement of ₹ 4565.39 crore was incurred in 5 cases of 4 Grants/ Appropriations pertaining to the Civil Ministries/Departments during the Financial Year 2012-13. The Grant/Appropriation-wise details and the contributory reasons for the excess expenditure as stated by the Ministries/Departments concerned are as follows:—

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred (Rs. in crore)	Contributory reasons as stated by the Ministry/Department concerned
Revenue (Voted)			
1.	21—Defence Pension	3863.71	Due to implementation of One Rank One Pension Scheme, receipt of pending pension scrolls from bank and implementation of court decree.
2.	40—Indian Audit and Accounts Department	2.06	Additional requirement towards capacity building programme, payment of Modified Assured Career Progression Scheme (MACPS) arrears, receipt of more medical claims and filling up of vacant posts.
Revenue (Charged)			
3.	21—Defence Pensions	3.99	Receipt of more cases of modified assured career progression scheme, re-fixation of pay, local discharge, pre-release cases, death cases and more leave at credit of retirees.
4.	34—Interest Payments	695.25	Due to higher volume of borrowings, shifting of investments from intermediate Treasury Bills by the State Government, exchange rate variation and payment of contractual charges etc.
5.	101—Department of Urban Development	0.38	Due to unforeseen payments of arrears to the work charged staff due to Grant of selection Grade and MACP Scheme, execution of important and time-bound furnishing works and increased charges of water bills in the last quarter of the year etc.
Total		4565.39	

34. The above statement depicts that more than 99.95% (₹ 4562.95 crore) of the total excess expenditure (₹ 4565.39 crore) in the Civil Sector was incurred by the Ministries of Defence and Finance while the remaining amount of ₹ 2.44 crore was incurred by the Indian Audit and Accounts Department and the Department of Urban Development.

(i) Grant No. 21—(Revenue-Voted)—Defence Pensions

35. During the financial year 2012-13, the Ministry of Defence incurred an excess expenditure of ₹ 3867.71 crore under two sections (₹ 3863.71 crore under Revenue-Voted—Section and ₹ 4.00 crore under Revenue-Charged Section) of Grant No. 21-Defence Pensions.

36. Under Revenue Section (Voted) of Grant No. 21-Defence Pensions, the Original Provision was ₹ 38999.74 crore which was augmented to ₹ 39499.18 crore on obtaining of Supplementary Grant of ₹ 499.44 crore. Against this an expenditure of ₹ 43362.89 crore was incurred resulting in an excess expenditure of ₹ 3863.71 crore. The Explanatory Noted furnished by the Ministry of Defence in this regard has been reproduced at **Annexure-I** to this Report.

37. Scrutiny of the Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure under this Section of the Grant was the net effect of total excess of ₹ 3908.52 crore less total savings of ₹ 44.81 crore under various Sub-Heads of the Grant. The Sub-Heads under which the excess expenditure incurred and reasons thereon as attributed by the MoD are given below:—

Sl. No.	Minor Head/sub-Head	Amount of Excess Expenditure (₹ in crore)	Contributory reasons as stated by the Ministry
1	2	3	4
1.	2071.02—Defence (SMH) 2071.02.101—Army (Minor Head) 2071.02.101.01—Pension and other Retirement Benefits (Sub-Head)	3457.89	Due to receipt of more cases of MACP, death cases and due to implementation of One Rank and One Pension (OROP) Scheme and booking of pending Pension Scrolls received from banks to clear amount under suspense.
2.	2071.02— Defence (SMH) 2071.02.102— Navy (Minor Head) 2071.02.102.01—Pension and other Retirement Benefits (Sub-Head)	189.18	Due to implementation of One Rank and One Pension (OROP) Scheme and booking of pending Pension Scrolls received from banks to clear amount under suspense.
3.	2071.02— Defence (SMH) 2071.02.103—Air Force 2071.02.103.01—Pension and other Retirement Benefits (Sub-Head)	261.44	Due to implementation of One Rank and One Pension (OROP) Scheme and booking of pending Pension Scrolls received from banks to clear amount under suspense.

1	2	3	4
4.	2071.02—Defence (SMH) 2071.02.103—Air Force 2071.02.103.02—Rewards	.005	Due to payment of Gallantry Awards more than assessed at the time of RE stage in respect of Air Force Pensioners
	Total	3908.52	

38. The Ministry of Defence further submitted that Defence Pensions is an obligatory type of expenditure and cannot be stopped for want of funds. Further, in view of the fact that expenditure, for which cash flow has already been taken place in the books of RBI, was required to be brought to account, the pending pensions scrolls amounting to ₹ 386371.25 crore had to be booked under the Defence Pensions Head to clear the amount lying under RBI suspense to reflect the true picture of cash flow from the Government Account.

39. When asked to explain their failure in anticipation of the precise requirement of funds which resulted in excess expenditure during 2012-13 under this Grant, the Ministry of Defence in their written replies submitted as follows:—

"An amount of ₹ 41784.19 crore was projected in the Ministry of Finance under voted portion of the Grant, however, an amount of ₹ 39499.18 crore only was approved by the Ministry of Finance, *i.e.,* the amount approved by the Ministry of Finance was less than amount projected by this Ministry which resulted into excess expenditure as shown in the following table:—

(₹ in crore)

Revenue Section 2012-13	Amount Projected in RE 2012-13	Final Grant (Approved)	Actual Expenditure	Excess
Voted	41784.19	39499.18	43362.89	+3863.71

As may be seen in the above table, that in RE 2012-13 an amount of ₹ 41784.19 crore was projected under the Revenue Voted Section of the Grant to the Ministry of Finance and against the projection an amount of ₹ 39499.18 crore was approved by the Ministry of Finance. Moreover, in the month of April 2013 PCDA(P) Allahabad again requested for an additional amount of ₹ 4000 crore over and above the approved RE 2012-13 of ₹ 39499.18 crore. Therefore, a total amount of ₹ 43499.18 crore (₹ 39499.18 crore + 4000 crore) was requested in the financial year 2012-13 under Defence Pensions. It shows that the actual expenditure of ₹ 43362.89 crore incurred under the Voted portion of the Grant, was very much in line with the total projections of ₹ 43499.18 crore submitted by this Ministry to the Ministry of Finance.''

40. The Committee sought to know as to whether the matter for not releasing sufficient funds was ever discussed with the Ministry of Finance, the Ministry of Defence stated as under:—

"Before finalization of Budget Estimates/Budget projections-2012-13, Pre-Budget meeting was held by Secretary Expenditure, Ministry of Finance with Officers of

MoD, wherein every possible efforts were made to convince the Ministry of Finance regarding the requirement of funds projected under Grant No. 21, Defence Pensions. Moreover, from time to time explaining the situation, the requests for additional funds were also forwarded to the Ministry of Finance.

However, the Ministry of Finance advised for an internal audit on the expenditure of Defence Pensions with specific emphasis on arriving at the reasons for the substantial increase in expenditure on Pensions in 2011-12 and further emphasized that the internal audit should focus on increase in retirement/impact of DA increase/impact of implementing improvement in pensions of PBOR pensioners etc. with sufficient details and data on each. MoF also advised that aspects relating to accumulations under 'Suspense heads', timely accounting of pension payments and speeding-up the reporting mechanism, reconciliation of payments, etc. should also be part of the study. As per the advice of the Ministry of Finance, an internal audit was conducted by Office of the CGDA and findings of the report were forwarded to the Ministry of Finance. In accordance with various recommendations/suggestions contained in the Report, various measures have been taken to strengthen the budgeting estimation and expenditure control."

41. Upon noticing that the demand of ₹ 4000 crore projected when the Financial year 2012-13 was over, the Committee asked as to why the projections were not made earlier. In response, the Ministry replied as follows:—

"It is submitted that an amount of ₹ 41,785 crore was projected in RE 2012-13 *vide* MoD, ID No. 2(8)/REBE/MO/2012/967 dt. 25/10/2012 and the ceiling in respect of Defence Pensions was conveyed by the Ministry of Finance as ₹ 39500 crore *vide* their D.O. letter No. 2(73)-B (CDN)/2012 dt. 1st January, 2013 and the final vetted copy of Statement of Budget Estimates for RE 2012-13 and BE 2013-14 in r/o Demand No. 21—Defence Pension, was forwarded to the Ministry of Finance *vide* this MoD(Fin) ID No. 2(8)/REBE/MO/2012/1332 dt. 28/01/2013. The above sequence of events shows that process for approval of ceiling in r/o Defence Pensions of RE 2012-13 by the Ministry of Finance was completed in the fag end of January, 2013. Further, immediately in the Month of March, 2013 the request of PCDA(P) for additional funds of ₹ 2000 over and above approved RE 2012-13 was again forwarded to the Ministry of Finance *vide* MoD(Fin) ID No. 2(6)/Fin(MO)/2011/1639 dt. 21/03/2013 and subsequently in the month of April 2013, explaining the situation, the request of PCDA(P) Allahabad for additional requirement of ₹ 4000 crore over and above RE 2012-13 was again submitted to the Ministry of Finance. Hence, it is submitted that the projection for RE 2012-13 was forwarded to the Ministry of Finance in the month of October 2012 and the ceiling was finalized with a less allocation of ₹ 2285 crore and immediately an additional requirement of ₹ 2000 crore was again requested in the month of March, 2013 and finally in the Month of April 2013, explaining all the situation, an additional requirement of ₹ 4000 crore was again requested. As such, this Ministry was in continuous touch with the Ministry of Finance for allotment of additional funds over and above approved RE 2012-13."

42. Explaining the reasons for which ₹ 4000 crore was sought from the Ministry of Finance, the Ministry of Defence submitted as follows:—

"PCDA(P) Allahabad had requested for additional funds to the tune of ₹ 4000 crore mentioning the following facts:—

(a) There was only ₹ 2487.42 crore left for booking in the Defence Pensions Budget for the year 2012-13 at the end of Feb., 2013. Out of which Other PCDAs/CDAs offices would book approx. ₹ 170 crore on account of Leave Encashment.

(b) PCDA(P) had already booked ₹ 2000 crore upto the 4th week of the March Preliminary and as per approved RE 2012-13 (of ₹39500 crore) only ₹ 317 crore were available for booking of pension scrolls in the remaining months.

(c) The expected Pension Payment scrolls from the PSBs to be booked upto the close of the financial year 2012-13 were expected to be ₹ 4000 crore

(d) PCDA(P) had also mentioned that if no additional fund over and above the approved RE for ₹ 39500 crore were provided under Defence Pensions for 2012-13, it would lead to carry forward of financial liability to next financial year *i.e.* 2013-14, thus resulting in a huge increase in the amount under PSB suspense at the end of the financial year due to shortage of fund.''

43. Apprising the Committee about the comments of the Ministry of Finance for disapproving the same, the Ministry of Defence stated as follows:—

"Ministry of Finance *vide* their letter No. F. 2(30)/B-(AC)2012 dt. 21.5.2012 advised that all expenditure incurred upto 31.3.2013 on account of 'Defence Pension' and kept under PSB suspense Account for want of funds be booked in the final head of account.

Further, PCDA(P) Allahabad *vide* their letter dt. 30.5.2013 informed the Ministry of Finance that apart from the PSB Suspense (00/20/76), their office was also having RBI Suspense classified (00/20/82) for ₹ 11.64 crore required for clearance. In response to that letter, the Ministry of Finance *vide* their letter dt. 4.06.2013 advised PCDA(P) to clear all payments made towards Defence Pension upto 31.03.2013 by the Banks and kept under Suspense Accounts for want of funds by booking all expenditure to the final head of Accounts under Defence Pension for the year 2012-13.''

44. On being asked about the action taken to convince the Ministry of Finance for their actual requirement of funds, the Ministry of Defence submitted as follows:—

"The Action taken by this Ministry to convince the Ministry of Finance for actual requirement of funds are as follows:—

(i) Before finalization of Budget Estimates/Budget Projections-2012-13, Pre-Budget meeting was held by Secretary Expenditure, the Ministry of

Finance with Officers of MoD, wherein every possible efforts were made to convince the Ministry of Finance regarding the requirement of funds projected under Grant No. 21, Defence Pensions. Moreover, from time to time explaining the situation, the requests for additional funds were also forwarded to the Ministry of Finance.

(ii) As per the advice of the Ministry of Finance to have an internal audit conducted on the expenditure of Defence Pensions with specific emphasis on arriving at the reasons for substantial increase in expenditure on Pension in the FY-2011-12, an internal audit was conducted by Office of the CGDA, and findings of the report was forwarded to the Ministry of Finance. In accordance with various recommendations/suggestions contained in the Report, various measures were taken to strengthen the budgeting estimation and expenditure control."

45. Providing details of the recommendations made by the Office of CGDA, and the extent to which those recommendations have been implemented, the Ministry of Defence provided the following details:—

"The detailed suggestions and recommendations made by the Office of CGDA and implementation thereof are as under:—

Suggestions & Recommendations

1. Since payments through pension payment scrolls and vouchers *i.e.* payments under the post audit system constitute bulk (over 80%) of total Defence pension expenditure, timely receipt and classification of these scrolls by PCDA (P) is crucial for improving Defence pension budget management.

2. Most of the slack and error in the system is due to excessive dependence on manual documentation and manual scrutiny, which makes the process time-consuming, tedious and error prone. Therefore, to improve the efficiency and efficacy of the system, there is an urgent need of banks providing soft data of scrolls of PCDA (P) as per the agreed format instead of paper documents. This should not be difficult given the fact that banks have automated their operations and also pension processing activities have been centralized by the banks to a fewer limited centres.

3. In order to avoid incidences of non-receipt of scrolls (total of about ₹ 5,000 crore is pending under this category as at the end of 2010-11), it is suggested only one branch of each PSB and private bank should be made Nodal Branch for sending scrolls to PCDA (P). Further, scrolls data could be uploaded to a PCDA (P) directly by these branches or PCDA (P) may be allowed to have a facility to download these scrolls from respective bank's website.

4. In addition, scrolls should be prepared service-wise for one-time payments and also for monthly regular pension payments separately. This will facilitate fater classification and booking directly to the service heads without recourse to PSB suspense.

5. PDA's should ensure correctness of PPO Nos. in their system and should also give complete details of transactions. Further, they should provide details of DA and arrears separately, which would facilitate better budget estimation.
6. At PCDA (P), a computer system may be developed to process the electronic scrolls received from these banks to identify erroneous transactions, classifying transactions as per the correct heads of accounts and generation of punching media through the computerized system for booking the classified expenditure.
7. The automation will obviate the need to operate suspense heads to a large extent, help in reconciling the transactions and enable direct booking to service heads, which will result in real time MIS on defence pension expenditure.
8. This will also enable realistic assessment of budget required and monitoring of expenditure allocation and as such eliminate the incidences of under provisioning of the budget or excess booking or carrying over the payments to next year. The system will result in more transparency in reporting and accounting of Defence pension expenditure.
9. PCDA(P) should improve its budget estimate system by taking into account pending scrolls and by carrying out regular census of pensioners say at every three years.
10. PCDA (P) should create a computerized database of all pensioners so that the electronic scrolls could also be used by PCDA (P) in carrying out the audit of pensions and in identifying erroneous/over payments. This system should be developed to increase the efficiency and efficacy of pension audit work.
11. Intensive and focussed efforts should be made for obtaining the wanting pension payments scrolls/paid vouchers from the bank authorities to clear huge outstanding under RBI Suspense-Unclassified. Out of the total outstanding under this head, large amount pertain to last two years and as such efforts should be focussed on clearing these amounts first with the help of concerned banks.

Implementation of the Recommendations

The main thrust of recommendations/suggestions as detailed above was to obtain pension payments data from the banks electronically and automate the Pension Accounting System. The other measure recommended was to computerize the pensioner database.

All these major suggestions have been implemented. Pension Accounting System using e-scrolls has been successfully adopted and implemented by PCDA(P), Allahabad *w.e.f.* November, 2013. 29 banks are covered under this scheme. Out of these banks, three banks namely SBI, PNB and Allahabad Bank are submitting e-scrolls in proper format and expenditure booked is matching about 100% with RBI advice. Eleven banks are submitting 100% Pension Payment scrolls by e-mode whereas 15 banks are not submitting e-scrolls in correct format or not submitting e-scrolls at all. In order to achieve target of 100% booking with reference to RBI advice by remaining banks the matter has been taken up with Department of Financial Services, New Delhi and PCDA(P), Allahabad.''

46. Further, providing details of the outcome of the steps taken by them, the Ministry of Defence stated as under:—

"As a result of the implementation of the said steps, the time-lag between payment of pensions by the Banks and receipt of scrolls and accounting thereof by the PCDA(Pension), Allahabad has reduced significantly and hence helped in improving preparation of budget estimates of Defence Pensions as explained below:—

1. Centralized Database of Pensioners

Computerization of Pensioners data in respect of Defence Pensioners has been completed while implementing ''Project Sangam", which aimed at issue of Corrigendum of PPOs in respect of pre-2006 Defence pensioners. Further, a new computerized pension sanction system has been implemented in PCDA(P), Allahabad which will create detabase of pensioners as and when pension gets sanctioned in the future.

2. Pension Accounting System

e-Pension Accounting System using electronic scrolls has been successfully implemented by PCDA(P), Allahabad *w.e.f.* November, 2013. Out of 29 banks disursing Defence pensions, three major banks accounting for maximum pension payments namely State Bank of India, Punjab National Bank and Allahabad Bank are submitting e-scrolls regularly in proper format and expenditure booked on current basis through the computerized system. 11 Banks are submitting e-scrolls in the correct format but not submitting 100% Pension Payment scrolls by e-mode, whereas 15 banks are still in the process to submit e-scrolls. In order to expedite submission of electronic scrolls as per the correct format by the remaining banks, the matter has been taken up with Department of Financial Service, MoF, Government of India.

Budget Estimation

The above two measures will improve the budget estimation process. In addition, instructions have been issued to PCDA(P), Allahabad for taking into account pending pension scrolls of the previous year while making budgetary projections for the next year.''

47. Again providing details of the dates, when were these steps initiated/completed, the Ministry submitted as follows:—

"(i) In order to minimize the outstanding balance under RBI Suspense (Unclassified) Pension Accounting System using e-scrolls received from PSB had successfully been implemented *w.e.f.* November, 2013.

(ii) Project Sangam was initiated from the year 2010 and all the PPOs issued prior to 2006 were computerized by September, 2014.''

48. Apprising Committee about the present position of computerization of all the Defence Pensioners, the Ministry of Defence stated as follows:—

> ''The target of issuance of 16.71 lakh computerized corrigendum pension payment orders for pre-2006 retiree Defence Pensioners and Defence Civilian Pensioners including their families have been achieved by 30th September, 2014. By achieving this, data of all Defence Pensioners (including post-2006 retirees) have been digitized.''

49. **Persistent excess in Grant No. 21—Defence Pensions**

(Amount in ₹)

Sl. No.	Financial Year	Amount of Excess of expenditure incurred
1.	2008-09	Excess-13,32,985 Expenditure-20233,08,32,985 Grant-20232,95,00,000
2.	2009-10	Excess-8999,54,01,305 Expenditure-34999,29,01,305 Grant-25999,75,00,000
3.	2010-11	Excess-3336,30,72,983 Expenditure-37336,05,72,983 Grant-33999,75,00,000
4.	2011-12	Excess-3568,81,46,182 Expenditure-37568,56,46,182 Grant-33999,75,00,000
5.	2012-13	Excess-3863,71,24,944 Expenditure-43362,89,24,944 Grant-39499,18,00,000

50. As regards the excess expenditure due to receipt of pending pension scrolls from banks, the Committee desired to know as to whether the Ministry of Defence have initiated any action for timely receipt of the pension scrolls. In response the Ministry of Defence in their written replies submitted as follows:—

> ''As regards the excess expenditure due to receipt of pending pension scrolls from banks, Pension Accounting System using e-scrolls has been successfully adopted and implemented by PCDA(P), Allahabad *w.e.f.* November, 2013, 29 banks are covered under this scheme. Out of these banks, three banks namely SBI, PNB and Allahabad Bank are submitting e-scrolls in proper format and expenditure booked is matching about 100% with RBI advice. Eleven banks are submitting 100% Pension payment scrolls by e-mode whereas 15 banks are not submitting e-scrolls in correct format or not submitting e-scrolls at all. In order to achieve target of 100% booking with reference to RBI advice by remaining banks

the matter has been taken up with Department of Financial Services, New Delhi and PCDA(P), Allahabad.''

51. Specifying the reasons for incurring excess expenditure recurringly for the past five years *i.e.* from 2008-09 to 2012-13 under this Grant, the Ministry of Defence in their written replies submitted as follows:—

''Lack of availability of sufficient funds for payment of Defence Pension which is a committed liability and payment of which cannot be stopped for want of funds, is the biggest and most important reason for excess under Grant No. 21—Defence Pensions over the total Grant during the last few years. The under mentioned table shows the amount projected by PCDA(P), Allahabad and the amount approved by the Ministry of Finance over the last five years:—

(₹ *in crore*)

Year-wise Allocations	Amount Projected	Amount Approved	Less Amount Received	Actual Exp.
2008-09	21758	20233.20	1524.80	20233
2009-10	RE Projection—27841+Addl. Requirement 1159—29000	26000	3000.00	34999
2010-11	37647	34000	3647.00	37336
2011-12	37547	34000	3547.00	37569
2012-13	41785	39500	2285.00	43363''

52. Asked to state the remedial measures taken/proposed by the Ministry of Defence to overcome the recurring phenomenon of excess expenditure under this Grant, the Ministry submitted as follows:—

- As a measure of control, the Government of India in the Ministry of Defence have been advising all the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure. In this regard, this Office have issued instructions *vide* MoD(Fin.) ID No. 2(6)/MO/2009-10/721 dt. 29.06.2010. MoD(Fin.) ID No. 2(6)/MO/2010-11/911/dt. 11/7/2011, MoD(Fin.) ID No. 2(6)/MO/2010/1617 dt. 9th Dec. 2011. In order to have strict control, the instructions for fiscal and expenditure management issued by the Ministry of Finance, Department of Economic Affairs, were also circulated *vide* this Division ID No. (s) (i) MoD (Fin.) ID No. 1(9)/Fin.(MO)/2011-12/708 dated 07.06.2011, and (ii) ID No. 1(9)/Fin.(MO)/2011-2012/933 dated 21.07.2011.

- Subsequently, instructions were also issued to PCDA(P), Allahabad and O/o the CGDA, New Delhi *vide* ID No. 2(6)/MO/2011 dt. 12.7.2012 wherein it was advised to adopt e-governance model to utilize the information technology/ tools so as to establish a centralized database of Pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year. Necessary monitoring and follow up action in this regard would be ensured. O/o the CGDA *vide* their letter No. A/B/I/0107/ AA-DP/10-11 dt. 6.6.2012 have informed about various measures initiated to promote e-governance model and use of IT. The latest instructions were issued by MoD(Fin.) *vide* ID No. 2(6)/MO/2013-14/656 dt. 30.09.2013 & subsequently *vide* MoD (Fin.) ID No. 2(6)/MO/2013/848 dt. 22.10.2014.

- Also, as per the directions of Ministry of Finance, to review the existing arrangement of Reporting and Accounting of Defence Pensions, an Internal Audit was conducted by O/o the CGDA, and a brief report was furnished *vide* their letter No. A/B/I/9130-Study Report/2012 dt. 11/5/2012 wherein various measures to improve the system have been suggested by O/o the CGDA. The report was forwarded to Ministry of Financie *vide* this Office ID No. 2(8)/ REBE/MO/2009/187 dt. 19.6.2012. In accordance with the recommendations contained in the report, following measures/actions have been taken:—

  * The issue of incorrect or invalid PPO Nos. missing details in the scrolls have been taken up with banks specifically with SBI, the largest PDA.

  * PCDA(P), Allahabad has been asked to take into account pending scrolls of the previous years while estimating budget for the next year.

  * An excercise named 'Project Sangam' has been undertaken in order to create an up-to-date Pensions database in collaboration with PCDA(P), Allahabad and various pension disbursing agencies.

  * As per the latest development made under Project Sangam, it is mentioned that there are about 23 lakh Pensioners enrolled under Defence Pensions and out of these details of about 15 lakh pensioners have been computerized and the remaining 8 lakh pensioners is in the process of computerization. O/o the CGDA *vide* their letter No. A/B/I/ 0107/AA-DP/2013-14 dt. 14.10.2014 intimated that the digitization process has been completed during the month of September, 2014.

  * Apart from "Project Sangam", a new web based application for ‘‘Pension Accounting System’’ has also been developed, which is under trial running process. In this regard it is mentioned that the user Department *i.e.* PCDA(P), Allahabad successfully processed e-scrolls, received from the State Bank of India. The Classification of pension expenditure and preparation of related PM have been done by using the automated system. Some of the banks are still not forwarding the e-scrolls in the correct format, with whom PCDA(P), Allahabad are

interacting on regular basis by organizing workshop and personal liaison as a result almost all major banks have been covered under this system. In August, 2014 total amount processed using e-scroll was ₹ 3544.16 crore which is 93% of the total amount ₹ 3797.32 crore reported in RBIs Advice. Efforts are being made to address issues with other remaining banks for getting e-scrolls correctly. The project once fully implemented will give a more accurate database for monitoring the pace of expenditure and will be very useful while predicting the future requirement of funds.

* The Grant No. 21—Defence Pensions have now been covered under Cash Management System from FY 2013-14 in accordance with instructions issued by MoF *vide* OM No. F. 21(1)/PD/2005-Vol.-II dated 30.07.2012. As per the aforesaid OM, this Ministry has to prepare and send Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEAs) to the Cash Management Cell for better monitoring and compliance of the guidelines of the Ministry of Finance regarding the expenditure management. The same instructions have been circulated in user department of Grant No.—21 *vide* this division ID No. 2(6)/M/2012-13/702 dt. 12.09.2012 for strict compliance and necessary action. The monthly expenditure plan and Quarterly expenditure allocations of Grant No. 21 in prescribed format has been incorporated in Detailed Demands for Grants for FY 2013-14.''

- As a result of the above mentioned steps/measures initiated by the user department, *i.e.,* PCDA(P), Allahabad, in the financial year 2013-14, as per the Appropriation Account (Stage-III), there is an overall savings of ₹ 46 lakh. The Ministry is of the view that, lack of availability of sufficient funds for payment of Defence Pension which is a committed liability and payment of which cannot be stopped for want of funds, is an important reason for excess under Grant No. 21—Defence Pensions over the total Grant during the last few years.
- In this regard it is mentioned that the above mentioned steps taken will surely improve the budgeting procedures and financial controls within the Ministry for operating this Grant. It will give a more accurate database for monitoring the pace of expenditure and will be very useful while predicting the future requirement of funds. Further, it is also assured that any direction/instructions issued by Ministry of Finance will be strictly followed for improving the budgeting procedures and financial controls in respect of Defence Pensions.

(ii) **Appropriation No. 34—Interest Payments**

53. Under Revenue-Charged-Section of Appropriation No. 34—Interest Payments for the year 2012-13 the Original Provision for the Ministry of Financie was ₹ 324769.43 crore which was augmented to ₹ 329487.43 crore by obtaining Supplementary Grant of ₹ 4718.00 crore in March, 2013. Against this, the actual expenditure was ₹ 330182.68 crore resulting in an excess expenditure of ₹ 695.25 crore.

54. The explanatory Note on the circumstances leading to excess expenditure under the Appropriation during the year 2012-13 as furnished by the Ministry of Finance (Department of Economic Affairs) is reproduced at **Annexure-II.**

55. Scrutiny of the Explantory Note revealed that the excess expenditure under the Appropriation was the net effect of total excess of ₹ 6791.11 crore and total savings of ₹ 6095.86 crore under various sub-heads of the Appropriation. The heads under which the excess of ₹ 5 crore and above occurred and reasons therefore as stated by the Ministry of Finance are as under:—

Sl. No.	Head	Amount of excess expenditure (₹ in crore)	Contributory reasons as stated by the Ministry
1.	2049.01.101—Interest on Market Loans	2428.37	Due to higher volume of borrowings.
2.	2049.01.103.01—Discount on Treasury Bills—91 Days Treasury Bills	1072.58	Due to shifting of investments from intermediate treasury Bills to auction based treasury bills by the State Governments.
3.	2049.01.108—Discount on Treasury Bills—Interest on 182 Days Treasury Bills	384.88	Due to higher volume of issuances.
4.	2049.01.110—Interest on 364 Days Treasury Bills	421.68	Due to higher volume of issuances.
5.	2049.01.305—Management of Debt	40.69	Due to receipt of more claims from Reserve Bank of India.
6.	2049.02.209—Interest on Loans from the Government of Federal Republic of Germany	19.87	Due to exchange rate variation and payment of contractual charges.
7.	2049.02.216—Interest on Loans from the International Bank for Reconstruction and Development (IBRD)	156.30	Due to exchange rate variation and payment of contractual charges.
8.	2049.02.249—Interest on Loans from Asian Development Bank	19.02	Due to exchange rate variation and payment of contractual charges.
9.	2049.03.104.02—Other State Provident Funds	1647.58	Due to less withdrawals from the fund and more accretion to the fund.
10.	2049.03.104.04—State Railway Provident Fund	102.21	Due to less withdrawal from the fund.
11.	2049.03.108.06—Postal Insurance and Life Annuity Fund	487.36	Due to adjustment of interest pertaining to previous year.

56. Explaning the reasons for excess expenditure incurred under this Appropriation during 2012-13, the Ministry of Finance in their explanatory note submitted as follows:—

> "The interest payment is a Charged expenditure in terms of Article 112(3) (c) of the Constitution of India. It is difficult to estimate precisely the interest payments,

which are largely dependent on numerous factors such as market borrowings, variation in interest rates, foreign exchange rates, etc. The variation in exchange rate, interest rate, etc. cannot be pre-assessed. However, efforts are made to make the estimates precise and upto the mark to avoid large scale savings or excesses and also to keep the variation at the minimum.''

57. While vetting the explanatory note of the Ministry, Audit made the following observations:—

(i) The total excess expenditure of ₹ 695.24,86.901 crore occurred against the total allotted Grants is clearly indicative of faulty budget estimation and poor observance of financial rules by the Ministry.

(ii) In March, 2013 Ministry took second Supplementary Grant of ₹ 47,18,00,00,000 which was not correctly assessed resulting in insufficient funds and excess expenditure of ₹ 695,24,86,901 showing unrealistic assessment.

(iii) Details of the efforts made to keep the variations to the minimum may please be incorporated in the Note for the proper appreciation of the PAC. There is an imperative need for developing rigid financial control mechanism in the Ministry. Status of the financial control mechanism in the Ministry may also be incorporated in the Note for proper appreciation.

58. Elucidating the operation of this Appropriation and the reasons for the shortfall in performance and steps proposed to make budgeting and control under this Appropriation more effective, the Ministry of Finance (Department of Economic Affairs) submitted as follows:—

''The Appropriation—Interest Payments is a centralized Appropriation catering to the interest payments of Union Government of India and is operated by all Ministries/Departments and Reserve Bank of India. Interest Payment is the single largest item of public expenditure and is charged on the Consolidated Fund of India in terms of Article 112(3)(c) of Constitution of India. Interest payments on internal debt are paid by Reserve Bank of India directly and payment scrolls sent to Government for accounting. Other estimates of interest payments are made by respective Ministries/Departments, compiled by this Ministry and incorporated in the centralized Appropriation—Interest Payments. Once these estimates are incorporated and approved by Parliament, Ministries/Departments are required to regulate their payment and in case it is found insufficient, the same need to be augmented through supplementary appropriation.

It is difficult to make precise estimation of interest payments. Factors such as market conditions, foreign exchange rates, accretion to and withdrawal from provident and other reserve funds, claims of interest payments on schemes which ceased to operate (*e.g.* interest payments on Gold Bonds), etc. are major reasons for variations in estimated appropriation and actual expenditure. However, it may be seen from the accounts for the year 2012-13, the actual expenditure incurred on interest payments was ₹ 3,30,182.68 crore against total appropriation of ₹ 3,29,487.43 crore authorized by Parliament, registering an excess expenditure of ₹ 695.25 crore, which is 0.21% of total appropriation. Considering the largeness of the appropriation and other factors mentioned above, the excess expenditure occurred in Appropriation—Interest Payment for the year 2012-13 may require to be viewed in this background.

Efforts are always made to avoid excess expenditure in this Appropriation.''

59. It has been noticed that during the year 2011-12 also, the Ministry of Finance incurred excess expenditure of ₹ 2947.58 crore under this Appropriation with the same contributory reasons. Taking a serious view of the casual approach of the Ministry of Finance which is supposed to be a role model for others to emulate in the matter of framing not only the original budget estimates but also revised budget estimates, the Committee in their 92nd Report (15th LS) had desired that the reasons for failure to make realistic assessment of funds requirement be analysed so as to take timely action for ensuring adequate provisions for funds under this Appropriation and monitor the progress of expenditure and smooth flow of expenditure within the provisions sanctioned by Parliament.

60. Upon asking about the action initiated on the recommendation of the PAC as contained in the 92nd Report (15th Lok Sabha), the Ministry stated that "the recommendations are being examined".

(b) Appropriation Accounts—Defence Services (2012-13)

(i) Grant No. 22 (Revenue-Charged)—Defence Services—Army

61. Under Revenue-Charged-Section of Grant No. 22—Defences Services—Army for the year 2012-13 the Total provision was ₹ 45.27 crore. Against this, the expenditure of ₹ 221.87 crore was incurred resulting in excess of ₹ 176.60 crore. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced in **Annexure-III** to this Report.

62. Scrutiny of the Explanatory Note furnished by the Ministry of Defence Revealed that the excess expenditure under this section of the Grant was the net effect of total excess of ₹ 1789.43 crore and total savings of ₹ 1.12 crore under various Sub-Heads of the Grant as well as surrender of ₹ 1.22 crore. The Sub-Heads under which the excess of ₹ Five Lakh and above occurred and reasons therefore are explained below:—

Sl. No.	Sub-Head (Major Head-2076)	Amount of Excess Expenditure (₹ in crore)	Contributory reasons as stated by the Ministry
1	2	3	4
1.	Minor Head-101	176.11	Due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.
2.	Minor Head-109	0.52	-do-
3.	Minor Head-111	0.06	Due to settlement of more court cases than anticipated.
4.	Minor Head-112	0.27	Due to implementation of court orders in the Dhanapalan Case on the issue of

1	2	3	4
			Rank Pay the extent of which could not be adequately forecast.
5.	Minor Head-113	1.93	-do-

(ii) Grant No. 23 (Revenue-Charged)-Defence Services—Navy

63. Under Revenue-Charged-Section of Grant No. 23-Defence Services-Navy, the Original Grant was ₹ 620 crore. This was augmented to ₹ 13.20 crore by obtaining a Supplementary Grant of ₹ 7.00 crore. Against this, the actual expenditure incurred was ₹ 22.77 crore resulting in an excess expenditure of ₹ 9.57 crore. The Explanatory Note furnished by the Ministry of Defence in respect of excess expenditure under this Grant has been reproduced at **Annexure-IV** to the Report.

64. The Committee's examination of the Explanatory Note has revealed that the excess expenditure of ₹ 9.57 crore was the net effect of total excesses of ₹ 10.65 crore and total savings of ₹ 1.09 crore under various sub-heads of the Grant. The excess expenditure was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

(iii) Grant No. 24 (Revenue-Charged) Defence Services—Air Force

65. Under Revenue-Charged-Section of Grant No. 24 Defence Services—Air Force, the Original Grant was ₹ 2.32 crore, which was augmented to ₹ 6.18 crore by obtaining Supplementary Grant of ₹ 3.86 crore. Against this, the actual expenditure incurred was ₹ 15.54 crore resulting in an excess expenditure of ₹ 9.36 crore which was incurred mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced at **Annexure-V** of this Report.

66. Upon noticing that excess expenditure during 2012-13 under all the above said Grants operated by the Ministry of Defence has been incurred mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the Committee desired to know that as the orders of the Supreme Court were received in the Dhanapalan case on 4th September 2012, why the additional requirement of funds could not be included in the last batch of Supplementary Grants. In response, the Ministry of Defence replied as under:—

> "Though the court orders in the case were issued in September 2012, the Government orders for implementation were issued only on 27.12.2012 after consultation with Ministry of Finance. Great difficulty was experienced in estimating the financial impact of the orders due to various complexities and constraints. These included revision of pay fixation for old cases covering three successive Pay Commissions *viz.* 3rd, 4th and 5th CPC. The exact number of cases was not known and old records were not available in computerized database in many cases. It was also expected that the revision would have to be done manually. These constraints also made it difficult to estimate the time that would be taken and the likely cash outgo during the last quater of 2012-13.

Several estimates were made by Controller General of Defence Accounts (CGDA) during February, 2013 which was widely different and therefore, considered unreliable. Further, the final batch of Supplementary Grants had also been submitted when these figures were received. Thus adequate provisions could not be included in the last batch of Supplementary Demands which was submitted for approval to Ministry of Finance on 13.2.2013.

However, payments continued to be made in view of the urgency of complying with the court orders as failure to do so would have rendered the Government liable for prosecution for contempt of Court".

67. Apprising the Committee of the Remedial Action Taken by them to contain the excess expenditure under Grant Nos. 22, 23 and 24, the Ministry of Defence in their Explanatory Note stated as under:—

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

In order to avoid recurrence of any excess, instructions have been issued from time to time to all concerned, emphasizing the need to follow the instructions issued on the subject scrupulously and to monitor progress of expenditure in vigilant/stricter manner, apart from projecting demands on factual basis depending on the actual requirements/obligations. To achieve this objective, Service HQrs./ Departments have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/ excess. Recently, fresh instructions on above has again been issued to all Budget Holders, Financial Planners of the Service HQrs. *vide* MoD (Fin.) ID No. 7(7) Budget-I/2013 dated 24.02.2014.

It has also been emphasized in these instructions to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses and prevent occurrence of excesses/savings under various heads and bunching of expenditure towards the end of financial year and to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Ministry. It has also been advised that for Supplementary Demands for Grants, the requirement may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary.

Moreover, in view of observations of PAC (15th Lok Sabha) in their 22nd Report and in Para 12 of their 36th Report in the context of excess expenditure over the voted Grants and charged appropriations, detailed instructions were issued to all Concerned *vide* MoD (Fin.) ID No. 5(3)/Budget-l/2011 dated 31st May, 2011 and ID No. 7(5) Bud. l/2011 dated 29th November, 2011 to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant. Further, as instructed by Ministry of Finance, all the budget holders and accounting authorities were repeatedly requested *vide* MoD (Fin.) ID No. 10(01)/Bud. l/2012 (PC) dated 11th December, 2012, 06th February, 2013, 07th March, 2013, 14th March, 2013, 20th March, 2013 and 26th March, 2013 to undertake all steps to ensure that the expenditure in 2012-13 should not exceed the Revised Estimates and also to scrupulously follow instructions regarding 33% and 15% ceiling for last quarter and last month respectively while incurring such expenditure within the Revised Estimates limits."

68. On being enquired about the measures taken/proposed to rectify the faulty budgetary assumptions and revamp the weak accounting system prevailing in the Ministry of Defence, the Ministry in their written replies stated as under:—

"The Ministry is monitoring expenditure on a monthly basis to ensure optimum utilization of funds allocated to achieve planned objectives and avoid excess expenditure. As reported earlier three Committees were formed to examine the extant procedures to identify shortcomings in the budgetary control systems and recommended solutions to the same.

These Committees were mandated to examine the following aspects:—

(i) Committee "A" was assigned to examine the procedure for conveying allotments to PCs DA/CsDA in respect of centrally controlled heads, with special focus on the capital budget;

(ii) Committee "B" was tasked to review the FIS system of the Indian Navy for replication by other Services and integration with the CGDA and Controllers to provide online information on allotments to Controllers while providing compilation data and bill status to the Services; and

(iii) Committee "C" was to review non-cash transactions such as LCs, Book Debits, DGS&D payments, cash assignments and imprest accounts to identify alternate solutions to these mechanisms, institute budget allocation procedures for each of these areas and suggest means to eliminate the current lag in compilation of expenditure through these routes.

These Committees have submitted their reports and their recommendations are being considered for implementation."

69. When asked as to how the existing system of budgetary estimations and expenditure control be strengthened to guard against the recurring incurrence of excess expenditure, the Ministry of Defence replied that they had identified certain loopholes in its internal procedures and these are being reviewed on the basis of the recommendations of the three Committees constituted for identifying the reasons for persisting trend of excess expenditure.

70. Upon asking about the recommendations of these Committees and by when these recommendations will be implemented, the Ministry in their written replies submitted as follows:—

> "The recommendations of the Committees and the status of implementation of these recommendations, is summarized below:—
>
> Committee 'A' was tasked with examining the expenditure control mechanisms with regard to centrally controlled heads with special reference to the Defence Capital budget. The Committee had recommended that firm code head-wise allocations must be provided to Controllers in respect of centrally controlled heads to ensure that expenditure does not exceed allotments. Orders have been issued to implement these recommendations in the current financial year itself.
>
> While Committee 'B' has pointed out the benefits of implementing an online financial management system in all the Services it has identified the need for a similar data structure, seamless connectivity, data integration and data flow between CGDA, CsDA and executive agencies. These are long term goals which are being examined by the CGDA. In the meantime, CGDA has taken a series of steps with a view to addressing some of the recommendations to improve quality of compilation data and reduce time lag in providing expenditure information. New Compilation System has been rolled out which provides daily updates on expenditure compiled by CsDA. Efforts are underway to provide necessary details in the compilation reports rendered to the Services to enable one-to-one bill linking. Steps to upgrade connectivity of CGDA with CsDA have been initiated.
>
> Committee 'C' has suggested alternate solutions for expediting compilation of expenditure and reducing the uncertainty on account of Letters of Credit (LCs), cash assignments and imprest accounts and book debit vouchers. These are under active consideration by the CGDA. However, revision of payment procedures in respect of procurements through DGS&D Rate Contracts has addressed the problem in delayed booking of these vouchers Adjustment procedure for adjustment of debit advices in respect of LCs for foreign payments has also been streamlined to minimise delay."

(c) Appropriation Accounts—Postal Services (2012-13)

71. The Committee's examination of the Appropriation Accounts (Postal Services) 2012-13 revealed that the Ministry of Communications and Information Technology (Department of Posts) incurred an excess expenditure of ₹ 160.14 crore under Revenue (Voted) section of Grant No. 13—Postal Services.

72. Under Revenue (Voted) section of this Grant, the Original Provision was ₹ 14379.61 crore which was augmented to ₹ 15320.49 crore by obtaining Supplementary

Grant of ₹ 940.88 crore. Against this, the Department of Posts incurred an expenditure of ₹ 15480.63 crore resulting in an excess expenditure of ₹ 160.14 crore.

73. The Explanatory Note furnished by the Ministry of Communications and Information Technology (Department of Posts) in this regard has been reproduced at **Annexure-VI** to this Report.

74. The Sub-Heads under which excess expenditure of more than ₹ 10 crore was incurred and the reasons thereon as furnished by the Department of Posts are as under:—

Sl. No.	Sub-Head (Major Head-3201- Working Expenses)	Amount of Excess Expenditure (₹ in crore)	Contributory reasons as stated by the Ministry
1	2	3	4
1.	Sub-Head-3201-01-101-01 Circle Offices	18.12	Due to MACP Promotion, Leave Encashment on LTC, Normal increase in Pay on A/c of DA and annual increment, excess under OE due to operating the office, Elect. Bills/tel. Mobiles and day to day expansion and reduction in authorization due to 10% cut non-plan expenditure imposed by the Ministry of Finance.
2.	Sub-Head-3201-01-101-03 Postal Divisions	53.32	Due to Salary (increase in pay, normal increase in DA and annual increment, MACP, LTC claim). OE (due to heavy consumption of petrol & diesel) Wages (due to outsourcing staff in RMS and Air Mail stg. Dn.
3.	Sub-Head-3201-02-101-01 Existing Post Offices	310.99	Due to increase in rate of electricity charges, cost of stationary, more expenditure under wages due to outsourcing of work, increase in pay and DA rates, Finalization of tour/ transfer bills, encashment of EL for LTC purpose etc.
4.	Sub-Head-3201-02-101-04 Premium Product Services	18.45	Due to expected more payment under Salary and wages head than anticipated.
5.	Sub-Head-3201-02-102-01- Mail Sorting	17.99	Due to more expenditure under salary, OE and RRT etc. than anticipated.
6.	Sub-Head-3201-02-103-02	32.66	Due to more settlement of bills than anticipated under PPS arising out on revision of mail rates.

1	2	3	4
7.	Sub-Head-3201-03-101-01-SBCO	16.10	Due to increase in salary on A/c of DA, MACP, Encashment of EL for LTC and engagement of outsourcing staff etc.
8.	Sub-Head-3201-04-102-02 PAOs Circle	24.76	Due to increase in salary on A/c of DA, MACP, Encashment of EL for LTC, engagement of outsourcing staff, unavoidable expenditure under OE and RRT etc.
9.	Sub-Head-3201-07-101-01 Superannuation and Retirement allowances	28.77	Due to increase in pensioners (normal and voluntary retirement) and hike in DA.
10.	Sub-Head-3201-07-107-01 Family Pension	43.18	Due to more settlement of Family Pension cases as anticipated.
11.	Sub-Head-3201-07-110 Government Contribution to New Pension Scheme	17.29	Due to increase in number of subscribers as anticipated.

75. Explaining the reasons for their failure in anticipating the precise requirement of funds which resulted in excess expenditure under this Grant during the year 2012-13, the Department of Posts in their written replies stated as under:—

> "Department of Posts had incurred excess expenditure of ₹ 160.14 crore during the year 2012-13 under Revenue Voted section of Grant No. 13. The Department had furnished its requirement of funds amounting to ₹ 15479.32 crore to the Ministry of Finance for getting their approval. Against which, Ministry of Finance had approved ₹ 15223.84 crore for the year 2012-13 which was less by ₹ 255.48 crore under 3201 Working Expenses (Non-Plan). As a result, Department had incurred excess expenditure of ₹ 160.14 crore which is 1.03% of the total expenditure of ₹ 15480.63 crore under Revenue Section voted.
>
> Hence, it is clear that based on the re-assessment of estimation of funds by the Ministry of Finance, the latter allocated the funds which was short and which led to the situation of excess expenditure. More than 90% of the total budget is for Salaries and Pensions and only 8-9% is for the operational expenses. Department of Posts is an operational department with a pan India spread. Operational cost on running the network are, therefore, inevitable and inescapable even while kept to the barest minimum. Expenditure have been rising every year due to rise in manpower costs due to increase in DA, annual increments as also due to inflationary trends, the costs of running the functional activities is on the upward side and it is not possible to scale down the operations while maintaining the quality of the services.
>
> However, the Department strives to ensure to monitor the expenditure and due care is taken to maintain fiscal discipline and contain the expenditure within the budgetary allocation through continuous monitoring at apex level, regular issue of instructions to all the subordinate units of the department, conduction of

video conferences on monthly basis with the heads of circles/units, keeping close watch over the flow of expenditure especially in the last quarter and in the last month."

76. As regards the measures taken to rectify the faulty budgetary assumptions, the Department of Posts submitted as under:—

"In Department of Posts, the flow of expenditure is monitored regularly at the apex level. Regular video conferences are held with heads of circles on monthly basis, instructions are issued to the head of Circle/CIFA who are the budget holders. The Expenditure Management-Austerity Measures and Rationalization of Expenditure, instructions are also issued to all the subordinates units/budget controlling authorities to project realistic demand for funds and to monitor the expenditure accurately, so as to make budgetary assumptions and accounting system effective and accountable. With the 'IT Project' under progress, real time information on budget expenditure would be available which will go a long way in streamlining the system of budgeting."

77. When enquired about the reasons for incurring excess expenditure during 2012-13 despite obtaining Supplementary Grants, the Department of Posts in their written information furnished that:—

"Department of Posts had projected its requirement for funds under 3201-Working Expenses (Non-Plan) during the year 2012-13 as follows:—

BE 2012-13 (₹ *in crore*)

Component	Projection by DoP	Approved by MoF	Short receipt of funds
Salary	9400	9345	55
Pension	3500	3500	0.00
Other Operational Exp.	1350.55	1340.48	10.07
Total	14250.55	14185.48	65.07

RE 2012-13

Component	Projection by DoP	Approved by MoF	Short receipt of funds
Salary	10027	10027.00	0.00
Pension	3955	3955.00	0.00
Other Operational Exp.	1497.32	1241.84	255.48
Total	15479.32	15223.84	255.48

Budgetary projections made for the Postal Services is re-assessed by Ministry of Finance and allocation is provided which is most of the times less than the projected requirement. Ministry of Finance accepts only those proposals which fulfil the conditions laid down in the First and Second Supplementary Demands for Grants which are as under:—

(i) Advances from Contingency Fund of India.

(ii) Payment against court decree.

(iii) New Service/New Instrument of service rules.

(iv) Cases specially advised by Ministry of Finance.

Additional funds required for committed liabilities arising due the implementation of Government orders are not covered under the above conditions prescribed by the Ministry of Finance for the First and Second Supplementary Demands for Grants. Certain other additional funds proposals sought for by the Department of Posts were re-assessed in pre-budget discussions and funds projected and provided in RE were included in the Third and Final Supplementary Demands for Grants. Besides this, a drastic cut was imposed on the Operational Expenses of the Department by Ministry of Finance in the financial year 2012-13.

As brought out in the earlier replies, it is reiterated that because of short allocation of funds by the MoF; such excess situation arises."

78. Explaining about the action taken to impress upon their budget controlling authorities to thoroughly examine the proposal for additional funds with due farsightedness and ensure proper review and scrutiny of the proposals for Supplementary Demands before presenting the same to Parliament, the Department of Posts in their written replies submitted as under:—

"Department of Posts have been conducting video conference, as a measure of control, with the Heads of Circles and issuing instructions from time to time to the budget authorities to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure etc. The budget holders are further advised to take concrete remedial action immediately to ensure that the excess is kept at a bare minimum.

However, re-assessment of funds by the Ministry of Finance is required to be done on more realistic basis in the back drop of the fact that DoP is an operational Department and funds required are bare minimum to carry out the operational activities. Operational expenses, which are less than 10% of the total budget, are rising due to inflationary trend which are beyond our control."

79. In this regard, Secretary Posts in her deposition before the Committee had also stated that "We only have 7.8 per cent of expenditure which we are actually spending on running the operations, which is very difficult to cope with, given the budgetary cuts and non-allocation of our budgetary demands."

80. It has been further found that the Department of Posts had been incurring excess expenditure recurringly in the year 2009-10, 2010-11, 2011-12 and 2012-13 (₹ 818.13 crore, ₹ 366.63 crore, ₹ 400.04 crore and ₹ 160.14 crore respectively) with the same contributory reasons.

81. When asked about the reasons for such excess expenditure recurringly under this Grant and remedial measures taken to avoid the same in future, the Department of Posts in their written replies stated as under:—

"Department of Posts has registered certain excess expenditure in the last four years *i.e.* (₹ 818.13 crore in 2009-10; ₹ 366.63 crore in 2010-11; ₹ 400.04 crore in 2011-12 and ₹ 160.14 crore in 2012-13) which was due to short receipt of funds from the Ministry of Finance ₹ 81.36 crore in 2009-10; ₹ 198.61 crore in 2010-11; ₹ 124.82 crore in 2011-12 and ₹ 255.48 crore in 2012-13 respectively. It may be seen that there has been a decreasing trend in the excess expenditure incurred by the department in the last financial year. Further, it may kindly be noted that during the year 2012-13 although the amount of funds reduced by the MoF was ₹ 255.48 crore, the department has contained excess within ₹ 160.14 crore only. The details are given in the tabular format as under:—

(₹ *in crore*)

Financial Year	Amt. Projected by DoP	Approved by MoF (RE)	Different (Amt. reduced by MoF)
2009-10 (RE)	12472.93	12391.57	81.36
2010-11 (RE)	13434.09	13235.48	198.61
2011-12 (RE)	13792.00	13667.18	124.82
2012-13 (RE)	15479.32	15223.84	255.48

It is pertinent to note here that as per the instructions outlined by the Ministry of Finance, no additional requirement of funds are included in the first and second batch of Supplementary Demand for Grants for meeting the unforeseen and committed liabilities, rather this additional funds are considered only in the Final batch of the Supplementary Demands for Grants by the Ministry of Finance. Moreover, as a rule, MoF does not provide the projected funds in RE stage in full.

However, as has been explained above all out efforts have been made by the department to ensure that the expenditure does not exceed the budgetary provisions. Attempt has been made to sensitize the budget holders to keep a tight watch over the budgetary process and utilize the available information technology platform to ensure maintenance of fiscal discipline. The Department has been striving to streamline and strengthen the budgetary process through regular interaction with the Heads of the Circles and the IFAs, through continuous monitoring and timely issue of instructions so as to ensure that the budgetary provisions at BE and RE stage is made on realistic basis. It is expected that the cash management system as well as other monitoring mechanisms would help in better and accurate estimation of budget requirements in future and also contribute to keep the expenditure within budgetary allocations.

With the 'IT Modernization Project' on a roll out, real time budgetary information would be available which will streamline the expenditure and financial management control and instill fiscal discipline."

82. On being asked as to whether any concrete measures despite issuing routine instructions have been taken by the Department of Posts in the past in pursuance of the repeated exhortations and admonitions of the Committee to avoid incurring of excess expenditure under this Grant, the Department of Posts in their written replies submitted as follows:—

> "In the pre-budget discussion, the Department had voiced its need for additional requirement while giving details of the pending liabilities. However, Department of Expenditure has disregarded this and has imposed cuts on operational cost which has led to excess expenditure. Notwithstanding the above, the department has issued repeated instructions and started monitoring through Video Conferences, continued review of expenditure which has resulted in decreasing trend of excess expenditure between 2009-2013 and complete stopping of excess expenditure during the year 2013-2014."

83. When the Committee sought to know about the efforts made by the Department of Posts to convince the Ministry of Finance for their actual requirement of funds so that funds allocated by them will not prove inadequate to carry out all the operational activities of the Department, the Department of Posts in their written replies stated as under:—

> "Department of Posts has made all possible efforts to get the requisite funds from the Ministry of Finance. Concerted efforts were made to have an accurate RE & BE projection during pre-Budget discussion, the details of liabilities were conveyed to the Ministry of Finance to get the additional funds. Separate DO letters at the apex level were issued to the Secretary (Expenditure), Department of Economic Affairs, Ministry of Finance to bring to his notice the urgency and the seriousness of the matter. The pending liabilities were communicated to Ministry of Finance in no uncertain terms but inspite of this cuts were imposed by the Ministry of Finance."

84. From the replies of the Department of Posts the Committee found that more than 90% of the total budget is for salaries and pensions and only 8-9% is for the operational expenses. The Committee, therefore, sought to know as to how the Department of Posts justify their excess expenditure incurred year after year due to operational expenses which are only 8-9% of the total budget. In reply thereto, the Department submitted as follows:—

> "It is confirmed that more than 90% of the budget of the Department of Posts is utilized in salary and pension. Only 8-9% goes to operational expenses. Although, telegram services had phased out but the workload of the department has increased manifold due to broadening of Postal network to many remote pockets, increase in the population, introduction of many new services, rise in number of Post Offices and rise in number of postal, Banking and other services. This combined with the rise in the running operational costs and rise in salary structure and imposing of compulsory cuts have contributed towards the department incurring excess expenditure between 2009-2013. However, the trend has been reversed and expenditure has been contained within the allocation during the year 2013-2014."

85. The Committee have been informed that DoP has embarked on 'IT Modernization Project' and the roll out of the project is under implementation in the Pilot Circles. With IT system in place, real-time budgetary information would be available which would streamline the expenditure and budgetary control and instill fiscal discipline. When asked about the present position of implementation of this Project and whether all the Post Offices at the field levels have been connected with this Project, the Department of Posts furnished the following details:—

"The IT Modernization Project of Department of Posts approved by the Government in November 2012, with a total outlay of ₹ 4909 crore is in implementation phase. The Project is being implemented through eight different segments. The present position is as under:—

Sl. No.	Name of the segment	Present position
1	2	3
1.	Change Management (CM)	RFP process completed and work awarded. Implementation started on 15.10.12. Training activities are in progress. It is ongoing exercise with the implementation of various other streams of the Project.
2.	Data Centre Facility (DCF) Disaster Recovery Centre (DRC)	RFP process completed and work awarded. Data Centre is operational w.e.f. 3rd April 2013 at Navi Mumbai. Civil work completed. Site Acceptance Test of DRC is completed. Operation will start in Jan. 2015.
3.	Financial Services Integrator (FSI)	RFP process completed and work awarded. Implementation started on 28.09.12. Pilot Roll out of Core Banking (CBS) and Life Insurance (PLI) completed at 124 and 220 Post Offices. *In toto*, so far 1436 Pos for CBS and 3500 Post Offices or CIS have been migrated. ATM Services installed and commissioned at 4 POs as part of the Pilot/Project. Circle Processing Centers (CPC) have been commissioned in all the 22 Circles.
4.	Network Integrator (NI)	RFP process completed and work awarded. Implementation started on 28.09.12. So far 26552 locations out of 28847 have been networked on single Wide Area Network (WAN).
5.	Core System Integrator (CSI)	RFP process completed and work awarded. Implementation started on 15.4.13. Installation and commissioning of Central Hardware completed. Testing of common infrastructure solution (Wave 1) completed. Wave 2 & 3 UAT cycle 11 (for HR, MO and F&A) completed on 06.12.14. Wave 1 Roll out is in progress.

1	2	3
6.	Rural Hardware (RH)	RFP process completed. Vendor has been selected. Contract signed on 24.11.14. Implementation started.
7.	Rural System Integrator (RSI)	RFP process completed and work awarded. Contract signed on 28.2.13. Implementation started.
8.	Mail Operation Hardware (MoH)	RFP process completed. The successful bidder M/s HCL Info Systems Ltd., has express inability to sign the contract. LoI annulled on 26.09.14 and M/s HCL Info system has been blacklisted for 5 years on 25.11.14. Action is taken for procurement of Mail Operations Hardware through DGS&DRC.

In nutshell, it may be stated that the entire Project is in implementation phase and achievements made so far are as under:—

(a) All the 25,145 departmental post offices in the country have been computerized.

(b) Data Centre has been established and started functioning at Navi Mumbai since 3rd April, 2013.

(c) 26552 Departmental Post Offices including mail offices and administrative offices, out of total number of 28847, have been networked at single Wide Area Network (WAN) and connected to Data Centre.

(d) 1436 Post Offices have been migrated to Core Banking Solution (CBS).

(e) 3500 Post Offices have been migrated to Core Banking solution (CIS-PLI). The Project is likely to complete its implementation phase by the end of October 2016."

(d) Appropriation Accounts—Railways (2012-13)

86. During the financial year 2012-13, the Ministry of Railways incurred an excess expenditure of ₹ 1675.96 crore (after misclassification) in 10 cases of 8 Grants/ Appropriations. The details of these excess registering Grants/Appropriations have already been given in Paragraph 11 of this Report. The Explanatory Notes furnished by the Ministry of Railways in this regard have been reproduced at **Annexure-VII** to this Report.

87. Scrutiny of the Explanatory Note revealed that out of the total excess expenditure of ₹ 1675.96 crore incurred by the Ministry of Railways during the fiscal 2012-13, the excess expenditure of more than ₹ 100 crore was incurred under two Grants *viz.* ₹ 658.82 crore under Grant No. 10-Miscellaneous Working Expenses-Operating Expenses-Fuel and ₹ 981.95 crore under Grant No. 13-Working expenses—Provident Fund Pension & Other Retirement Benefits.

(i) Grant No. 10—Working Expenses—Operating Expenses—Fuel

88. Under Grant No. 10-Working Expenses-Operating Expenses-Fuel, the Ministry of Railways obtained an Original Grant of ₹ 21346.72 crore. Subsequently a Supplementary Grant of ₹ 382.62 crore was obtained in March 2013 mainly for more expenditure on fuel due to increase in prices of fuel under Diesel Traction and Electric Traction. Against this the actual expenditure was ₹ 22388.16 crore registering thereby an excess expenditure of ₹ 658.82 crore.

89. Scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure under this Grant was mainly incurred under the following Minor-Heads:—

> "(a) Diesel Traction (200) (₹ 418.81 crore), mainly due to increase in prime cost of HSD Oil and more consumption of HSD Oil for more activity of diesel locos during the year, than anticipated."

(ii) Grant No. 13—Working Expenses — Provident Fund, Pension and Other Retirement Benefits

90. Under Revenue—Voted Section of Grant No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits, the Ministry of Railways obtained an Original Grant of ₹ 19120.66 crore which was augmented to ₹ 20576.72 crore by obtaining Supplementary Grant of ₹ 1456.06 crore in March, 2013 mainly for meeting the increased pensionary charges. Against which the actual expenditure incurred was ₹ 21558.67 crore resulting in excess expenditure of ₹ 981.95 crore.

91. Scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure under this Grant was incurred mainly under the following Sub-Heads:—

> "Superannuation and Retiring Pension. (100) (₹ 690.67 crore), due to receipt of more debits from various pension disbursing authorities on account of implementation of MACP and increase in DA, than anticipated. (b) Family Pension (400) (₹ 98.20 crore) due to implementation of MACP and increase in DA than anticipated. (c) Death-cum-Retirement Gratuity (500) (₹ 233.87 crore), due to finalization of more number of Death-cum-Retirement Gratuity cases during the year, than anticipated. (d) Leave Encashment Benefits (700) (₹ 121.00 crore), due to incurrence of more expenditure towards leave encashment for pension optees during the year, than anticipated. (e) Gratuities, Special Contribution to Provident Fund and contribution to Provident Fund (800) (₹ 9.42 crore), due to more Government contribution for newly defined contributory pension scheme, than anticipated."

92. According to Ministry of Railways, progressive computerization of pension masters, PPOs and implementation of Pension Software 'ARPAN' would reduce the excess in Grants. On being asked about the timelines set for implementation of said software, the Ministry of Railways (Railway Board) in their written replies stated as under:—

> "Computerization of pension masters is currently being ported to ARPAN. The centralized pension software ARPAN has been made functional only from

April, 2014 and is being implemented on all Indian Railways in a phased manner. The application has already been implemented for issuing PPOs in 79 units out of total 145 units across Zonal Railways/Production Units. All new Pension Payment Orders (PPOs) are being issued through ARPAN on these units and legacy data of the PPOs issued earlier is being ported on the application. The application is in process of implementation in remaining units/Railways and entire process is planned to be completed by March 2016. Interaction is also on with all pension disbursing banks for issue of PPOs and receipt of pension debits electronically to eliminate delays and faster reconciliation of debits and thereby prevent and detect unauthorized payments. This will improve assessment of pension expenditure and thereby reduce excess in pension Grant."

93. The Committee's examination revealed that this Grant had incurred excess expenditure recurringly for the financial years 2009-10 to 2012-13 as indicated below:—

Sl No.	Financial Year	Amount of Excess Expenditure incurred (₹ in crore)
1.	2009-10	1,512.39
2.	2010-11	1,403.98
3.	2011-12	769.62
4.	2012-13 (year under review)	981.95

94. Explaining the reasons for recurring excess expenditure under Grant No. 13 and action taken to contain the same, the Ministry of Railways (Railway Board) in their written replies submitted as follows:

"Vastness of Railway pensioners who have settled all across the country, involvement of a number of pension disbursing authorities and implementation of the recommendations of the 6th CPC in piecemeal made it quite difficult to accurately assess the requirement of funds in Grant No. 13 during the recent years. This apart certain decisions taken later like LARSGESS, Grant of an extra increment to staff whose date of natural increment was falling between February to June, with retrospective effective, revision of Fixed Medical Allowances rates, MACP (Modified Assured Career Progression) balance cases have also contributed to difficulty in assessing the requirement under Grant No. 13. However, progressive computerization of pension masters, PPOs and implementation of pension software "ARPAN' would in due course reduce the excess in this Grant also."

95. When the Committee sought to know about the stringent measures proposed to be taken by the Railway Board to tighten up their budget estimation systems in pursuance of the repeated exhortations of the Committee to minimize the instances of excess expenditure if not eliminate it altogether, the Ministry of Railways (Railway Board) in their written replies submitted as follows:—

"Considering the vastness of the railway system both in size and the accounting/ budgeting units involved as also the number of transactions taking place on the system, the incidence of excess expenditure in a few Grants cannot be ruled out. The trend in this has been reducing. The Railways do have a well set mechanism of accounting and budgetary control in place and is continuously being strengthened. In view of the excess expenditure incurred in certain Grants, particularly Grant No. 13, the concern is being regularly shared with the zonal railways who are instructed to accurately forecast requirement with available data.

In fact, in none of the 'excess registering Grant' in 2012-13 the excess registered is more than 5% over the sanctioned Grant. Zonal Railways have also been, as a matter of abundant caution, instructed to realistically assess their requirement so that more accurate Supplementary Grants can be made. They have also been cautioned to avoid instances of excess expenditure in future by containing the expenditure within the sanctioned allotment.

Notwithstanding the above, strict monitoring would be resorted to with a view to improving the position as stressed by the Committee also."

96. Apprising the Committee about the steps contemplated to strengthen the computerization of budgeting, booking and monitoring of expenditure at different levels (field level/zonal level/railway board level), the Ministry of Railways (Railway Board) submitted as follows:—

"Computerization of accounting activities is being done, keeping in view the specific working requirement. At present, major functions of Accounts department on Railways are computerized with the following application:—

* Advanced Finance Railway Earning and Expenditure System (AFRES) which covers — Budget, Books, Internal Check, Accounts Inspection, Finance, Provident Fund, Pension, Costing, Fuel Accounting, Workshop Accounts, Catering Accounts, Suspense, Cash and Pay and Traffic Accounts of Zonal Railways and its units eliminating manual book keeping and reduces probability of human error in recording of expenditure.

* Pay Roll and Integrated Modules of Establishment (PRIME) covers computerization of Pay Roll, Running Allowance, Arrear of Pay and Allowances, Leave Account, Loan and Advances, Quarter and Electricity Charges, Career Events and Service Records and Post/Cadre Check/Scale Check of sanctioned posts.

* To strengthen the systems further and integrate books of accounts and transactions, a web enabled centralized application—Integrated Payroll and Accounting System (IPAS) covering various accounting activities has been developed, which is presently being implemented on railways.

* An application for approval and monitoring of Works Programme (IRPSM—Indian Railway Project Sanction and Management) of Indian Railways to also in place, which monitors the expenditure, involved in works.

* Indian Railways have also implemented Inter Railway Online Reconciliation of Transfer Transactions (e-Recon), for inter and intra unit adjustments

and eliminates manual reconciliation and possible errors of such adjustments between the Railways and also its units thereby.

* Rail lekha (R-lekha) application, which facilitate timely compilation of monthly account in Board's office has also been implemented.

* A budget application already exists in Railway Board. However, now an improved centralized application has been developed and implemented linking zonal to Board's office which will facilitate concurrent regulation, monitoring and control over budget.

For entire Indian Railways' pension preparation and monitoring, a pension portal, namely, Advance Railway Pension Access Network (ARPAN) has been developed for centralized pension processing, accountal of pension expenditure, interface with pension disbursing banks, reconciliation of pension amounts paid by banks with Railways to detect over and under payments and centralized pension grievance redressal and monitoring."

(iii) Recurring Excess Expenditure incurred by the Ministry of Railways

97. The past trends of expenditure in the Ministry of Railways clearly indicate that incurrence of excess expenditure in the Ministry has been a recurring phenomenon as is seen from the following table:—

Year	No. of cases of Grants/ Appropriations which recorded excesses	Amount of excess expenditure (₹ in crore)
2003-04	9	1136.92
2004-05	10	2151.99
2005-06	11	2322.46
2006-07	8	365.16
2007-08	8	51.22
2008-09	8	532.12
2009-10	9	1922.84
2010-11	10	3056.86
2011-12	4	1049.86
2012-13	8	1675.96

(iv) Misclassification of Expenditure under Excess Registering Grants/ Appropriations operated by the Ministry of Railways

98. The scrutiny of Explanatory Note furnished by the Ministry of Railways revealed that during the year 2012-13, there was misclassification of expenditure of ₹ 571,55,478

under Grant No. 8—working Expenses—Operating Expenses—Rolling Stock and Equipment. The comparative figure of misclassification for the last 10 years is as follows:—

Sl. No.	Financial Year	No. of cases of misclassification of expenditure under excess registering Grants/ Appropriations	Amount involved in the misclassification of expenditure (In unit of ₹)
1	2	3	4
1.	2002-03	3	2,08,73,794
2.	2003-04	5	48,94,12,752
3.	2004-05	9	104,32,74,159
4.	2005-06	6	26,89,31,649
5.	2006-07	5	209,80,86,273
6.	2007-08	3	1,12,71,617
7.	2008-09	6	23,54,57,552
8.	2009-10	7	30,92,58,533
9.	2010-11	9	29,70,49,848
10.	2011-12	2	174,75,509
11.	2012-13 (year under review)	1	571,55,478

PART II

OBSERVATIONS/RECOMMENDATIONS

The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2012-13 has revealed that the total excess expenditure of ₹ 6591.30 crore was incurred in 19 cases of 16 Grants/Appropriations. The defaulting Ministries are Ministry of Defence (5 cases under four Grants *i.e.* Grant No. 21-Defence Pensions, Grant No. 22-Defence Services-Army, Grant No. 23-Defence Services-Navy and Grant No. 24-Defence Services-Air Force), Ministry of Finance (Appropriation No. 34-Interest Payments), Departmentof Indian Audit and Accounts (Grant No. 40-Indian Audit and Accounts Department), Department of Urban Development (Grant No. 101-Department of Urban Development), Ministry of Communications and Information Technology (Grant No. 13-Department of Posts) and the Ministry of Railways (10 cases under 8 Grants/Appropriations *i.e.* Grant No. 8-Operating Expenses-Rolling Stock and Equipment, Grant No. 10-Operating Expenses-Fuel, Grant No. 13-Working Expenses-Provident Fund, Pension and other Retirement Benefits, Appropriation No. 03-Working Expenses-General Superintendence and Services, Appropriation No. 04-Working Expenses-Repairs and Maintenance of Permanent Way and Works, Appropriation No. 05-Working Expenses-Repairs and Maintenance of Motive Powers, Appropriation No. 07-Working Expenses-Repairs and Maintenance of Plant and Equipment, Appropriation No. 08-Operating Expenses-Rolling Stock and Equipment, Appropriation No. 11-Working Expenses-Staff Welfare and Amenities and Appropriation No. 13-Working Expenses-Provident Fund, Pension and other Retirement Benefits).

2. The excess expenditure during the year is prominently noticeable in the Grants/ Appropriations operated by the Ministries of Defence, Finance, Railways, Communications & Information Technology (Department of Posts). The Committee note that bulk of the excess expenditure was on the Civil side *viz.* ₹ 4565.39 crore, out of which the Ministry of Defence under Grant No. 21-Defence Pensions alone accounted for a highest excess expenditure of ₹ 3867.71 crore which is 58.68% of total excess expenditure incurred during the year 2012-13. Further, Ministry of Finance under Appropriation No. 34-Interest Payments incurred excess expenditure of ₹ 695.25 crore. In case of Defence Services an excess of ₹ 195.53 crore was incurred under Grant No. 22-Defence Services-Army, No. 23-Defence Services-Navy and No. 24-Defence Services-Air Force. There was total excess expenditure of ₹ 160.14 crore incurred under one section of Grant No. 13-Department of Posts, while Grants/ Appropriations operated by the Ministry of Railways, an excess expenditure of ₹ 1670.24 crore (before misclassification of ₹ 571,55,478 under Grant No. 8-operated by Ministry of Railways) was incurred in ten cases. It is further disconcerting to note that during the year 2012-13 though there was some decline in total excess expenditure incurred, in Civil, Defence and Postal Sectors as compared to the earlier

three years, there was an increase in the number of total excess registering Grants/ Appropriations as well as excess expenditure incurred by the Ministry of Railways. That the excess over Voted Grants and Charged Appropriations administered by the Ministries of Defence, Finance, Railways & Department of Posts had persisted, only serve to reinforce the Committee's of repeated observations that adequate and serious attention was not being paid by the Ministries/Departments concerned to implement the Committee's recommendations. Though the Ministry of Finance have been dutifully circulating the recommendations of the Committee to the Ministries/ Departments of the Government for compliance, financial discipline remains still a distant goal. An analysis of the reasons given by the Ministries/Departments concerned has revealed that want of essential alacrity in the budgetary estimations, sheer dereliction of duty on the part of budget controlling authorities to monitor the pace of expenditure and to invoke the provision of Supplementary demands and failure on their part to ensure strict fiscal discipline continue to be the main reasons for this excess expenditure year after year. From the fact that the similar reasons for excess expenditure by the Ministries/Departments, it is clear that matter is being dealt with only in a routine manner and the Government is not making serious efforts to ensure financial discipline. The Committee further find no cogent reasons for incurring excess expenditure when all the Ministries/Departments have opportunity to have the Supplementary Grants during three occasions in a year. Moreover, in an age of e-governance which made instant connectivity between field formations, subordinate offices and Headquarters, financial irregularities like excess expenditure should not recur. The Committee express their displeasure to the defaulter Ministries/ Departments for bad planning, tepid approach, lack of foresight and ineffective monitoring on the part of budget controlling authorities while preparing both Budget Estimates as well as Supplementary Demands for Grants. The Committee, therefore, emphasise the need for scrupulous scrutiny of the budget proposals, rigorous monitoring of the pace of expenditure and strict compliance of General Financial Rules so as to eliminate the possibility of excess expenditure. Ministry of Finance should also devise effective measures and make it incumbent upon the Financial Advisers and the budget controlling authorities to ensure that no excess expenditure is incurred in future.

3. A comparative scrutiny of the Appropriation Accounts (Railways) for the year 2012-13 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/ Charged Appropriations during 2012-13 revealed that there was misclassification of expenditure to the tune of ₹ 571,55,478 under Grant No. 8-Working Expenses-operating expenses-Rolling Stock and Equipment. Taking into account the effect of this misclassification the actual excess expenditure incurred by the Ministry of Railways during the year 2012-13 comes out to ₹ 1675,95,62,337 instead of ₹ 1670,24,06,859 as indicated in their Appropriation Accounts (2012-13). Accordingly, the total amount of actual excess expenditure incurred by the Ministry of Railways during the financial year 2012-13, which has to be regularized by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 1675.96 crore.

4. The Committee note with profound concern that out of five cases of excess expenditure incurred under four Grants/Appropriations operated by Civil Ministries/ Departments, the Ministry of Defence under two sections of Grant No. 21-Defence Pensions incurred excess expenditure of ₹ 3867.71 crore which is 58.68% of total excess expenditure of ₹ 6591.30 crore (before misclassification) incurred during the year 2012-13. Further, the Ministry of Finance under Appropriation No. 34-Interest Payments, incurred excess expenditure of ₹ 695.25 crore which is 10.55 per cent of total excess expenditure. In case of Defence Services, the excess of ₹ 195.53 crore was incurred under Grant No. 22-Defence Services-Army, No. 23-Defence Services-Navy and No. 24-Defence Services-Air Force which is 2.97 per cent of total excess expenditure incurred. There was total excess expenditure of ₹ 160.14 crore incurred under one section of Grant No. 13-Department of Posts which was about 2.43% of the total excess expenditure incurred. In the case of Grants/Appropriations administered by the Ministry of Railways, an excess expenditure of ₹ 1670.24 crore (before misclassification) *i.e.* 25.34% of total excess expenditure was incurred in ten cases. An analysis of the reasons for excess expenditure during 2012-13, which have been discussed in detail in the succeeding paragraphs of this Report, clearly indicate that the lack of proper monitoring of the progress of expenditure, inadequate review and analysis of the financial requirement in terms of committed liabilities and non-observance of the prescribed financial rules were the main contributory factors in the incurrence of excess expenditure of such a high magnitude. Although General Financial Rules clearly provide that the grant administering authorities shall be fully accountable for control of expenditure and clear cut instructions have also been laid down for the detailed procedures to be followed for checks against provisions of funds, the Committee cannot help observing from the facts that the concerned authorities in the various Ministries/Departments continue to display their negligence and callous attitude towards rules prescribed for containing the expenditure within the sanctioned provisions and no responsibility has been fixed as yet against the grant administering authorities. Expressing their concern over this state of affairs, the Committee in Para 3 of their 92nd Report (15th Lok Sabha) had urged the Ministry of Finance to strongly impress upon all the Departmental Heads concerned to strictly observe the instructions issued under the financial rules so as to ensure that no expenditure is incurred in excess of the authorized limits. The Committee had also desired the Ministry of Finance to devise suitable and foolproof mechanism for tightening the exchequer control and to deal sternly with those cases where any deviations and slackness in following the prescribed financial rules are noticed. The unabated large excess expenditure is self manifestation of the fact that no suitable remedial measures have been taken by the Ministry of Finance to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee once again urge upon the Ministry of Finance to take this issue with utmost seriousness and find innovative steps for establishing sound budgetary mechanism whereby the expenditure management of any Grant/ Appropriation is made more accurate and practicable and the scarce financial resources are utilized appropriately.

5. An analysis of the Appropriation Accounts, Explanatory Notes and the written replies furnished by the defaulting Ministries/Departments indicates that in 5 cases

the percentage of excess expenditure over the total Grant was exceedingly high. These are 487.32 per cent in respect of Grant No. 21-Defence Pensions, 390.11 per cent in Grant No. 22-Defence Services-Army, 72.49 per cent in Grant No. 23-Defence Services-Navy, 151.50 percent in Defence Services-Air Force, 4596.70 per cent in Appropriation No. 3-Working Expenses-General Superintendence and Services, 90.20 per cent in Appropriation No. 4-Working Expenses-Repairs and Maintenance of Permanent Way and Works, 1246.87 per cent in Appropriation No. 7-Working Expenses-Repairs and Maintenance of Plant and Equipment, 309.65 per cent in Appropriation No. 11-Working Expenses-Staff Welfare and Amenities and 26.86 percent in Appropriation No. 13-Working Expenses-Provident Fund, Pension and other Retirement Benefits. Obviously, such a huge excess expenditure shows that entire budgetary process has gone awry in these defaulter Ministries/ Departments and there was abysmal failure on the part of the budget controlling authorities and Financial Advisers in budget formulation, monitoring and in submission of revised estimates in time. The Committee feel that incurring excess expenditure of more than 5 per cent of the total Grant despite obtaining Supplementary Grants is a pointer towards the total failure of the Ministries concerned in anticipating the fund requirements. The Committee, therefore, recommend that in order to make the budgetary system really effective and meaningful, budget controlling Authorities should have regular meetings to review the progress of expenditure *vis-a-vis* Budgetary provision in respect of all the Heads/Sub-Heads under the Grants operated by them and assess the likely requirements for balance period of financial year taking into consideration the commitments already made and likely to arise and timely inform the Ministry of Finance the expected levels of expenditure so as to seek additional funds by way of Supplementary Grants. They also recommend that in future the concerned Ministries/Departments should ensure that under no circumstances the excess over final Grants should exceed more than 5 per cent of the total Grant.

6. The Committee are constrained to observe that out of total 19 cases of excess registering Grants/Appropriations, an excess expenditure of ₹ 6420.17 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/ Appropriations to the extent of ₹ 8596.33 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 Grants/Appropriations ranged from 2.52 per cent (Grant No. 40-Indian Audit and Accounts Department) to 4596.70 per cent (Appropriation No. 03-Working Expenses—General Superintendence and Service) and in 9 cases this percentage was more than 100 per cent. To give the sector-wise details, Supplementary Grants to the tune of ₹ 5305.64 crore was allocated in five cases of four excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 4565.39 crore. In Defence Sector, even though Supplementary Grants to the tune of ₹ 10.86 crore was allocated for two excess registering Grants, the Committee are dismayed to note that an excess expenditure of ₹ 18.93 crore was incurred. In the Postal Sector, a Supplementary Grant of ₹ 940.88 crore proved inadequate by ₹ 160.14 crore. In respect of Railways, out of ten cases of excess registering Grants/Appropriations, Supplementary Grant of ₹ 2338.95 crore was obtained in seven cases, still an excess expenditure of ₹ 1675.71 crore was incurred. In respect of nine Grants and Appropriations the

quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. The Committee deplore the tendency of the defaulting Ministries/ Departments in incurring excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more astonishing is that these Ministries/Departments could not realistically project their requirement of funds even after obtaining of Supplementary Grants at various stages. This exposes the hollow claim of the Ministries/Departments concerned as well as the Ministry of Finance that they regularly monitor the flow of expenditure. This is a clear indication of the pervading malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement despite availability of ample opportunities for seeking approval of Parliament. It is, therefore, imperative that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministries/Departments to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee recall that only last year, they had emphasized that the Supplementary Budget should normally be for unexpected items of expenditure or schemes taken up for compelling public interest. However, the Ministries went on incurring excess expenditure, year after year, in spite of ample provisions available for supplementary demands for grants to obtain Parliament's approval to meet unexpected expenditure. Based on other fiscal federal models the Finance Ministry should evolve modalities enshrined on prudent financial principles which will enable the sanctity of budgetary provisions ensuring the reach and superintendence of Parliament on appropriation outgoes. The Committee had also urged that the Ministry of Finance should initiate a study of the best International Practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The Secretary (Department of Economic Affairs) had submitted that in the next four-five months they would try to do a paper of the best international practices and present it to PAC. The Committee regret that such a study has not been initiated as yet. The Committee would desire that the said study be completed within the timeframe as stated by the Ministry. The Committee also recommend that the Ministries/Departments should evolve an effective mechanism in coordination with the Ministry of Finance (Department of Economic Affairs), Comptroller and Auditor General of India and the Controller General of Accounts in the Department of Expenditure by which the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by Parliament despite having Supplementary Grants.

7. The Committee find that the incurrence of excess expenditure is a recurring phenomenon in the past despite recommendations of the Public Accounts Committee and subsequent issuance of instructions by the Ministry of Finance from time to time. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in all the sectors the excess expenditure which was reduced to a considerable extent during the year 2007-08 has again showed an upward trend during the year 2008-09. From 2009-10 to 2012-13 it has again showed

a decreasing trend. However, during the year under review *i.e.* 2012-13, while the excess expenditure under Civil, Defence Services and Postal Services has shown a downward trend, it has increased in case of Railways both in respect of amount as well as number of excess registering Grants/Appropriations. Similarly, overall excess expenditure has also been reduced from ₹ 8563.14 crore in 2011-12 to ₹ 6597.02 crore during the fiscal 2012-13 even though number of excess registering Grants/ Appropriations has increased from 11 in 2011-12 to 16 in 2012-13. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years period *i.e.*, from 2008-09 to 2012-13, it has been found that in 9 Grants/Appropriations (Grant No. 21-Defence Pensions, Grant No. 13-Department of Posts and Grants/ Appropriation Nos. 3, 4, 5, 6, 8, 12 & 13 operated by the Ministry of Railways) persistent excess occurred in at least three years out of five years. It has further been observed that the Ministry of Defence under Grant No. 21-Defence Pensions, had incurred excess expenditure of more than ₹ 3000 crore recurringly for the last four years *i.e.* from 2009-10 to 2012-13 (₹ 8999.54 crore in 2009-10, ₹ 3336.31 crore in 2010-11, ₹ 3568.81 crore in 2011-12 and ₹ 3863.71 crore in 2012-13. Similarly, the Department of Posts under Revenue-Voted Section of Grant No. 13-Postal Services had incurred excess expenditure of more than ₹ 100 crore for the years 2009-10 to 2012-13 (₹ 818.13 crore in 2009-10, ₹ 366.63 crore in 2010-11, ₹ 400.04 crore in 2011-12 and ₹ 160.14 crore in 2012-13). Further in case of Grants/Appropriations operated by the Ministry of Railways it is seen that out of 16 Grants/Appropriations, recurring excess expenditure under two Grants/ Appropriations namely Grant No. 13-Provident Fund, Pension and other Retirement Benefits and Appropriation No. 03-General Superintendence and Services had been incurred for the last four years *i.e.* from 2009-10 to 2012-13. The fact that the excess expenditure persist, year after year, despite repeated exhortations of the Committee and issuance of instructions by the Ministry of Finance from time to time only leads the Committee to conclude that the matter has not been viewed by the Ministries/ Departments with the seriousness it deserves. The Committee would like the Ministries to bear in mind that excess expenditure is 'unauthorised expenditure' betraying lack of financial discipline. The only situation in which the excess expenditure is understandable is when a need for unforeseen or unavoidable expenditure has arisen suddenly which could not have been anticipated and with no time left for the Ministry/Department to approach Parliament for a Supplementary Grant. Only last year, the Committee in Para 6 of their 92nd Report (15th Lok Sabha) had desired that the Government should earnestly undertake case studies of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years. However, no such study seems to have been conducted by the Government in this regard. In view of the persistent trend in the incurring of excess expenditure going unchecked, the Committee once again recommend the Government to undertake a case study of the instances of excess expenditure incurred recurringly for the last five years with a view to looking into the reasons as to why the existing mechanism for control of expenditure has failed to effectively check the unabated trend of excess expenditure. Steps should also be initiated to constitute a high-level Inter-Ministerial Group under the Chairmanship of the Cabinet Secretary to examine this recurring issue and apprise the Committee about the steps taken to

rectify the problems. The Comptroller and Auditor General of India also need to be closely associated with this process. Considering the fact that the Committee have been asking the Government to take steps to minimize the recurring excess expenditure, they would like to be apprised about the corrective measures taken alongwith the specific results achieved during the last ten years as a follow-up of PAC's recommendations in the matter. Non-implementation of recommendations, if any, should also be clearly indicated in the Action Taken Notes required to be furnished to the Committee.

8. A scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last ten financial years *i.e.* 2003-04 to 2012-13 indicated that the Ministry of Defence had been incurring excess expenditure recurringly under the Grants/Appropriations operated by them. Figures for the last five years indicate that the Ministry of Defence incurred an excess expenditure of ₹ 770.25 crore in four Grants in 2008-09, ₹ 11710.08 crore in four Grants in 2009-10, ₹ 7575.76 crore in five Grants in 2010-11, ₹ 4137.01 crore in two Grants in 2011-12 and ₹ 4063.24 crore in four Grants in 2012-13. During the course of examination of the excess expenditure under the Grants operated by the Ministry of Defence, the Committee were informed that the Ministry of Defence had undertaken internal brainstorming to identify the possible reasons for repeated instances of excess expenditure. The Committee are inclined to conclude that either the exercise was not done properly or the discrepancies brought out therefrom have not been timely rectified. The Committee had also been informed that Ministry of Defence had set up three Committees which would devise alternate solutions for any weak internal controls that may exist. Now, the Ministry have apprised the Committee that they had identified certain loopholes in its internal procedures and these are being reviewed on the basis of the recommendations of these three Committees. The Committee would like the Ministry of Defence to review the identified loopholes at the highest level and initiate credible action that will yield visible results. The Committee would await active follow-up action by the Ministry of Defence in the matter.

9. The Committee find that the Appropriation Accounts relating to Civil, Defence Services, and Postal Services for the financial year 2012-13 were presented to the Parliament on 01.08.2014. However, the Appropriation Accounts of Railways were presented to the Parliament only on 28.11.2014 after a delay of about 4 months which resulted in avoidable delay in finalization of the Committee's Report on 'Excesses over Voted Grants and Charged Appropriations (2012-13)' which in turn delayed the regularization of excess expenditure incurred during 2012-13 under Article 115(1)(b) of the Constitution. Taking a serious view of the callous attitude on the part of the Ministry of Railways on such an important matter, the Committee strongly recommend the Ministry to take urgent corrective action to timely present the Appropriation Accounts to Parliament so that regularisation of excess expenditure incurred during a particular financial year can be done promptly.

10. A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the financial year 2012-13, the Ministry of Defence incurred an excess expenditure of ₹ 3867.71 crore under two sections (₹ 3863.71 crore under Revenue-

Voted Section and ₹ 4.00 crore under Revenue-Charged Section) of Grant No. 21-Defence Pensions. Under Revenue-Voted Section of the Grant the excess expenditure of ₹ 3863.71 crore incurred was the net effect of total excess of ₹ 3908.52 crore and the total unspent provision of ₹ 44.81 crore under various sub-heads of the Grant. The Committee are constrained to observe that the excess expenditure of ₹ 3863.71 crore under Revenue-Voted Section of this Grant was incurred despite obtaining Supplementary Grant of ₹ 499.44 crore and under Revenue-Charged Section excess expenditure of ₹ 4.00 crore was incurred despite having Supplementary Grant of ₹ 0.56 crore. The explanatory note furnished by the Ministry of Defence, *inter-alia* states that the excess expenditure was due to receipt of more cases of Modified Assured Career Progression (MACP) Scheme, implementation of One Rank and One Pension (OROP) Scheme and booking of pending Pension Scrolls received from banks to clear amount under suspense. In the opinion of the Committee these reasons for excess expenditure clearly indicate that lack of proper and timely review of anticipated expenditure had largely contributed to the excess under this Grant. The Committee's examination has revealed that this Grant had been registering excess expenditure of more than ₹ 1000 crore for the past five year. The main contributory factor as attributed by the Ministry of Defence is lack of availability of sufficient funds for payment of Defence Pension which is a committed liability and payment of which cannot be stopped for want of funds. The Committee find that the Ministry of Defence have been giving the same stock reply over the last five years instead of taking adequate precautionary steps to avoid excess expenditure. Upon asking the reasons for short release of funds, the Ministry of Finance apprised the Committee that fund for committed liabilities as projected by Ministries/Departments with sufficient justification are fully provided to them. However Ministries/Departments with inconsistent reporting system seek higher allocation based on rough estimates. Such projections are not considered by the Ministry of Finance. This view of the Ministry of Finance confirms with the fact that projection by the Ministry of Defence for RE 2012-13 was forwarded to Ministry of Finance in the month of October, 2012 and the ceiling was finalized with a less allocation of ₹ 2285 crore and immediately an additional requirement of ₹ 2000 crore was again requested in the month of March 2013 and finally in the month of April, 2013 an additional requirement of ₹ 4000 crore was again requested. In this regard, the Committee are constrained to observe that the excess expenditure of ₹ 3867.71 core incurred during 2012-13, is far more than the cut of ₹ 2285 crore imposed by the Ministry of Finance. Further, the Ministry had sought the funds first at the fag end of the year *i.e.* March 2013 and again after close of the financial year *i.e.* April, 2013. The Committee, therefore, conclude that there is some inherent defect in the system for correctly/timely forecasting and factoring the pension liability in the revised budget estimates of the Ministry of Defence. The Committee are of the view that a precise assessment of funds required to cover the impending excess expenditure could have been made and adequate Supplementary provisions with proper justification sought from the Ministry of Finance well in advance before the closing of the financial year. That this has not been done is regrettable.

11. The Committee note that as a remedial measure to overcome the recurring phenomenon of excess expenditure under this Grant, the instructions for advising all the budget controlling authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration the commitments, trend of expenditure and the anticipated expenditure had been circulated. Subsequently, instructions were also issued to Principal Controller of Defence Accounts (P) [PCDA (P)], Allahabad to adopt e-governance model to utilize the information technology/ tools so as to establish a centralized data base of Pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year. An Internal Audit of the existing arrangement of reporting and accounting of Defence Pensions was conducted by the Office of the Controller General of Defence Accounts. PCDA (P), Allahabad has been asked to take into account pending scrolls of the previous years while estimating budget for the next years. An exercise named 'Project Sangam' has been undertaken in order to create an up-to-date Pensions database in collaboration with PCDA(P), Allahabad and various pension disbursing agencies. As a result digitization of Pensioners enrolled under Defence Pensions has been completed during the month of September, 2014. Apart from 'Project Sangam' a new web based application for 'Pension Accounting System' has also been developed, which is under trial running process. According to the Ministry, the project once fully implemented will give a more accurate database for monitoring the pace of expenditure and will be very useful while predicting the future requirement of funds. Moreover, Grant No. 21-Defence Pensions has now been covered under Cash Management System from FY 2013-14 and the monthly expenditure plan and quarterly expenditure allocations of Grant No. 21 in prescribed format has been incorporated in Detailed Demands for Grants for FY 2013-14. The Committee have also been informed that as a result of the above mentioned steps initiated by the user Department *i.e.* PCDA(P), Allahabad, in the financial year 2014-15, as per the Appropriation Accounts, there is an overall savings of ₹ 46 lakh. While appreciating the efforts made by the Ministry of Defence to tighten their exchequer by issuing instructions for advising all budget controlling authorities of Defence Pensions to prepare their budget proposal on realistic basis and to establish a centralized database of pensioners, the Committee hope that the Ministry of Defence will be consistent in their efforts so that no expenditure is incurred in excess of the authorized limits under this Grant in future.

12. The Committee find that under Appropriation No. 34-Interest Payments for the year 2012-13, the Ministry of Finance had incurred an excess expenditure of ₹ 695.25 crore over and above the total sanctioned provision of ₹ 329487.43 crore, which included supplementary provisions of ₹ 4718.00 crore. The excess expenditure under this appropriation is the net effect of total excess of ₹ 6791.11 crore and total savings of ₹ 6095.86 corre under various sub-heads of the Appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. In their Explanatory Note to the Committee the Ministry of Finance have stated that it is difficult to estimate precisely the interest payments, which are largely dependent on numerous factors such as market borrowings, variation in interest rates, foreign

exchange rates etc. Further, according to the Ministry excess expenditure under this appropriation was mainly due to excess expenditure booked by Department of Posts on account of 'Postal Insurance and Life Annuity Fund' and Department of Posts did not propose additional requirement either in RE 2012-13 or at the final requirement stage, which resulted in the excess. The variation in exchange rate, interest etc cannot be pre-assessed. Although the Committee are in consonance with the justification furnished by the Ministry at the same time they are concerned to observe that the excess expenditure of such a large magnitude had occurred inspite of obtaining 2nd Supplementary Grants of ₹ 4718.00 crore in March, 2013. Significantly, the Ministry of Finance had been persistently making appropriations in excess of the budgeted provisions under this appropriation for the past three years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn an lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while obtaining Supplementary Grants. The Committee view this situation seriously and would like to convey their unhappiness over the lackadaisical attitude of the Ministry of Finance while obtaining Supplementary appropriations during the year 2012-13. The Committee consider it absolutely necessary, that the provisions of Supplementary Grants should be availed judiciously and with more precision and being the nodal Ministry, the Ministry of Finance should not make indiscriminate use of this mechanism. In this context, the Committee in their 64th Report (15th Lok Sabha) and 92nd Report (15th Lok Sabha) had expressed their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance. The Committee feel that this excesses could not should have been anticipated by the Ministry and adequate provisions thereof provided in the revised estimates, if not earlier. That, this was not done, is regrettable. While taking a serious view of the continuing excess expenditure under this appropriation, the Committee in para 10 of their 92nd Report (15th Lok Sabha) had desired to analyse the reasons for failure to make realistic assessment of funds so that adequate provisions for funds are provided under this appropriation. Recurrence of excess expenditure during the year 2012-13 under this appropriation clearly indicate that no study to find out the reasons for recurrent excess expenditure had been conducted by the Government. While expressing their displeasure over the recurrent phenomenon of excess expenditure under this appropriation, the Committee once again desire that the Ministry of Finance should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the interest payments are rectified and recurrence of excess expenditure is either avoided or greatly minimized in future.

13. The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 176.60 crore, ₹ 9.57 crore and ₹ 9.36 crore had been incurred under Revenue Section (Charged) of Grant No. 22-Defence Services-Army, Grant No. 23-Defence Services-Navy and Grant No. 24-Defence Services-Air Force respectively during the fiscal 2012-13. Surprisingly, the excess expenditure under Grant No. 23 and 24 was incurred despite obtaining a Supplementary Grant of ₹ 7.00 crore and ₹ 3.86 crore respectively. The main contributory reason as advanced by the Ministry of Defence for incurring excess expenditure under all the above said

three Grants is implementation of court orders in Dhanapalan case on the issue of Rank Pay, the extent of which could not be adequately forecast. The Committee are perturbed to find that though the orders of the Supreme Court were received in September, 2012 and Government Orders for implementation were issued on 27.12.2012, the Ministry could not forecast their actual requirement of funds till the last batch of Supplementary Grants. Moreover the Supplementary Grants sought in Grant Nos. 23 and 24 was also proved inadequate. The difficulties as experienced by the Ministry in estimating financial impact of the orders included revision of pay fixation for old cases covering three successive Pay Commissions *viz.* III, IV and V. Further, the exact number of cases was not known to them and old records were not available in computerized database. Several estimates made by Controller General of Defence Accounts during February, 2013 were widely different and considered unreliable. The Committee are constraint to find that this is not the first occasion when excesses under the Grants operated by the Ministry of Defence has incurred. The Ministry had been incurring excess expenditure recurringly for the past ten years and subsequently issuing routine instructions to avoid the same. It seems that the instructions issued in the past have had little effect on the estimating and disbursing authorities. While reiterating their earlier recommendation to identify additional measures to contain the recurring phenomenon of excess expenditure, the Committee would once again urge the Ministry of Defence to chalk out a definite policy in order to observe greater financial discipline and ensure that expenditure does not exceed its prescribed limits.

14. While reviewing the excess expenditure for the last few years, the Committee further regret to find that the Department of Posts had been incurring excess expenditure recurringly during the years 2009-10, 2010-11, 2011-12 and 2012-13 (₹ 818.13 crore, ₹ 366.63 crore, ₹ 400.04 crore and ₹ 160.14 crore respectively). As in the past the Department of Posts had made only the Ministry of Finance responsible for short release of funds to them during these years. The Department have further informed that during the year 2012-13 although the amount of funds reduced by the Ministry of Finance was ₹ 255.48 crore, the Department has contained excess expenditure within ₹ 160.14 crore only. The Committee are also informed that as per the instructions outlined by the Ministry of Finance, no additional requirement of funds are included in the first and second batch of Supplementary Demands for meeting the unforeseen and committed liabilities, rather these additional funds are considered only in the final batch of the Supplementary Demands by the Ministry of Finance. Moreover, Ministry of Finance does not provide the projected funds in RE stage in full. The Committee are not convinced with these reasons as the excess expenditure during the year 2012-13 was incurred despite having a huge amount of Supplementary Grant of ₹ 940.88 crore which proved inadequate to meet the expenditure of Department of Posts. In this regard the Committee are apprised that the Department strives to ensure to monitor the expenditure and due care is taken to maintain fiscal discipline and contain the expenditure within the budgetary allocation through continuous monitoring at apex level, regular issue of instructions to all the subordinate units of the Department, conduction of video conferences on monthly basis with the heads of circles/units, keeping close watch over the flow of expenditure

especially in the last quarter and in the last month, which has resulted in decreasing trend of excess expenditure between 2009-2013 and complete stopping excess expenditure during the year 2013-14. Further, with the 'IT Project' under progress, real time information on budget expenditure would be available which will go a long way in streamlining the system of budgeting. While appreciating the efforts made by the Department of Posts, the Committee urge that the Department should henceforth rectify the prevailing deficiencies and shortcomings in the existing expenditure review system so as to either avoid the recurrence of excess expenditure of minimize it to a greater extent in future. The Committee also desire the Ministry of Finance to do re-assessment of funds on a realistic basis as Department of Posts is an operational Department with a Pan India spread and the budgetary cuts in their operational expenses would scale down their quality of the services.

15. The Committee note that an excess expenditure of ₹ 160.14 crore was incurred under Revenue (Voted) section of Grant No. 13-Postal Services despite obtaining Supplementary Grants of ₹ 940.88 crore. The excess occurred mainly due to MACP promotions, leave encashment on LTC, normal increase in pay on account of DA, more expenditure under salary, Office Expenses (OE) and Rent, Rates and Taxes (RRT) than anticipated, increase in pensioners, more settlement of Family Pension cases as anticipated etc. In the opinion of the Committee, these reasons clearly indicate that lack of proper and timely review of anticipated expenditure and failure to provide fully for requirement of funds had largely contributed to the excess under this Grant. The Committee are unable to appreciate as to why liabilities on account of settlement of Pensionary cases as also expenditure on pay and allowances could not be assessed realistically by the Department of Posts since there is usually no element of uncertainty in the expenditure on Pensions or pay and allowances. One another reason as adduced by the Department of Posts is that the Ministry of Finance had disregarded their need for additional requirement of funds and imposed cuts on operational cost which had led to excess expenditure. The Committee are not convinced by this reason as more than 90% of the total budget of Department of Posts is for salaries and pensions and only 8-9% is for operational expenses. However, in this regard, the Ministry of Finance submitted that funds for committed liabilities as projected by Ministries/Departments concerned with sufficient justification are fully provided. The Committee are, therefore, inclined to conclude that the Department have woefully failed to take appropriate measures to efficiently project their actual requirement of funds before the Ministry of Finance at the Budget/Revised Estimates stage which resulted in presenting the same *fait accompli,* year after year. The Committee have now been informed that the Department of Posts has embarked on "IT Modernisation Project" and the roll out of the project is under implementation in the Pilot Circles. With the IT system in place, real-time budgetary information would be available which would streamline the expenditure and budgetary control and instill fiscal discipline. The project is likely to complete its implementation phase by the end of October, 2016. In the meantime, the Committee desire that the Department of Posts should take measures to prevent excess expenditure. The Committee further hope that the project will be implemented within the prescribed time limit and the

Department of Posts will be consistent in their efforts so that no expenditure is incurred in excess of the authorized limits under this Grant in future.

16. The Committee's examination of the Indian Railways Appropriation Accounts for the financial year 2012-13 has revealed that the Ministry of Railways incurred a total excess expenditure of ₹ 1675.96 crore (after misclassification) in 10 cases of 8 registering Grants/Appropriations. The Committee note that while there was some decline in the excess expenditure as well as excess registering Grants/Appropriations during the year 2011-12 in comparison to the year 2010-11, it has again reversed during the year 2012-13 when the amount of excess expenditure as well as the number of cases of Grants/Appropriations had increased from ₹ 1049.86 crore in 4 Grants/ Appropriations during 2011-12 to ₹ 1675.96 crore in 8 Grants/Appropriaton during the year 2012-13. The Committee are astonished to note that out of the total excess expenditure incurred by the Ministry of railways during the fiscal 2012-13, the excess expenditure of more than ₹ 600 crore was incurred under two Grants *viz.* ₹ 658.82 crore under Grant No. 10-Working Expenses-Operating Expenses-Fuel and ₹ 981.95 crore under Grant No. 13-Working Expenses-Provident Fund, Pension and Other Retirement Benefits. According to the Ministry of Railways, the excess expenditure of ₹ 1674.66 crore under Revenue (Voted) Section of Grant Nos 8, 10 and 13 was incurred due to incurring more expenditure towards staff cost, more contractual payments, increase in prime cost of HSD oil and more consumption of HSD oil, increase in rate of energy purchased from outside, receipt of more debits from Pension disbursing authorities on account of implementation of MACPS and dearness allowance hike, more *ex-gratia* pension, more cases of death cum retirement gratuity, leave encashment for pension optees and more government contribution for new pension scheme. Apparently, most of these items were not such as to crop up suddenly or which could not be anticipated at the time of budget/revised estimates by an experienced organization like the Railways. Further, under Revenue (Charged) section of Appropriation Nos 3, 4, 5, 7, 8, 11 & 13 the excess expenditure of ₹ 1.29 crore was incurred due to decretal payments. The Committee would like to know when exactly was the decretal payments made in all the cases and whether provisions for these payments could have been provided for at the time of revised budget allocation. It, however, appears that no attempt was made to provide for them in a Supplementary Appropriation for authorization by Parliament during the year itself. Deploring the tendency of excess expenditure by the Ministry of Railways, the Committee in their earlier report had expected that the Ministry should look into the recurrent lapses on this account with a view to fixing responsibility at the appropriate level so that the existing deficiencies and shortcomings in the prevailing expenditure review system are rectified and recurrence of excess expenditure is avoided. The fact that the Ministry has not taken due care despite the Committee's directive is regrettable. The Committee would, therefore, again like to emphasise that through proper control over expenditure and with more accurate estimation of liabilities, much of the excess expenditure can be avoided. The Committee desire to be apprised of the concrete action taken in this regard by the Ministry within six months.

17. Yet another area where inherent shortcomings were observed by the Committee related to the manner in which Supplementary Grants had been obtained by the

Ministry of Railways. The Committee's examination of the relevant Appropriation Accounts has revealed that Supplementary provisions of ₹ 2338.95 crore were obtained in seven out of ten cases of excess registering Grants/Appropriations. The Committee's scrutiny has also revealed that under Appropriation Nos. 3, 5, 7, 8 & 11 the original provisions were not available and only Supplementary Grants were obtained for this purpose. Further, under the Appropriation Nos 3, 4, 7 & 11 the Supplementary provisions obtained provided to be inadequate as the excess expenditure incurred under these Appropriations was 4596.70%, 253.70% and 1246.87% and 309.65% of the Supplementary provisions obtained. Under Appropriations Nos 5, 8 & 13, no Supplementary Grants were obtained although there was excess expenditure subsequently to the tune of ₹ 0.25 crore. In fact that Supplementary provision in all these cases were too meager as compared to excess noticed subsequently which goes to prove that Supplementary Grants were ill conceived without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee are concerned over such a poor state of affairs and would like to express their unhappiness in this regard. They, therefore, recommend that the Ministry of Railways should evolve a mechanism to assess and project realistic requirement of funds both at Budgetary and Supplementary stages so that timely action is taken to ensure that the excess expenditure could be avoided as far as possible.

18. The Committee are concerned to note that excess expenditure has become a recurring phenomenon in respect of Grant No. 13-Provident Fund, Pension and other Retirement Benefits and Appropriation No. 03-General Superintendence and Services operated by the Ministry of Railways. Recurring excess expenditure under these two Grants/Appropriations had been incurred during the last four years *i.e.* from 2009-10 to 2012-13. Out of which under Grant No. 13 the amount of excess expenditure incurred was more than ₹ 1000 crore during the years 2009-10 and 2010-11 (₹ 1512.39 crore in 2009-10 and ₹ 1403.98 crore in 2010-11), while it was more than ₹ 700 crore during the years 2011-12 and 2012-13 (₹ 769.62 crore in 2011-12 and ₹ 981.95 crore in 2012-13). The excess expenditure under Grant No. 13 which had shown some decrease during the year 2011-12 has again increased to ₹ 981.95 crore during the year 2012-13. The Committee are constrained to record their displeasure over the persistent tendency of exceeding the budgetary ceilings. However, explaining the reasons for recurring excess expenditure under Grant No. 13 the Ministry of Railways informed the Committee that vastness of Railway Pensioners who have settled all across the country, involvement of a number of pension disbursing authorities and implementation of the recommendations of the 6th CPC in piecemeal made it difficult to accurately assess the requirement of funds under this grant during the recent years. Further apprising the Committee about the stringent measures proposed to be taken by the Railway Board to tighten up their budget estimation systems in pursuance of the repeated exhortations of the Committee to minimize the excess expenditure the Ministry informed that the concern is being regularly shared with the Zonal Railways and they have been instructed to accurately forecast requirement with available data. They have also been cautioned to avoid instances of excess expenditure in the future by containing the same within the sanctioned allotment. The Committee are led to conclude that once again the Ministry

of Railways have failed to take any stringent measuresto address this problem of recurrent excess expenditure despite issuing routine instructions to the Zonal Railways. The Committee, therefore, strongly feel that the Ministry must analyse in depth the reasons for this recurring phenomenon with a view to initiating some concrete measures whereby budget estimates are prepared more precisely and the actual expenditure is incurred/contained within the funds authorized by Parliament.

19. The Committee further find that in order to reduce/eliminate the excess expenditure under Grants/Appropriations operated by the Ministry of Railways, computerization of accounting activities is being done. Major functions of the Accounts Department are computerized with the applications like, Advanced Finance Railway Earning and Expenditure System (AFRES), Pay Roll and Integrated Modules of Establishment (PRIME), Integrated Payroll and Accounting System (IPAS), Indian Railway Project Sanction and Management (IRPSM), Inter Railway Online Reconciliation of Transfer Transactions (e-Recon), Rail-lekha etc. Moreover, for entire Indian Railways Pension preparation and monitoring, a pension portal namely Advance Railway Pension Access Network (ARPAN) has been developed from April, 2014 for centralized pension processing, accountable of Pension expenditure, interface with pension disbursing banks, reconciliation of Pension amounts paid by banks with Railways to detect over and under payments and centralized pension grievance redressal and monitoring. This application has already been implemented in 79 units out of total 145 units across zonal Railways/Production Units. The application is in process of implementation in remaining Units/Railways and entire process is planned to be completed by March, 2016. The Committee would like to be apprised of the progress made in the computerization of accounting activities, implementation of these applications in a phased manner and hope that this will help in improving the assessment of pension expenditure thereby eliminating the excess expenditure under every grant including pension grant.

20. The Committee regret to find that during the year 2012-13 there was misclassification of expenditure of ₹ 571,55,478 under Grant No. 8-Working Expenses-Operating Expenses-Rolling Stock and Equipment operated by the Ministry of Railways. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2012-13 works out to ₹ 1675.96 crore instead of ₹ 1670.24 crore as indicated in Indian Railways Appropriation Account (2012-13). The Committee are distressed to find despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in their accounts. During the last 10 financial years, the Committee have come across 56 cases of misclassification of expenditure. Further, scrutiny of the cases of misclassification of expenditure during the last five years has revealed that though the misclassification of expenditure during the year 2011-12 has reduced to ₹ 174,75,509 in 2 cases in comparison to the misclassification of ₹ 29,70,49,848 in 9 cases in the year 2010-11, it has again increased to ₹ 571,55,478 in one case in 2012-13. It seems that no tangible action has been taken by the Ministry of Railways either to fix the responsibility against the responsible officers for such glaring mistakes or to revamp their existing accounting system as had been repeatedly recommended by the Public Accounts Committee. The Committee

take a serious view of such callous approach on the part of the Ministry of Railways for not timely detecting such mistakes which led to derail the budgetary exercise. As major functions of Accounts Department of Ministry of Railways are stated to be computerized with several applications to strengthen the various accounting activities, the Committee hope that the Ministry would now be able to overcome systemic lacunae/ loopholes and progressive elimination of the misclassification syndrome in future.

21. The instances of excess expenditure that have occurred under various Grants/ Appropriations particularly those relating to Ministries of Finance, Defence, Railways and Department of Posts only highlight the growing malaise of not learning lessons from past mistakes. It is further seen that excess expenditure has occurred even in cases where the expenditure could have been easily anticipated and incorporated in the budget estimates/revised estimates. In some cases, even routine types of expenditure were not taken into account, resulting in excess expenditure under that Grant/Appropriation. This clearly shows that the Government particularly the Ministry of Finance, as the nodal agency, have not been paying the requisite attention to this issue. In this connection, the Committee would like to point out that as per the extant Financial Rules, the Secretary of the Ministry/Department concerned should take responsibility for ensuring financial discipline in that Ministry/Department with a view to obviating excess expenditure. Considering the persisting trend of excess expenditure ranging from ₹ 1544.94 crore in 2008-09 to ₹ 6597.02 crore in 2012-13, the Committee would now like the matter to be considered seriously. The Committee, accordingly recommend the Department of Personnel and Training to look into that the recurrent lapses in observing financial discipline should be reflected in the Annual Performance Appraisal Report of the budget controlling authorities as well as the Financial Advisors of the Ministry/Department concerned so as to ensure strict adherence to the financial discipline thereby reducing the recurrent phenomenon of excess expenditure to the barest minimum, if not, eliminated altogether. An expert group should also be set up to review the existing General Financial Rules so as to plug the lacunae, if any, in the rules to curb the tendency of the Ministries to incur excess expenditure in future.

22. Subject to the Observations/Recommendations made in the preceding Paragraphs, the Committee recommend that the expenditure referred to in Paragraph 14 of Part-I of this Report be regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India.

NEW DELHI;
27 *April,* 2015
7 *Vaisakha,* 1937 *(Saka)*

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

ANNEXURE I

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE (FINANCE)

(MAIN OFFICE)

Excess Note

Note for Public Accounts Committee for regularization of excess expenditure of ₹ 386371.25 Lakh occurred in Revenue Section (Voted) of Grant No. 21 Defence Pensions as disclosed in Appropriation Accounts (Defence Pensions) for 2012-13.

Revenue Section (Voted)		(₹ in thousand)
Original Grant	:	38999,74,00
Supplementary	:	499,44,00
Total Grant	:	39499,18,00
Actual Expenditure	:	43362,89,25
Excess	:	3863,71,25

2. Under Revenue Section (Voted) of Grant No. 21 Defence Pensions for 2012-13 original provision was ₹ 38999,74,00 thousand. This was augmented to ₹ 39499,18,00 thousand on obtaining Supplementary Grant of ₹ 499,44,00 thousand. Against this the expenditure of ₹ 43362,89,25 thousand was incurred resulting an excess of ₹ 3863,71,25 thousand.

3. The excess of ₹ 3863,71,25 thousand was the net effect of total excess of ₹ 3908,51,92 thousand less total savings of ₹ 44,80,67 thousand under various sub-heads of the Grant. The sub-heads below Major Head 2071 under which excess occurred and reasons thereof are explained below:—

(i)	2071.02		Defence (SMH)
	2071.02.101		Army (Minor Head)
	2071.02.101.01		Pension and Other Retirement Benefits (Sub-Head)
			(₹ in thousand)
	Original Grant	:	33971,48,10
	Supplementary	:	211,91,20
	Re-appropriation	:	(-) 70,58,88
	Total Grant	:	34112,80,42

Actual Expenditure	:	37570,69,83
Excess	:	(+) 3457,89,41

The excess of ₹ 3457,89,41 thousand under this head is mainly due to receipt of more cases of MACP, death cases and due to implementation of One Rank One Pension (OROP) scheme and booking of pending pension scrolls received from banks to clear amount under suspense.

(ii)	2071.02		Defence (SMH)
	2071.02.102		Navy (Minor Head)
	2071.02.102.01		Pension and other Retirement Benefits (Sub-Head)
			(₹ in thousand)
	Original Grant	:	1322,19,75
	Supplementary	:	16,59,49
	Re-appropriation	:	(-) 10,12,84
	Total Grant	:	1328,66,40
	Actual Expenditure	:	1517,84,53
	Excess	:	(+) 189,18,13

The excess of ₹ 189,18,13 thousand under this head is mainly due to implementation of One Rank One Pension (OROP), and booking of pending Pension scrolls received from banks to clear amount under suspense.

(iii)	2071.02		Defence (SMH)
	2071.02.103		Air Force (Minor Head)
	2071.02.103.01		Pension and other Retirement Benefits (Sub-Head)
			(₹ in thousand)
	Original Grant	:	2312,36,38
	Supplementary	:	10,30,22
	Re-appropriation	:	(-) 59,07,93
	Total Grant	:	2263,58,67
	Actual Expenditure	:	2525,02,58
	Excess	:	(+) 261,43,91

The excess of ₹ 261,43,91 thousand under this head is mainly due to implementation of One Rank One Pension (OROP), scheme and booking of Pension scrolls received from banks to clear amount under suspense.

(iv)	2071.02	Defence (SMH)

2071.02.103		Air Force (Minor Head)
2071.02.103.02		Rewards
		(₹ in thousand)
Original Grant	:	4,00
Total Grant	:	4,00
Actual Expenditure	:	4,47
Excess	:	(+) 47

The excess of ₹ 47 thousand under this head is mainly due to payment of Gallantry Awards more than assessed at the time of RE stage in respect of Air Force.

4. The total grant under the voted portion of Revenue Section is ₹ 39499,18,00 thousand and excess amount of ₹ 3863,71,25 thousand has been incurred. Defence Pensions is an obligatory type of expenditure and cannot be stopped for want of funds. Further, in view of the fact that expenditure, for which cash flow has already taken place in the books of RBI, was required to be brought to account, the pending pensions scrolls amounting to ₹ 386371.25 lakhs had to be booked under the Defence Pensions Head to clear the amount laying under RBI Suspense to reflect the true picture of cash flow from the Government Account.

In the circumstances explained above the total excess of ₹ 386371.25 Lakh may kindly be recommended for regularization by the Parliament under Article 115(I)(b) of the constitution.

Remedial Action Taken

5. Necessary instructions have been issued *vide* ID No. -2(6)/MO/2013-14/656 dated 30/9/2013 (Copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses to an optimum level necessary remedial measures/corrective action should be taken promptly. It is also suggested to adopt e-governance model to utilize the information technology services/tools so as to establish a centralized data base of pensioners, networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in the particular year.

This has been vetted Audit *vide*-DGADS UO No. 284/AA-8/2012-13/Def. Pension/ Vol.-II dt. 13/1/2014.

F.No. 2(6)/MO/2012-13

Sd/-

(Rajnish Kumar)
Addl. FA & Joint Secretary

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE (FINANCE)
(MAIN OFFICE)

Excess Note

Note for Public Accounts Committee for regularization of excess expenditure of ₹ 399.60 Lakh occurred in Revenue Section (Charged) of Grant No. 21 Defence Pensions as disclosed in Appropriation Accounts (Defence Pensions) for 2012-13.

Revenue Section (Voted)

			(₹ in thousand)
(i)	Original Grant	:	26,00
	Supplementary	:	56,00
	Total Grant	:	82,00
	Actual Expenditure	:	4,81,60
	Excess	:	399,60

2. Under Revenue Section (Charged) portion of Grant No. 21 Defence Pensions for 2012-13, original provision was ₹ 2600 thousand. This was augmented to ₹ 82,00 thousand on obtaining Supplementary Grant of ₹ 56,00 thousands. Against this the expenditure of ₹ 4,81,60 thousand was incurred resulting an excess of ₹ 3,99,60 thousand.

3. The excess of ₹ 3,99,60 thousand was the net effect of total excess of ₹ 4,02,66 thousand less total savings of ₹ 3,06 thousand under various sub-heads of the Grant. The Sub-heads below Major Head 2071 under which excess occurred and reasons therefor are explained below:—

4. The sub-heads below Major Head 2071 under which excess occurred and reasons therefor are explained below:—

(ii)	2071.02	Defence (SMH)
	2071.02.101	Army (Minor Head)
	2071.02.101.01	Pension and other Retirement Benefits (Sub-Head)
		(₹ in thousand)
	Original Grant :	21,00
	Supplementary :	53,50

Re-appropriation	:	(-) 1,00
Total Grant	:	73,50
Actual Expenditure	:	78,78
Excess	:	(+) 5,28

The excess of ₹ 5,28 thousand under this head is mainly due to the implementation of Court Decree which is an obligatory expenditure.

(iii)	2071.02		Defence (SMH)
	2071.02.101		Army (Minor Head)
	2071.02.101.03		Leave Encashment (Sub-Head)
			(₹ in thousand)
	Original Grant	:	2,50
	Re-appropriation	:	(+) 1,00
	Total Grant	:	3,50
	Actual Expenditure	:	3,68,46
	Excess	:	(+) 3,64,96

The excess of ₹ 3,64,96 thousand under this head is mainly due to the implementation of orders awarded by Armed Forces Tribunal which is an obligatory expenditure.

(iv)	2071.02		Defence (SMH)
	2071.02.103		Air Force (Minor Head)
	2071.02.103.03		Leave Encashment (Sub-Head)
			(₹ in thousand)
	Original Grant	:	0
	Actual Expenditure	:	32,42
	Excess	:	(+) 32,42

The excess of ₹ 32,42 thousand under this head is mainly due to the implementation of orders awarded by Armed Forces Tribunal which is an obligatory expenditure.

5. The total grant under the Charge Portion of the Revenue Section of the Grant is ₹ 82,00 thousand and excess amount of ₹ 3,99,60 thousand has been incurred. The excess expenditure has been incurred due to the implementation of Court Decree which is an obligatory expenditure and it is difficult to forecast the exact budget provision under the Charged Portion in advance. In the circumstances explained above the total excess of ₹ 399.60 lakh may kindly be recommended for regularization by the Parliament under Article 115(I)(b) of the constitution.

Remedial Action Taken

6. Necessary instructions have been issued *vide* ID No. -2(6)/MO/2013-14/656 dated 30/9/2013 to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses and to an optimum level necessary remedial measures/corrective action should be taken promptly.

This has been vetted by Audit *vide*-DGADS UO No. 284/AA-8/2012-13/Def. Pension/ Vol.-II dt. 13/1/2014.

F.No. 2(6)/MO/2012-13

Sd/-

(Rajnish Kumar)

Addl. FA & Joint Secretary

ANNEXURE II

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
(BUDGET DIVISION)

Explanatory Note for Public Accounts Committee in respect of excess expenditure occurred under Revenue Section (Charged) of Appropriation No. 34—Interest Payments, as disclosed in the Union Government Appropriation Accounts for 2012-2013.

Revenue Section (Charged)	***(In ₹)***
Original Appropriation	324769,43,00,000
Supplementary Appropriation	4718,00,00,000
Total Appropriation	329487,43,00,000
Actual Expenditure	330182,67,86,901
Excess	695,24,86,901

2. Under Revenue Section (Charged) of Appropriation No. 34—Interest Payments for 2012-2013, the total appropriation ₹ 329487,43,00,000 included original appropriation of ₹ 324769,43,00,000 and supplementary appropriation of ₹ 4718,00,00,000. Against this, the actual expenditure was ₹ 330182,67,86,901 resulting in excess expenditure of ₹ 695,24,86,901.

3. The above mentioned excess expenditure was the net result of total excess of ₹ 6791,11,03 thousand and total savings of ₹ 6095,86,17 thousand under various sub-heads of the Appropriation. Statement enclosed herewith indicates the excess and savings which occurred under various sub-heads of the Appropriation. The heads under which the excess of Rs. five lakh and above occurred and reasons therefor are as under:

(i) 2049.01.101—Interest on Market Loans (₹ in lakh)

Original Provision	2200,91,72.00
Supplementary Provision	30,00,00.00
Total Provision	2230,91,72.00
Actual Expenditure	2255,20,08.76
Excess	24,28,36.76

Excess was due to higher volume of borrowings.

(ii) 2049.01.103.01—Discount on Treasury Bills—91 Days Treasury Bills

Original Provision	88,00,00.00
Supplementary Provision	10,00,00.00
Total Provision	98,00,00.00
Actual Expenditure	108,72,58.14
Excess	10,72,58.14

Excess was due to shifting of investments from intermediate treasury bills to auction based treasury bills by the State Governments.

(iii) 2049.01.108—Discount on Treasury Bills—Interest on 182 Days Treasury Bills

	(₹ in lakh)
Original Provision	44,72,00.00
Supplementary Provision	2,00,00.00
Total Provision	46,72,00.00
Actual Expenditure	50,56,87.66
Excess	3,84,87.66

Excess was due to higher volume of issuances.

(iv) 2049.01.110—Interest on 364 Days Treasury Bills

Original Provision	89,44,00.00
Supplementary Provision	3,00,00.00
Total Provision	92,44,00.00
Actual Expenditure	96,65,68.13
Excess	4,21,68.13

Excess was due to higher volume of issuances.

(v) 2049.01.111—Interest on Gold Bonds 1998

Original Provision	0.00
Supplementary Provision	0.00
Total Provision	0.00
Actual Expenditure	8.71
Excess	8.71

Excess was due to payment of interest on belated claims by the Bond holders.

(vi) 2049.01.305—Management of Debt

Original Provision	6,72,85.00
Supplementary Provision	18,00.00
Total Provision	6,90,85.00
Actual Expenditure	7,31,54.47
Excess	40,69.47

Excess was due to receipt of more claims from Reserve Bank of India.

(vii) 2049.02.208—Interest on Loans from the Government of France

Original Provision	32,89.81
Supplementary Provision	—
Total Provision	32,89.81
Actual Expenditure	34,03.13

(₹ in lakh)

Excess	1,13.32

Excess was due to exchange rate variation and payment of contractual charges.

(viii) 2049.02.209—Interest on Loans from the Government of Federal Republic of Germany

Original Provision	1,70,43.99
Supplementary Provision	—
Total Provision	1,70,43.99
Actual Expenditure	1,90,30.94
Excess	19,86.95

Excess was due to exchange rate variation and payment of contractual charges.

(ix) 2049.02.216—Interest on Loans from the International Bank for Reconstruction and Development (IBRD)

Original Provision	345,99.47
Supplementary Provision	—
Total Provision	345,99.47
Actual Expenditure	502,29.39
Excess	156,29.92

Excess was due to exchange rate variation and payment of contractual charges.

(x) 2049.02.226.01—Interest on Loans from the Agency for International Development, U.S.A.: US Aid

Original Provision	40,33.70
Supplementary Provision	—
Total Provision	40,33.70
Actual Expenditure	41,75.78
Excess	1,42.08

Excess was due to exchange rate variation and payment of contractual charges.

(xi) 2049.02.227—Interest on loans from the Government of USA under PL-480 Convertible local currency credits

Original Provision	5,81.95
Supplementary Provision	—
Total Provision	5,81.95
Actual Expenditure	6,07.03
Excess	25.08

Excess was due to exchange rate variation.

(₹ in lakh)

(xii) 2049.02.249—Interest on loans from Asian Development Bank

Original Provision	3,62,80.66
Supplementary Provision	50,00.00
Total Provision	4,12,80.66
Actual Expenditure	4,31,82.78
Excess	19,02.12

Excess was due to exchange rate variation and payment of contractual charges.

(xiii) 2049.03.104.02—Other State Provident Funds

Original Provision	14,43,50.07
Supplementary Provision	—
Total Provision	14,43,50.07
Actual Expenditure	30,91,08.04
Excess	16,47,57.97

Excess was due to less withdrawals from the fund and more accretion to the fund.

(xiv) 2049.03.104.04—State Railway Provident Fund

Original Provision	20,42,52.79
Supplementary Provision	—
Total Provision	20,42,52.79
Actual Expenditure	21,44,73.87
Excess	1,02,21.08

Excess was due to less withdrawal from the fund.

(xv) 2049.03.108.06—Postal Insurance and Life Annuity Fund

Original Provision	4,74,53.72
Supplementary Provision	—
Total Provision	4,74,53.72
Actual Expenditure	9,61,89.26
Excess	4,87,35.54

Excess was due to adjustment of interest pertaining to previous year.

(xvi) 2049.03.109.12—Special Deposits of EPF/EDLI

Original Provision	873,82.87
Supplementary Provision	—
Total Provision	873,82.87
Actual Expenditure	874,33.57
Excess	50.70

Excess was due to higher payment of interest

(₹ in lakh)

(xvii) 2049.05.101.03—Opium and Alkaloid Factories Depreciation Reserve Fund

Original Provision	1,40.00
Supplementary Provision	—
Total Provision	1,40.00
Actual Expenditure	1,45.17
Excess	5.17

Excess was due to more expenditure than anticipated. The expenditure is a notional amount calculated at the time of preparing Budget Estimates on Depreciation Reserve Fund.

(xviii) 2049.05.101.04—Lighthouse and Lightships Depreciation Reserve Fund

Original Provision	6,20.00
Supplementary Provision	—
Total Provision	6,20.00
Actual Expenditure	6,30.21
Excess	10.21

Excess was due to more requirement than anticipated.

(xix) 2049.05.105.02—Railway Staff Benefit Fund

Original Provision	1,81.03
Supplementary Provision	—
Total Provision	1,81.03
Actual Expenditure	2,33.62
Excess	52.59

Excess was due to more requirement than anticipated.

(xx) 2049.05.105.07—Interest on National Fund for Control of Drug Abuse

Original Provision	83.00
Supplementary Provision	—
Total Provision	83.00
Actual Expenditure	90.00
Excess	7.00

Excess was due to payment of interest on the fund deposits.

(xxi) 2049.05.105.08—Interest on Price Stabilization Fund

Original Provision	58,50.00
Supplementary Provision	—
Total Provision	58,50.00
Actual Expenditure	63,00.15

(₹ in lakh)

Excess	4,50.15

Excess was due to higher balances available in the fund and insertion of more funds.

(xxii) 2049.60.101.02—National Defence Fund

Original Provision	75,22.51
Supplementary Provision	—
Total Provision	75,22.51
Actual Expenditure	76,69.34
Excess	1,46.83

Excess was due to more accretion to the fund.

(xxiii) 2049.60.101.27—Interest on Swarnajayanti Fellowship deposits

Original Provision	7,00.00
Supplementary Provision	—
Total Provision	7,00.00
Actual Expenditure	7,39.03
Excess	39.03

Excess was due to higher accumulation in the fund.

4. The interest payment is a charged expenditure in terms of 112(3)(c) of the Constitution of India. It is difficult to estimate precisely the interest payments, which are largely dependent on numerous factors such as market borrowings, variation in interest rates, foreign exchange rates, etc. The variation in exchange rate, interest rate etc. cannot be pre-assessed. However, efforts are made to make the estimates precise and upto mark to avoid large scale savings or excess and also to keep the variation at the minimum.

5. **Audit Comments:**

(i) The total excess expenditure of ₹ 695,24,86,901 crore occurred against the total allotted grants clearly indicative of faulty budget estimation and poor observance of financial rules by the Ministry.

(ii) In March, 2013, Ministry took 2nd Supplementary of ₹ 47,18,00,00,000 which was not correctly assessed resulting in insufficient funds and excess expenditure of ₹ 695,24,86,901 showing unrealistic assessment.

(iii) Details of the efforts made to keep the variations to the minimum may please be incorporated in the Note for the proper appreciation of the PAC. There is an imperative need for developing rigid financial control mechanism in the Ministry. Status of the financial control mechanism in the Ministry may also be incorporated in the Note for proper appreciation.

6. **Comments of the Ministry:**

The total excess expenditure occurred against the total allotted appropriation amounts to ₹ 695,24,86,901 and not ₹ 695,24,86,901 crore as shown in Audit comment (i) above. Excess expenditure of ₹ 695,24,86,901 is merely 0.21% of total expenditure of ₹ 330182,67,86,901 (including supplementary appropriation of ₹ 4718,00,00,000) which may not be construed as indicative of faulty budget estimation.

It is difficult to estimate precisely the interest payments, reasons for which are explained in paragraph 4 above. However, consistent efforts are made to fine-tune the estimates till the final supplementary grants of any financial year are presented to Parliament. Since the interest payments, being the largest single item of expenditure, variations below 1% to total appropriation approved by Parliament may need to be treated as normal.

7. This has been vetted by the Audit *vide* their U.O. No. AMG-IV/App.A/cs/Gr. No. 34/(2012-2013)/2013-2014/76—78 dated 30.05.2014.

Sd/-

(Dr. Rajat Bhargava)
Joint Secretary (Budget)

No. F. 6(4)-B(AC)/2013 dated 20.06.2014

Statement showing Excess/Saving occurred in Appropriation No. 34—Interest Payments for the year 2012-2013

(₹ *in thousands*)

Sl. No.	Head of Account	Original Provision	Supple-mentary	Total Provision	Actual Expenditure	Saving(-)	Excess(+)
1	2	3	4	5	6	7	8
1.	2048.00.200.13—Payment of premium on buyback of Government Securities	1000000	0	1000000	0	1000000	0
	Total Major Head "2048"	1000000	0	1000000	0	1000000	0
2.	2049.01.101—Interest on Market Loans	2200917200	30000000	2230917200	2255200876	0	24283676
3.	2049.01.103.01—Discount on Treasury Bills—91 Days Treasury Bills	88000000	10000000	98000000	108725814		10725814
4.	2049.01.108—Discount on Treasury Bills—Interest on 182 Days Treasury Bills	44720000	2000000	46720000	50568766	0	3848766
5.	2049.01.110—Interest on 364 Days Treasury Bills	89440000	3000000	92440000	96656813	0	4216813
6.	2049.01.111—Interest on Gold Bonds 1998	...	0	0	871		871
7.	2049.01.115—Interest on Ways and Means Advances	20000000	0	20000000	2485002	17514998	0
8.	2049.01.116—14 Days Treasury Bills	52000000	0	52000000	42856520	9143480	
9.	2049.01.118—Interest on marketable securities issued in conversion of special securities	48555700	0	48555700	48555675	25	
10.	2049.01.121—Interest on Investment in Special GOI securities issued against outstanding balances of small savings as on 1.4.1999	58112300	0	58112300	58112272	28	0

11.	2049.01-122—Interest on Investment in Special GOI securities issued against net collections of small savings from 1999-2000	30685100	0	30685100	30685135		35
12.	2049.01.125—Special GOI securities issued to National Small Savings Fund (NSSF) against reinvestment of sums received on redemption of Special Central/State Governments Securities reinvestment of sums received on redemption of Special Central/State Governments Securities	99922600	0	99922600	99921806	794	0
13.	2049.01.126—Interest discount paid on Market Stabilisation Scheme Deposit of Money in the Bank	1100000	0	1100000	0	1100000	
14.	2049.01.128—Cash Management Bills	11000000	0	11000000	0	11000000	0
15.	2049.01.200.03—Compensation and other Bonds	16992500	1000000	17992500	17820662	171838	0
16.	2049.01.305—Management of Debt	6728500	180000	6908500	7315447	0	406947
17.	2049.02.207—Interest on Loans from European Economic Community	9757	0	9757	5096	4661	0
18.	2049.02.208—Interest of Loans from the Governments of France	328981	0	328981	340313	0	11332
19.	2049.02.209—Interest of Loans from the Government of Federal Republic of Germany	1704399	0	1704399	1903094		198695
20.	2049.02.213—Interest on Loans from International Development Association	11339329	0	11339329	10612824	726505	0
21.	2049.02.214—Interest on Loans from International Fund for Agricultural Development	163453	0	163453	150226	13227	
22.	2049.02.216—Interest on Loans from the International Bank for Reconstruction and Development (IBRD)	3459947	0	3459947	5022939	0	1562992
23.	2049.02.217—Interest on Loans from the Governments of Japan	15170341	0	15170341	14750752	419589	0
24.	2049.02.221—Interest on Loans from OPEC Special Fund	37535	0	37535	19608	17927	

1	2	3	4	5	6	7	8
25.	2049.02.223—Interest on Loans from the Government of Swiss Confederation and Swiss Banks	8020	0	8020	8505	0	485
26.	2049.02.226.01—Interest on Loans from the Agency for International Development, U.S.A.: US Aid	403370	0	403370	417578	0	14208
27.	2049.02.227—Interest on Loans from the Government of USA under PL-480 Convertible Local Currency Credits	58195	0	58195	60703	0	2508
28.	2049.02.230—Interest on loans from the Government of . U.S.S.R	3154207	0	3154207	2583157	571050	0
29.	2049.02.249—Interest on Loans from Asian Development Bank	3628066	500000	4128066	4318278	0	190212
30.	2049.03.104.01—General Provident Fund	63292414	0	63292414	59074396	4218018	0
31.	2049.03.104.02—Other State Provident Funds	14435007	0	14435007	30910804	0	16475797
32.	2049.03.104.04—State Railway Provident Fund	20425279	0	20425279	21447387		1022108
33.	2049.03.108.01—Bombay Family Pension Fund of Government Servants Life Assurance	1	0	1	0	1	
34.	2049.03.108.02—Family Pension-cum-life Assurance Funds for Industrial Workers	61051522	0	61051522	51064300	9987222	
35.	2049.03.108.03—Central Government Employees Group Insurance Scheme	3830797	0	3830797	3433993	396804	0
36.	2049.03.108.04—Union Territory Government Employees Group Insurance Scheme	257307	0	257307	182654	74653	
37.	2049.03.108.05—Hindu Family Annuity Fund	1	0	1	0	1	
38.	2049.03.108.06—Postal Insurance and Life Annuity Fund	4745372	0	4745372	9618926	0	4873554
39.	2049.03.109.09—Special Deposits of E.S.I.C.	7160456	0	7160456	7160456	0	

40.	2049.03.109.10—Special Deposits of Provident Superannuation Gratuity Fund	93468800	500000	93968800	93201441	767359	0
41.	2049.03.109.12—Special Deposits of EPF/EDLI	8738287	0	8738287	8743357		5070
42.	2049.03.109.16—11.5% Government of India (Industrial Investment Bank of India Limited) Special Security, 2021	115000	0	115000	115000		0
43.	2049.03.109.17—9.75% Govt. of India (Industrial Finance Corporation of India Limited) Special Security, 2021	390000	0	390000	390000		0
44.	2049.03.110.01—Bonus for Undisbursed Pay of India Ranks	846667	0	846667	182959	663708	0
45.	2049.03.111.01—Interest on Deposits Scheme for retiring Government employees	10000	0	10000	331	9669	
46.	2049.03.111.02—Interest on Deposits Scheme for retiring employees of Public Sector Undertakings	10000	0	10000	0	10000	
47.	2049.03.111.03—Other Expenses relating to Deposit Scheme for retiring employees	5	0	5	0	5	
48.	2049.03.117—Interest on Defined Contribution Pension Scheme	100	0	100	0	100	0
49.	2049.05.101.01—Railway Depreciation Reserve Fund	109900	0	109900	2899	107001	
50.	2049.05.101.03—Opium and Alkaloid Factories Depreciation Reserve Fund	14000	0	14000	14517	0	517
51.	2049.05.101.04—Lighthouse and Lightships Depreciation Reserve Fund	62000	0	62000	63021	0	1021
52.	2049.05.103—Interest on Railway Development Fund	1416700	0	1416700	884979	531721	
53.	2049.05.105.01—Railway Pension Fund	136700	0	136700	2372	134328	
54.	2049.05.105.02—Railway Staff Benefit Fund	18103	0	18103	23362		5259

1	2	3	4	5	6	7	8
55.	2049.05.105.04—Interest on Railway Capital	334300	0	334300	0	334300	
56.	2049.05.105.07—Interest on National Fund for Control of Drug Abuse	8300	0	8300	9000		700
57.	2049.05.105.08—Interest on Price Stabilization Fund	585000		585000	630015	0	45015
58.	2049.60.101.02—National Defence Fund	752251	0	752251	766934		14683
59.	2049.60.101.03—Interest under Section 18(5) of the Coal Mines (Nationalisation) Act, 1973	2654	0	2654	0	2654	0
60.	2049.60.101.09—Coal Mines Deposit Linked Insurance Fund	139638	0	139638	0	139638	
61.	2049.60.101.12—Interest on Employees Deposit Linked Insurance Scheme	4998600	0	4998600	4998600	0	
62.	2049.60.101.16—Interest on Deposits on NRI Bonds Scheme	5000	0	5000	0	5000	0
63.	2049.60.101.21—Interest on Deposits of Gratuity and Commuted value of pension of employees absorbed in N.A.A.	20	0	20	0	20	
64.	2049.60.101.25—Interest on Deposits of Gratuity and Commuted Value of Pension of DAE Deputationists absorbed in N.P.C.I.L.	0	0	0	38	0	38
65.	2049.60.101.26—Interest/Incentive on Mahila Samridhi Yojna	5	0	5	0	5	0
66.	2049.60.101.27—Interest on Swarnajayanti Fellowship Deposits	70000	0	70000	73903	0	3903
67.	2049.60.101.29—Interest on Contribution under TIER-I	0	0	0	3	0	3

68.	2049.60.106.03—7% Oil Companies GOI Special Bonds, 2012	2016998	0	2016998	2016997	1	
69.	2049.60.106.06—7.16% Oil Marketing Companies GOI Special Bonds, 2015	1331750	0	1331750	1331750	0	
70.	2049.60.106.09—7.59% Oil Marketing Companies GOI Special Bonds, 2015	13282250	0	1328250	1328250	0	
71.	2049.60.106.10—7.75% Oil Marketing Companies GOI Special Bonds, 2021	3875000	0	3875000	3875000		0
72.	2049.60.106.11—8.01% Oil Marketing Companies GOI Special Bonds, 2023	3324150	0	3324150	3324150	0	
73.	2049.60.106.13—8.20% Oil Companies' GOI Special Bonds, 2024	12551191	0	12551191	12551191		0
74.	2049.60.106.14—8.40% Oil Marketing Companies GOI Special Bonds, 2026	4175640	0	4175640	4175640		0
75.	2049.60.106.15—7.95% Oil Marketing Companies Govt. of India Special Bonds, 2025	8949251	0	8949251	8949251	0	
76.	2049.60.106.17—8.40% Oil Companies' Government of India Special Bonds, 2025	7809413	0	7809413	7809413		0
77.	2049.60.106.18—8.20% Oil Companies' Government of India Special Bonds, 2023	18040000	0	18040000	18040000		0
78.	2049.60.106.19—6.35% Oil Companies' Government of India Special Bonds, 2024	13970000	0	13970000	13970000		0
79.	2049.60.106.20—6.90% Oil Companies' Government of India Special Bonds, 2026	15139980	0	15139980	15139980	0	
80.	2049.60.106.21—8% Oil Companies' Government of India Special Bonds, 2026	8000000	0	8000000	8000000	0	

1	2	3	4	5	6	7	8
81.	2049.60.107.01—8.15% Government of India Food Corporation of India Special Bonds, 2022	4075000		4075000	4075000		0
82.	2049.60.107.02—8.03% Government of India Food Corporation of India Special Bonds, 2024	4015000		4015000	4015000		0
83.	2049.60.107.04—8.23% Government of India Food Corporation of India Special Bonds, 2027	5102600		5102600	5102600		0
84.	2049.60.108.01—8.13% Oil Marketing Companies GOI Special Bonds, 2021	4065000		4065000	4065000		0
85.	2049.60.109.01—8.30% Fertiliser Companies Government of India Special Bonds, 2023	3220400		3220400	3220400	0	0
86.	2049.60.109.03—7.95% Fertiliser Companies Government of India Special Bonds, 2026	2822942		2822942	2822942	0	
87.	2049.60.109.04—7% Fertiliser Companies Government of India Special Bonds, 2022	4250057		4250057	4250055	2	0
88.	2049.60.109.05—6.20% Fertiliser Companies Government of India Special Bonds, 2022	304680		304680	304677	3	0
89.	2049.60.109.06—6.65% Fertiliser Companies Government of India Special Bonds, 2023	1137762		1137762	1137772	0	10
90.	2049.60.110—Interest on State Bank of India Rights Issue 8.35% Special Bonds, 2024	8346670		8346670	8346670	0	
91.	2049.60.111—Interest on Special Securities issued against securitization of balance under Postal Life Insurance	11578000	0	11578000	11459000	119000	0
92.	2049.60.701.01—Charges payable to IMF for utilization of SDRs	2010287	0	2010287	335525	1674762	0

93.	2049.60.701.03—Other Expenditure	1893	0	1893	1964	0	71
94.	2049.60.701.04—Interest on Note Purchase agreement with IMF	39600	0	39600	0	39600	0
95.	2049.60.701.05—Interest on New Agreement to Borrow with IMF	143100	0	143100	84180	58920	0
	Total Major Head "2049"	3246694300	47180000	3293874300	3301826786	59958617	67911103
	Grand Total	3247694300	47180000	3294874300	3301826786	60958617	67911103

File No. F.6 (4)-B(AC)/2013 dated : 20.06.2014

Sd/-

(Dr. Rajat Bhargava)
Joint Secretary (Budget)

ANNEXURE III

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Excess Note

Note For Public Accounts Committee for Regularization of Excess Expenditure in Respect of Excess Occurred Under Revenue Section (Charged) of Grant No. 22—Defence Services—Army, as disclosed in The Union Government Appropriation Accounts (Defence Services) for the year 2012-2013.

GRANT NO. 22—DEFENCE SERVICES—ARMY

Revenue Section (charged)		(₹ in thousands)
Original Grant	:	452700
Supplementary Grant	:	0
Total Grant	:	452700
Actual Expenditure	:	2218736
Excess	:	1766036
Surrender during the year	:	12200

2. Under Revenue Section (Charged) of Grant No. 22—Defence Services—Army for the year 2012-13 the total provision was ₹ 452700 thousands. Against this, the expenditure of ₹ 2218736 thousands was incurred resulting in excess of ₹ 1766036 thousands (₹ 1766035739).

3. The excess of ₹ 1766036 thousands was the net effect of total excesses of ₹ 1789435 thousands and total savings of ₹ 11199 thousands under various sub-heads of the Grant as well as surrender of ₹ 12200 thousands. The sub-heads under which excess of ₹ five lakh and above occurred and reasons therefor are explained below:—

MAJOR HEAD—2076

(i) Minor Head-101 (₹ in thousands)

Original Grant	:	130000
Supplementary Grant	:	0
Re-appropriation	:	(-)16900
Total Grant	:	113100

Actual expenditure	:	1874194
Excess	:	1761094

The excess of ₹ 17611 lakh over the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

(ii) Minor Head—109 (₹ in thousands)

Original Grant	:	3500
Supplementary Grant	:	0
Re-appropriation	:	(-)700
Total Grant	:	2800
Actual expenditure	:	8033
Excess	:	5233

The excess of ₹ 52 lakh over the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

(iii) Minor Head—111 (₹ in thousands)

Original Grant	:	30000
Supplementary Grant	:	0
Re-appropriation	:	(+)17500
Total Grant	:	47500
Actual expenditure	:	48141
Excess	:	641

The excess of ₹ 6 lakh over the Final Grant was mainly due to settlement of more court cases than anticipated.

(iv) Minor Head—112 (₹ in thousands)

Original Grant	:	22000
Supplementary Grant	:	0
Re-appropriation	:	(-)10000
Total Grant	:	12000
Actual expenditure	:	14675
Excess	:	2675

The excess of ₹ 27 lakh over the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

(v) Minor Head—113 (₹ in thousands)

Original Grant	:	22200
Supplementary Grant	:	0
Re-appropriation	:	(-)21700
Total Grant	:	500

Actual expenditure	:	19756
Excess	:	19256

The excess of ₹ 93 lakh over the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

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

5. In order to avoid recurrence of any excess, instructions have been issued from time to time to all concerned, emphasizing the need to follow the instructions issued on the subject scrupulously and to monitor progress of expenditure in vigilant/stricter manner, apart from projecting demands on factual basis depending on the actual requirements/obligations. To achieve this objective, Service HQrs/Departments have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess. Recently, fresh instructions on above have again been issued to all Budget Holders, Financial Planners of the Service HQrs *vide* MoD (Fin.) ID No. 7(7)/Budget—I/2013 dated 24/02/2014 (Copy enclosed).

6. It has also been emphasized in these instructions to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses and prevent occurrence of excesses/savings under various heads and bunching of expenditure towards the end of financial year and to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Ministry. It has also been advised that for Supplementary Demands (for grants), the requirement may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary.

7. Moreover, in view of observations of PAC (15th Lok Sabha) in their 22nd report and in Para 12 of their 36th Report in the context of excess expenditure over the voted grants and charged appropriations, detailed instructions were issued to all concerned *vide* MoD (Fin) ID No. 5(3)/Bud-I/2011 dated 31st May, 2011 and ID No. 7(5)/Bud-I/2011 dated 29th November, 2011 to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant. Further, as instructed by Ministry of Finance, all the budget holders and accounting authorities were repeatedly requested *vide* MoD (Fin) ID No. 10(01)/Bud-I/2012 (PC) dated 11th December, 2012, 06th February, 2013, 07th March, 2013, 14th March, 2013, 20th March, 2013 & 26th March, 2013 (Copies enclosed) to undertake all steps to ensure that the expenditure in 2012-13 should not exceed the Revised Estimates and also to scrupulously follow the instructions regarding 33% and 15% ceilings for last quarter and last month respectively while incurring such expenditure within the Revised Estimates limits.

8. In the circumstances explained above, the excess of ₹ 1766036 thousands (₹ 1766035739) under Revenue Section (Charged) may kindly be recommended for regularization by the Parliament under Article 115 (i) (b) of the Constitution.

Sd/-

(Veena Prasad)
JS & Addl. FA (VP)

File No. 6(1)/Bud—I/2014

ANNEXURE IV

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Excess Note

Note for Public Accounts Committee for Regularization of Excess Expenditure in Respect Of Excess Occurred under Revenue Section (Charged) of Grant No. 23—Defence Services—Navy, as disclosed in The Union Government Appropriation Accounts (Defence Services) for the year 2012-2013.

GRANT NO. 23—DEFENCE SERVICES—NAVY

Revenue Section (Charged)		**(₹ in thousands)**
Original Grant	:	62000
Supplementary Grant	:	70000
Total Grant	:	132000
Actual Expenditure	:	227680
Excess	:	95680
Surrender during the year	:	0

2. Under Revenue Section (Charged) of Grant No. 23—Defence Services-Navy for the year 2012-13 the total provision was ₹132000 thousands. Against this, the expenditure of ₹227680 thousands was incurred resulting in excess of ₹ 95680 thousands (₹ 95680239).

3. The excess of ₹ 95680 thousands was the net effect of total excesses of ₹ 106532 thousands and total savings of ₹ 10852 thousands under various sub-heads of the Grant. The sub-heads under which excess of ₹ Five Lakh and above occurred and reasons therefor are explained below:—

MAJOR HEAD—2077

(i) Minor Head—101		(₹ in thousands)
Original Grant	:	7000
Supplementary Grant	:	0
Re-appropriation	:	(+) 30400
Total Grant	:	37400
Actual Expenditure	:	140953
Excess	:	103553

The excess of ₹ 1036 lakh over the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

(ii) Minor Head—112 (₹ in thousands)

Original Grant	:	0
Supplementary Grant	:	0
Reappropriation	:	(-) 0
Total Grant	:	0
Actual Expenditure	:	2979
Excess	:	2979

The excess of ₹ 30 lakh over the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

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

5. In order to avoid recurrence of any excess, instructions have been issued from time to time to all concerned, emphasizing the need to follow the instructions issued on the subject scrupulously and to monitor progress of expenditure in vigilant/stricter manner, apart from projecting demands on factual basis depending on the actual requirements/obligations. To achieve this objective, Service HQrs/Departments have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess. Recently, fresh instructions on above have again been issued to all Budget Holders, Financial Planners of the Service HQrs *vide* MoD (Fin.) ID No. 7(7) Budget—I/2013 dated 24/02/2014 (Copy enclosed).

6. It has also been emphasized in these instructions to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses and prevent occurrence of excesses/savings under various heads and bunching of expenditure towards the end of financial year and to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Ministry. It has also been advised that for Supplementary Demands (for grants), the requirement may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary.

7. Moreover, in view of observations of PAC (15th Lok Sabha) in their 22nd report and in Para 12 of their 36th Report in the context of excess expenditure over the voted grants and charged appropriations, detailed instructions were issued to all concerned *vide* MoD (Fin.) ID No. 5(3)/Bud-I/2011 dated 31st May, 2011 and ID No. 7(5)/Bud-I/

2011 dated 29th November, 2011 to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant. Further, as instructed by Ministry of Finance, all the budget holders and accounting authorities were repeatedly requested *vide* MoD (Fin) ID No. 10 (01)/Bud-I/2012 (PC) dated 11th December, 2012, 06th February, 2013, 07th March, 2013, 14th March, 2013, 20th March, 2013 and 26th March, 2013 (Copies enclosed) to undertake all steps to ensure that the expenditure in 2012-13 should not exceed the Revised Estimates and also to scrupulously follow the instructions regarding 33% and 15% ceilings for last quarter and last month respectively while incurring such expenditure within the Revised Estimates limits.

8. In the circumstances explained above, the excess of ₹ 95680 thousands (₹ 95680239) under Revenue Section (Charged) may kindly be recommended for regularization by the Parliament under Article 115 (i) (b) of the Constitution.

Sd/-

(Veena Prasad)
JS & Addl. FA (VP)

File No. 6(1)/Bud-I/2014

ANNEXURE V

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Excess Note

Note for Public Accounts Committee for Regularization of Excess Expenditure in Respect of excess occurred under Revenue Section (Charged) of Grant No. 24—Defence Services—Air Force, as disclosed in the Union Government Appropriation Accounts (Defence Services) for the year 2012-2013.

GRANT NO. 24—DEFENCE SERVICES-AIR FORCE

Revenue Section (Charged)		(₹ in thousands)
Original Grant	:	23200
Supplementary Grant	:	38600
Total Grant	:	61800
Actual expenditure	:	155429
Excess	:	93629
Surrender during the year	:	0

2. Under Revenue Section (Charged) of Grant No. 24—Defence Services—Air Force for the year 2012-13 the total provision was ₹ 61800 thousands. Against this, the expenditure of ₹ 155429 thousands was incurred resulting in excess of ₹ 93629 thousands (₹93628914).

3. The excess of ₹ 93629 thousands was the net effect of total excesses of ₹ 111374 thousands and total savings of ₹ 17745 thousands under various sub-heads of the Grant. The sub-heads under which excess of ₹ Five Lakh and above occurred and reasons therefor are explained below :—

MAJOR HEAD—2078

(i) Minor Head—101		(₹ in thousands)
Original Grant	:	1000
Supplementary Grant	:	2000
Re-appropriation	:	(+) 10300
Total Grant	:	13300
Actual Expenditure	:	124674
Excess	:	111374

The excess of ₹ 1114 lakh in the Final Grant was mainly due to implementation of court orders in the Dhanapalan case on the issue of Rank Pay the extent of which could not be adequately forecast.

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

5. In order to avoid recurrence of any excess, instructions have been issued from time to time to all concerned, emphasizing the need to follow the instructions issued on the subject scrupulously and to monitor progress of expenditure in vigilant/stricter manner, apart from projecting demands on factual basis depending on the actual requirements/obligations. To achieve this objective, Service HQrs/Departments have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess. Recently, fresh instructions on above have again been issued to all Budget Holders, Financial Planners of the Service HQrs *vide* MoD (Fin.) ID No. 7(7)/Budget-I/2013 dated 24.02.2014 (Copy enclosed).

6. It has also been emphasized in these instructions to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses and prevent occurrence of excesses/savings under various heads and bunching of expenditure towards the end of financial year and to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Ministry. It has also been advised that for Supplementary Demands (for grants), the requirement may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirment resulting finally in surrender of the amount of supplementary.

7. Moreover, in view of observations of PAC (15th Lok Sabha) in their 22nd Report and in Para 12 of their 36th Report in the context of excess expenditure over the voted grants and charged appropriations, detailed instructions were issued to all concerned *vide* MoD (Fin.) ID No. 5(3)/Bud-I/2011 dated 31st May, 2011 and ID No. 7(5)/Bud-I/2011 dated 29th November, 2011 to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant. Further, as instructed by Ministry of Finance, all the budget holders and accounting authorities were repeatedly requested *vide* MoD (Fin.) ID No. 10 (01)/Bud-I/2012 (PC) dated 11th December, 2012, 06th February, 2013, 07th March, 2013, 14th March, 2013, 20th March, 2013 and 26th March, 2013 (Copies enclosed) to undertake all steps to ensure that the expenditure in 2012-13 should not exceed the Revised Estimates and also to scrupulously follow the instructions regarding 33% and 15% ceilings for last quarter and last month respectively while incurring such expenditure within the Revised Estimates limits.

8. In the circumstances explained above, the excess of ₹ 93629 thousands (₹ 93628914) under Revenue Section (Charged) may kindly be recommended for regularization by the Parliament under Article 115 (i) (b) of the Constitution.

Sd/-

(Veena Prasad)
JS * Addl. FA (VP)

File No. 6(1)/Bud-I/2014

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

C&AG presents Report No. 1 to the Parliament each year on the Accounts of the Union Government. This report includes matters arising from test audit of the Finance Accounts and the Appropriation Accounts. Some of the observations made by the C&AG are also taken up by the PAC.

2. The following issues have been repeatedly highlighted in Report No. 1 of C&AG for the last several years, with reference to expenditure under the Defence Services Estimates:—

i. Excess expenditure under Grants. Grants under the DSE are being regularly identified as those displaying a persistent trend of excess expenditure over several years.

ii. Excess expenditure over available provision in Minor/Sub-heads.

iii. Augmentation of budgetary provisions in respect of Grants-in-aid and items/categories falling within definition of New Service/New Instrument of Service as per provisions of Ministry of Finance OM No. F. 1(23)-B(AC)/2005 dated 25th May, 2006, without obtaining prior approval of Parliament.

iv. Injudicious reappropriation as the original provision under the Minor/Sub head to which augmentation was made by way of re-appropriation was more than adequate and final savings under the head were more than the amount re-appropriated to these heads. Similarly instances have been highlighted of injudicious reappropriation from heads where the final expenditure exceeded the available budget.

v. Obtaining supplementary grants but failing to spend the relevant funds and surrendering of original provision indicates that the Services/Departments did not prepare estimates of expenditure on a realistic basis.

vi. Rush of expenditure during March and last quarter of the financial year is a breach of financial propriety in terms of Rule 56(3) of GFR, 2005. Ministry of Finance in this regard has issued instruction in September, 2007 to restrict expenditure during the month of March and last quarter of the financial year to 15% and 33% respectively.

vii. Services/Departments made excessive provisions under various heads resulting in large provisions remaining unutilized which were re-appropriated to other heads or surrendered, defeating the purpose for which budget provisions are allocated by the Parliament. Similarly inadequate provisions were made under other heads which were later augmented by reappropriations.

3. C&AG have highlighted these discrepancies as being symptomatic of deficient budgeting and poor system of budget estimation. It is requested to pay special attention to these aspects while formulating budget at BE, RE and MA stages and while proposing reappropriations to avoid audit criticism on these issues in the future.

Sd/-

(Kanwaldeep Singh)
Director (Finance/Budget)
Tel. : 23012554

1. DGFP/Army Hqrs;
2. DNP/NHQ;
3. D Fin. P/Air HQrs
4. ACIDS (Fin. Plg), HQ IDS
5. DB F&A/DRDO
6. DGOF, Kolkata
7. DG NCC
8. DGQA
9. DGAQA
10. ATVP (B&C) Group
11. Dte of Standardization

MoD (Fin.) ID No. 7(7)/Budget-I/2013 dated 24.02.2014

Copy for information and necessary action to:

i. AS (A), AS (B), DG (Acq), FA (Acq)
ii. All JSs in MoD
iii. All Addl. FAs/FMs, Directors/DFAs in MoD (Finance)

MINISTRY OF DEFENCE FINANCE
(BUDGET DIVISION)

Subject: Monitoring and Control of Defence Expenditure

The compiled expenditure figures for March Supplementary 2011 reveal that there has been excess expenditure to the tune of ₹ 1962.81 cr under the revenue segment and ₹ 1166.84 cr under the capital segment of the Defence Budget.

2. Attention is invited in this regard to the observations of the Public Accounts Committee (XVth Lok Sabha) in their XXIInd Report, in the context of excess of expenditure over the voted grants and charged appropriations—

> "The Committee feel that incurring such huge amounts of excess expenditures over and above the budgetary provisions sanctioned by the Parliament at different stages of budget do not augur well for ensuring proper and judicious utilization of public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is manifestation of the fact that they are still far from taking any noteworthy and suitable remedial measures to ensure proper budgeting and subsequent monitoring of the expenditure flow. This is deplorable considering the fact that the Committee have been emphasizing over the years for plugging the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum in future." [Para1]

3. While the matter is being taken up with the respective FP Directorates and also the CGDA, it is felt that the monitoring being done by the Finance Division also needs to be streamlined and strengthened.

4. At the level of the Ministry, instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose, Departmental Groups headed by FA (Acq) in respect of Acquisition heads and Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various heads and bunching of expenditure towards the end of the financial year. Minutes of the monthly meeting are required to be submitted to the SDF for information and a copy is required to be sent to Budget Division.

5. Quarterly expenditure plans of the Services may be obtained at the beginning of the financial year and can be used as benchmarks for the monthly reviews. The following points should be broughtout in the reviews—

i. Progress of the expenditure on account of pay and allowances and whether the existing allocation is adequate keeping in mind the past trends, new raisings if any, change in entitlements and deployment of units.

ii. Other obligator expenditure — The progress of outgo *vis-a-vis* projected quarterly outgo.

iii. Procurement stores, equipment and services — progress of expenditure on account of committed liabilities and progress of new schemes.

iv. Progress of works including maintenance/repairs and new works.

v. Progress of land acquisition cases.

vi. As far as the Capital Acquisition Budget is concerned, details of all the committed liabilities (contractwise) may be obtained in advance from the respective services as also the proposed new schemes and the progress of expenditure may be reviewed with reference to these.

6. The reviews should take into account factors like status of committed liabilities, schemes in the pipeline, supply position against contracted schemes, actual drawal from LCs, progress of civil works etc. Expenditure on account of already contracted/committed schemes as also the progress of fresh schemes needs to be closely monitored. It would be desirable to have a database of committed and new schemes from the respective Services in advance, on the formats at A & B which could be refined to suit the specific requirements. The feasibility of the exercise may be examined.

7. Instructions issued by the Finance Ministry regarding austerity measures and cash management which are circulated by the Budget Division from time to time, should also be factored in.

8. The reviews may be carried on a monthly basis by the 10th of the following month and on a fortnightly basis for January & February. In the month of March however, the reviews may be carried out on a weekly basis. Any significant deviations from the targeted expenditure and corrective measures if any, that are proposed to be adopted should be clearly broughtout.

Sd/-

(Veena Prasad)
JS & Addl. FA (VP)

FA (Acq.) & AS
All Joint Secretaries/Addl. FAs & FAs & JS/FMs
DGFP, ACNS (P&P), ACAS (Fin. P), DGOF
CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte of Standardisation

MoD(Fin.) ID No. 5(3)/Bud-I/2011 dated 31st May, 2011

Annexure A

Monitoring of Committed Liabilities

Sl. No.	Contract/S.O. no and date	Item to be supplied	Total contracted value	PDC as per contract	Revised PDC, if any	Payments already made during the previous year, if any	Amount likely to be paid during the current year	Likely month of outgo	Whether the inspection/ acceptance testing etc. are on schedule

Annexure B

Monitoring of New Schemes

Sl. No.	Name of the scheme	Total Value	Outgo planned during the year	Likely month of outgo	Stage of procurement process*					PDC
					Acceptance of Necessity	RFP	TEC	PNC	CFA Approval	

*May be modified in line with the stages of procurement process on the Capital Acquisition side for review of Capital Acquisition

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

Subject: Monitoring and Control of Defence Expenditure

Attention is invited to this Division's ID No. 5(3)/Bud-I/2011 dated 31st May, 2011 on the above cited subject *vide* which instructions were issued that steps may be taken by the FP Directorates, CGDA and at the level of the Ministry of Defence, Departmental Groups headed by FA(Acq.) in respect of Acquisition heads and Addl. FAs in respect of other heads in order to prevent excesses/savings under various heads.

2. The Public Accounts Committee, in Para 12 of its 36th Report on action taken by the Government on their observations/recommendations contained in the 7th Report (15th Lok Sabha) on "Excess over voted Grants and Charged Appropriations (2007-08)", has observed that no firm measures have been put in place as yet by the Ministries/Departments concerned to avoid excess expenditure by the defaulter Ministries. The Committee's scrutiny reveals that the Ministries which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and prosperity do succeed in avoiding excess expenditure. The Committee find no congent reasons for the inevitability of excess expenditure when Government get opportunities to present the Supplementary Demands for Grants during the three sessions of Parliament in a year. In an age of e-governance made feasible by computerization and instant connectivity between field formations, Subordinate Offices and Head Quarters, irregularities like excess expenditure should not recur. The Committee express their displeasure over the tepid approach of the defaulter Ministries/ Departments particularly for bad planning, lack of foresight and ineffective monitoring on the part of budget controlling authorities while preparing both budget estimates as well as Supplementary Demands for Grants. The Committee, therefore, reiterate the need for scrupulous scrutiny of the budget proposal both at the time of preparation of Demands for Grants, rigorous monitoring of the pace of expenditure and strict compliance of General Financial Rules to eliminate the possibility of excess expenditure, under spending, wrongful appropriation etc.

3. In the light of the observations of the PAC, all concerned authorities are once again requested to take all necessary measures, including use of electronic systems, to ensure proper planning and monitoring of expenditure *vis-a-vis* voted grants so that excess expenditure is avoided. Further, scrupulous scrutiny of the budget proposal, both at the time of preparation of Demands for Grants and Supplementary Demands for Grants, and compliance to provisions of the General Financial Rules may also be ensured to eliminate the possibility of excess expenditure, under spending, wrongful appropriations etc.

4. It is, therefore, again reiterated that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, the instructions issued on 'Monitoring and Control of Defence Expenditure' should be followed strictly and meetings of the Monitoring Groups should be held regularly. The proceedings of such meetings should invariably be endorsed to the Secretary (Defence Finance).

5. While complying with the above instructions, the instructions issued earlier by this Division on Monitoring and Control of Defence expenditure may also be adhered to.

Sd/-

(Veena Prasad)
JS & Addl. FA (VP)

FA (Acq.) & AS

All Joint Secretaries/Addl. FAs & JS/FMs
DGFP, ACNS (P&P), ACAS (Fin. P), DGOF
CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte of Standardisation

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MoD(Fin.) ID No. 7(5)/Bud-I/2011 dated 29th November, 2011

Copy for information to:

VCOAS, VCNS, VCAS, Chairman OFB,
SA to RM, CISC & CGDA, DG (Acq).

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I SECTION)

Subject: Cash Management System in Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year — reg.

Reference: Ministry of Finance (I) DO letter No. F. 2(31)-B(AC)/2012 dated 4th December 2012 and (II) OM No. 21(1)/-PD/2005 dated 5th December 2012.

Copies of above mentioned references received from Ministry of Finance on the subject cited above are enclosed herewith for information and strict compliance.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin./Bud.)
Tel.: 2301 2554

DGFP; ACNS(P&P), ACAS (Fin. P); ACIDS (FP), HQIDS; CCR&D(R&M); DGQA; DGNCC; DGOF

MoD(Fin.) ID No. 10(01)/Bud-I/2012 (PC) dated 11th December 2012.

Copy to: AFA(MO) — for similar action in respect of MoD (Civil) Budget

आर.एस. गुजराल
वित्त सचिव
R.S. GUJRAL
FINANCE SECRETARY

सत्यमेव जयते

भारत सरकार
वित्त मंत्रालय
व्यय विभाग
नार्थ ब्लॉक, नई दिल्ली– 110 001
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
NORTH BLOCK, NEW DELHI-110 001
Tel.: 011-23092929, 23092663
Fax: 011-23092546
E-mail: secyexp@nic.in
Web: http://finmin.nic.in

D.O. No. F.2(31)-B(AC)/2012

4th December, 2012

Dear Shashi Kant,

Attention is invited to Raksha Mantri's D.O. letter No. 10(01)/Bud/2010(PC)/5671-F/RM/2012 dated 24.11.2012 addressed to Finance Minister regarding identifying possible savings under Capital Grant of Defence Services in the current year.

2. It is noted that the expenditure of the Defence Ministry in the last 4 months of the financial years has been abnormally high. In this regard, I may bring to your kind attention that there are stipulations on expenditure restriction in the last quarter of the financial year, and also in the month of March. The expenditure in the last quarter and in the month of March is required to be contained within 33% and 15% of the BE, respectively. While in the earlier years, some relaxations have been made in this regard; however, in the current financial year, due to the challenging fiscal situation, no relaxation would be made. This may kindly be kept in view.

With kind regards.

Yours sincerely,

(Sd/-)

(R.S. Gujral)

Shri Shashi Kant Sharma,
Defence Secretary,
M/o Defence,
South Block,
New Delhi.

F.No. 21(1)/-PD/2005

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
BUDGET DIVISION

(CASH MANAGEMENT CELL)

North Block, New Delhi.

dated December 5, 2012

OFFICE MEMORANDUM

Subject: Cash Management System in Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year—reg.

The undersigned is directed to refer to the recently concluded pre-budget/RE meetings wherein Finance Secretary has emphasized on the need for prudent financial management/expenditure rationalization due to the tight resource position in the current financial year. The necessity to curb rush of expenditure in the last quarter of the year particularly in the month of March and restricting the expenditure in the last quarter of the current financial year to 33% and during the month of March, 2013 to 15% of the Budget Estimates, was reiterated.

2. It is therefore, requested that the 33% and 15% expenditure ceilings in respect of each scheme, in the last quarter of the current financial year and during the month of March, 2013 respectivey, should be strictly adhered to. Where the Revised Estimates for 2012-13 are lower than Budget Estimates actual expenditure may be kept within RE ceilings. Compliance of the above instructions is being monitored at the highest level in the Ministry of Finance. All FAs are, therefore, requested to enforce compliance on the above instructions without any deviation.

3. This issues with the approval of Finance Secretary.

(Sd/-)

(Dr. Rajat Bhargava)
Joint Secretary (Budget)

To

All Financial Advisors

MINISTRY OF DEFENCE (FINANCE)

BUDGET-I SECTION

Subject: Cash Management System in Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year—regarding.

Reference: MoD (Fin.) ID No. 10(01) Bud-I/2012 dated 11th December, 2012.

In continuation of this Division's ID under reference, it is stated that Ministry of Finance, Deptt. of Expenditure *vide* their O.M. No. 23(9) E. Coord./2012 dated 28th January, 2013 has further clarified that expenditure in the last quarter of the current financial year may be restricted to 33% and during the month of March, 2013 to 15% of the Budget Estimates in respect of each scheme. Further, it may be ensured that the total actual expenditure is kept within the communicated RE ceilings.

2. All concerned are requested that the above instructions be strictly complied with.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin. Budget)
Tel. 23012554

DG FP; ACNS (P&P); ACAS (Fin. P); ACIDS (FP), HQ IDS; CCR&D (R&M); DGQA; DGNCC; DGOF; CGDA.

MoD (Fin.) ID No/ 10(01)/Bud-I/2012 dated 06th February, 2013

Copy to: AFA (MO)—For similar action in respect of MoD (Civil) Budget.

MINISTRY OF DEFENCE (FINANCE)

BUDGET-I SECTION

Subject: Cash Management System in Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year—regarding.

Reference: MoD (Fin) ID No. 10(01)/Bud-I/2012 dated 06th February, 2012.

This is in continuation to this Division's ID cited above *vide* which it was intimated that Ministry of Finance, Deptt. of Expenditure have emphasized that expenditure in the last quarter of the current financial year may be restricted to 33% and 15% during the month of March, 2013 in respect of each scheme and total actual expenditure is to be kept within the communicated RE ceilings. In case the Revised Estimates for 2012-13 are lower than Budget Estimates actual expenditure may be kept with RE ceilings.

2. It is once again reiterated that instructions may please be issued to all the budget holders under your jurisdiction for strictly follow the instructions issued by Finance Ministry and to ensure that no excess expenditure over and above RE 2012-13 ceilings occurs.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin/Budget)
Tel. 23012554

DG FP; ACNS (P&P); ACAS (Fin P); ACIDS (FP), HQ IDS; CCR&D (R&M); DGQA; DGNCC; DGOF.

MoD (Fin) ID No. 10(01)/Bud-I/2013 dated 07th March, 2013.

MINISTRY OF DEFENCE (FINANCE)

BUDGET-I SECTION

Subject: Cash Management System in Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year—regarding.

Reference: MoD (Fin) ID No. 10(01)/Bud-I/2012 dated 06th February, 2012.

This is in continuation to this Division's ID cited above *vide* which it was intimated that Ministry of Finance, Deptt. of Expenditure have emphasized that expenditure in the last quarter of the current financial year may be restricted to 33% and 15% during the month of March, 2013 in respect of each scheme and total actual expenditure is to be kept within the communicated RE ceilings. In case the Revised Estimates for 2012-13 are lower than Budget Estimates actual expenditure may be kept with RE ceilings.

2. It is once again reiterated that instructions may please be issued to all PCsDA/ CsDA to strictly follow the instructions issued by Finance Ministry and to ensure that no excess expenditure over and above RE 2012-13 ceilings occurs.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin/Budget)
Tel. 23012554

CGDA

MoD (Fin) ID No.10(01)/Bud-I/2013 (PC) dated 07th March, 2013.

MINISTRY OF DEFENCE (FINANCE)

(BUDGET-I)

Subject: Control over Defence Expenditure: RE 2012-13.

Reference: In continuation of this Division's ID No. 10(01) Bud-I/2012 (PC) dt. 07th March, 2013.

A copy of DO letter No. 21(1)-PD/2005/Vol II dt. 8th March, 2013 from Finance Secretary to FA (DS) is forwarded for your information and strict compliance.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin/Budget)
Tel. 23012554

CGDA,

DG FP; ACNS (P&P); ACAS (Fin P); ACIDS (FP); CCR&D (R&M); DGOF; DGQA; DGNCC; DG AQA; DG ATVP; Director (Standardisation), MoD (Fin/MO)

MoD (Fin) ID No. 10(01)/Bud-I/2012 (PC) dated 14/03/2013.

IMMEDIATE/TOP PRIORITY

आर॰एस॰ गुजराल
वित्त सचिव
R.S. GUJRAL
FINANCE SECRETARY

भारत सरकार
वित्त मंत्रालय
व्यय विभाग
नार्थ ब्लॉक, नई दिल्ली– 110 001
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
NORTH BLOCK, NEW DELHI-110 001
Tel.: 011-23092929, 23092663
Fax: 011-23092546
E-mail: secyexp@nic.in
Web: http://finmin.nic.in

File No. 21(1)-PD/2005 Vol-II

8th March, 2013

Dear Smt. Priti,

You may kindly refer to instructions issued by Budget Division on December 5, 2012. It was requested that expenditure ceilings of 33% in the last quarter and 15% of BE in the last month should be strictly adhered to. It was further requested that Actual expenditure must be kept within the RE ceiling conveyed by Ministry of Finance.

2. As we draw to the closure of FY 2012-13, it is once again reiterated that RE ceiling should not be breached under any circumstance. You may kindly instruct all the officials including those in the Finance and Accounts Wings of your Department to strictly abide by the Revised Estimates of Expenditure. Adherence to expenditure ceiling is being monitored at the highest level and any deviation will be viewed very seriously.

With kind regards.

Yours sincerely

Sd/-

(R.S. Gujral)

Smt. Priti Mohanti,
Financial Adviser (Defence Services),
M/o Defence,
Room No. 140,
South Block,
New Delhi-110001

MOST IMMEDIATE

MINISTRY OF DEFENCE (FINANCE)

(BUDGET-I)

Subject: Restricting Defence Expenditure within RE 2012-13.

Reference is invited to this office ID Note of even No. dated 6.2.2013, 7.3.2013 and 14.3.2013 emphasising that total expenditure is to be kept within the RE 2012-13 communicated by this Division.

2. It is reiterated that the expenditure under both Revenue (except salary) and Capital must be kept within RE taking into account the re-appropriations made within the RE under different Minor Heads of Revenue budget and between the Services under Capital Budget. The position may be monitored on daily basis and instructions as required be issued to concerned PCsDA/CsDA.

3. MA is under approval and will be conveyed shortly.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin/Budget)
Tel. 23012554

Jt. CGDA (Accounts & Budget) O/o the CGDA

MoD ID No. 10(01)/Bud-I/2012 (PC) dated 20.03.2013

Most Urgent
Budget Matter

MINISTRY OF DEFENCE (FINANCE)

BUDGET-I

Subject: Estimates of Expenditure in respect of RE 2012-13.

Ministry of Finance, Department of Economic Affairs (Budget Division) *vide* their F.No. 2(70)-B(CDN)/2012 dated 25th March, 2013 have again reiterated that all steps should be undertaken to ensure that the expenditure in 2012-13 should not exceed the Revised Estimates and while incurring such expenditure within the RE limits, the instructions regarding 33% and 15% ceiling for last quarter and last month respectively are also scrupulously followed.

2. It is requested to ensure that the above instructions are strictly complied with.

(Sd/-)

(Kanwaldeep Singh)
Director (Fin/Budget)
Tel. 23012554

Jt.CGDA (Accounts & Budget)

DG FP; ACNS (P&P); ACAS (Fin P); ACIDS (FP); CCR&D (R&M); DGQA; DGNCC; DG AQA; DG ATVP; Director (Standardisation); MoD (Fin/MO)

MoD (Fin) ID No. 10(01)/Bud-I/2012 (PC) dated 26.03.2013

ANNEXURE VI

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS & IT
DEPARTMENT OF POSTS

Excess Note

Note for Public Accounts Committee in respect of excess occurred under Revenue Section (Voted) of Grant No. 13, Ministry of Communications & IT (Department of Posts) as disclosed in the Union Government Appropriation Accounts (Civil) for 2012-13.—

1. Revenue Section (Voted)		(Fig. in ₹)
Original Grant	:	143796100000
Supplementary Grant	:	9408800000
Total	:	153204900000
Actual Expenditure	:	154806257173
Excess Expenditure	:	1601357173

2. Under Revenue (Voted) of Grant No. 13, Ministry of Communications & IT, Department of Posts for 2012-13, the total provision was ₹ 143796100000. This was augmented to ₹ 153204900000 by obtaining Supplementary Grant of ₹ 9408800000. Against this, the expenditure of ₹ 154806257173 was incurred resulting in excess expenditure of ₹ 1601357173.

3. The excess of ₹ 1601357173 was under Revenue section (Voted under various sub heads of the Grant. The sub heads under which the excess ₹ one crore and above incurred and reasons thereof are explained below:—

DEPARTMENT OF POSTS

DEMAND NO. 13

Major head 3201-Working Expenses (Voted)		(₹ in thousands)
Original Grant	:	143796100
Supplementary Grant	:	9408800
Total	:	153204900
Actual Expenditure	:	154806257
Excess	:	1601357

Summary of Excess Expenditure and reasons thereof

(i) Sub head 3201-01-101-01 (₹ in thousands)

Circle Offices		
Original Grant	:	1994550
Supplementary Grant	:	0
Total	:	1994550
Actual Expenditure	:	2175786
Excess	:	181236

Reason for variation

The excess of ₹ 181236 thousands under the head was mainly due to MACP Promotion, Leave Encashment on LTC, Normal increase in Pay on a/c of DA and annual increment, excess under OE due to operating the office, Elect. Bills/tel./Mobiles and day to day expansion and reduction in authorization due to 10% cut in non-plan expenditure imposed by the Ministry of Finance.

(ii) Sub head 3201-01-101-03 (₹ in thousands)

Postal Divisions		
Original Grant	:	3630100
Supplementary Grant	:	0
Total	:	3630100
Actual Expenditure	:	4163338
Excess	:	533238

Reason for variation

The excess of ₹ 533238 thousands under the head was due to Salary (increase in pay, normal increase in DA and annual increment, MACP, LTC claim), OE (due to heavy consumption of petrol and diesel), Wages (due to outsourcing staff in RMS and Air Mail stg. Dn.)

(iii) Sub head 3201-01-101-04 (₹ in thousands)

R.M.S. Divisions		
Original Grant	:	641655
Supplementary Grant	:	0
Total	:	641655
Actual Expenditure	:	691857
Excess	:	50202

Reason for variation

The excess of ₹ 50202 thousands under the head was due to expected more payment under Salary and Wages head on account of normal increase in DA, annual increment, MACP and outsourcing staff in RMS.

(iv) Sub head 3201-01-101-06 (₹ in thousands)

Postal Store Depots

Original Grant	:	567300
Supplementary Grant	:	0
Re-appropriation	:	0
Total	:	567300
Actual Expenditure	:	607004
Excess	:	39704

Reason for variation

Excess of ₹ 39704 thousands is due to Salary (Payment of Bonus & Normal increase in Pay on a/c of DA and increment, MACP) and OE due to extra expenditure in elec. Bill and tel. bill and Wages due to engagement of outsourcing staff.

(v) Sub head 3201-02-101-01 (₹ in thousands)

Existing Post Offices

Original Grant	:	48540730
Supplementary Grant	:	3914200
Total	:	5245930
Actual Expenditure	:	55564842
Excess	:	3109912

Reason for variation

The excess of ₹ 3109912 thousands under the head was mainly due to increase in rate of electricity charges, cost of stationery, more expenditure under wages due to outsourcing of work, increase in pay and DA rates, Finalization of tour/transfer bills, encashment of E.L. for LTC purpose etc.

(vi) Sub head 3201-02-101-04 (₹ in thousands)

Premium Product Services

Original Grant	:	1066805
Supplementary Grant	:	20900
Total	:	1087705
Actual Expenditure	:	1272208
Excess	:	184503

Reason for variation

The excess of ₹ 184503 thousands under the head was due to expected more payment under Salary and wages head than anticipated.

(vii) Sub head 3201-02-102-01 (₹ in thousands)

Mail Sorting

Original Grant	:	9372900
Supplementary Grant	:	180400
Total	:	9553300
Actual Expenditure	:	9733235
Excess	:	179935

Reason for variation

The excess of ₹ 179935 thousands under the head was mainly due to more expenditure under salary, OE and RRT etc. than anticipated.

(viii) Sub head 3201-02-103-02 (₹ in thousands)

Conveyance of Mails (Air)

Original Grant	:	909100
Supplementary Grant	:	0
Total	:	909100
Actual Expenditure	:	1235718
Excess	:	326618

Reason for variation

The excess of ₹ 326618 thousands under the head was mainly due to more settlement of bills than anticipated under PPS arising out of revision of mail rates by CAB of MoF.

(ix) Sub head 3201-02-104-08 (₹ in thousands)

Mechanization & Modernization (Annual Maintenance)

Original Grant	:	0
Supplementary Grant	:	100
Total	:	100
Actual Expenditure	:	35427
Excess	:	35327

Reason for variation

The excess of ₹ 35327 thousands against nil provision in BE, hence token supplementary taken and expenditure under the head "99"—Information Technology for AMC was incurred through re-appropriation.

(x) Sub head 3201-03-101-01 (₹ in thousands)

SBCO

Original Grant	:	1081400
Supplementary Grant	:	0
Re-appropriation	:	0
Total	:	1081400
Actual Expenditure	:	1242422
Excess	:	161022

Reason for variation

The excess expenditure of ₹ 161022 thousands was due to increase in salary on a/c of DA, MACP, Encashment of E.L. for LTC and engagement of outsourcing staff etc.

(xi) Sub head 3201-03-101-07 (₹ in thousands)

PLI Directorate

Original Grant	:	46220
Supplementary Grant	:	0
Re-appropriation	:	0
Total	:	46220
Actual Expenditure	:	60749
Excess	:	14529

Reason for variation

The excess expenditure of ₹ 14529 thousands was due to more expenditure under salary and more payment of incentive to field agents for more procurement of PLI business.

(xii) Sub head 3201-03-101-08 (₹ in thousands)

PLI (Branch Circle Offices)

Original Grant	:	578070
Supplementary Grant	:	0
Re-appropriation	:	0

Total	:	578070
Actual Expenditure	:	615204
Excess	:	37134

Reason for variation

The excess expenditure of ₹ 37134 thousands was due to payment of more incentive and doctor fee to increase the PLI Business than anticipated.

(xiii) Sub head 3201-04-101-01 (₹ in thousands)

Cost of Pay and Allowances of Audit Staff

Original Grant	:	700000
Supplementary Grant	:	0
Total	:	700000
Actual Expenditure	:	785860
Excess	:	85860

Reason for variation

The excess of ₹ 85860 thousands under the head was due to more expenditure under audit salary head on a/c of DA, MACP, Encashment of E.L. for LTC than anticipated.

(xiv) Sub head 3201-04-101-03 (₹ in thousands)

Deduct Amount transferred to AG Audit-Suspense

Original Grant	:	555000
Supplementary Grant	:	0
Total	:	555000
Actual Expenditure	:	577607
Excess	:	22607

Reason for variation

The excess of ₹ 22607 thousands under the head was due to based on actual adjustment.

(xv) Sub head 3201-04-101-04 (₹ in thousands)

Deduct amount transferred to M.H. 3451-Secretariat Service

Original Grant	:	0
Supplementary Grant	:	0
Total	:	0
Actual Expenditure	:	19647
Excess	:	19647

Reason for variation

The excess of ₹ 19647 thousands under the head was due to based on actual expenditure.

(xvi) Sub head 3201-04-102-02 (₹ in thousands)

PAOs Circle

Original Grant	:	2616340
Supplementary Grant	:	0
Total	:	2616340
Actual Expenditure	:	2863896
Excess	:	247556

Reason for variation

The excess of ₹ 247556 thousands under the head was due to increase in salary on a/c of DA, MACP, Encashment of E/L for LTC, engagement outsourcing staff, unavoidable expenditure under OE and RRT etc.

(xvii) Sub head 3201-05-053-03 (₹ in thousands)

Building establishment

Original Grant	:	384560
Supplementary Grant	:	0
Total	:	384560
Actual Expenditure	:	436415
Excess	:	51855

Reason for variation

The excess of ₹ 51855 thousands under the head was due to MACP, Leave Encashment on LTC, Normal increase in DA and annual increment, Telephone Bills with Broad Band connection, revision of electricity charges and hike in cost price of office equipments.

(xviii) Sub head 3201-06-101-06 (₹ in thousands)

Deduct—Amount transferred to BSNL

Original Grant	:	15000
Supplementary Grant	:	0
Total	:	15000
Actual Expenditure	:	62526
Excess	:	47526

Reason for variation

The excess of ₹ 47526 thousands under the head was due to based on actual adjustment.

(xix) Sub head 3201-07-101-01 (₹ in thousands)
Superannuation & Retirement allowances

Original Grant	:	16819500
Supplementary Grant	:	2230100
Re-appropriation	:	0
Total	:	19049600
Actual Expenditure	:	19337342
Excess	:	287742

Reason for variation

The excess of ₹ 287742 thousands under this head was mainly due to increase in pensioners (normal and voluntary retirement) and hike in DA.

(xx) Sub head 3201-07-101-03 (₹ in thousands)
Payment to Pensioners of Erstwhile Combined P&T Deptt.

Original Grant	:	0
Supplementary Grant	:	84000
Re-appropriation	:	0
Total	:	84000
Actual Expenditure	:	147059
Excess	:	63059

Reason for variation

The excess of ₹ 63059 thousands under this head was due to based on actual adjustment.

(xxi) Sub head 3201-07-101-04 Deduct (IBT) (₹ in thousands)

Original Grant	:	0
Supplementary Grant	:	0
Re-appropriation	:	0
Total	:	0
Actual Expenditure	:	73530
Excess	:	73530

Reason for variation

The excess of ₹ 73530 thousands under this head was due to based on actual adjustment.

(xxii) Sub head 3201-07-107-01 (₹ in thousands)

Family Pension

Original Grant	:	7050000
Supplementary Grant	:	795000
Total	:	7845000
Actual Expenditure	:	8276817
Excess	:	431817

Reason for variation

The excess of ₹ 431817 thousands under this head was due to more settlement of Family Pension cases as anticipated.

(xxiii) Sub head 3201-07-110 (₹ in thousands)

Government contribution to New Pension Scheme

Original Grant	:	600000
Supplementary Grant	:	310500
Total	:	910500
Actual Expenditure	:	1083427
Excess	:	172927

Reason for variation

The excess of ₹172927 thousands under this head was due to increase in number of subscribers as anticipated.

Remedial Action

Instructions on financial, budgetary discipline and austerity measures received from the Ministry of Finance are being circulated to field formations. The expenditures of Circles/Units are reviewed by the Secretary (Posts) on monthly basis through Video conferencing. All Heads of Circles are also advised from time to time to limit their expenditure within the budgetary allocations. Further, Department is implementing IT project through which business processes of all activities of the Department is going to be computerized which will also enable it to make more accurate projection of demand for funds in future.

(Sd/-)

(R.S. RAWAT)

ADG (B&A)

ANNEXURE VII

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

Explanatory Note for Public Accounts Committee for Regularisation of Excess over Voted/Charged portion of Grants/Appropriation during the year 2012-13

During the year 2012-13, there was an overall net saving of ₹ 18550.18 crore under all Grants and Appropriations, which constitutes 7.57 percent of the total provision of ₹ 244889.48 crore.

The net saving was the result of gross saving of ₹ 20220.42 crore under thirteen Voted Grants (*i.e.* twelve Revenue *viz.* 1, 2, 3, 4, 5, 6, 7, 9, 11, 12, 14 & 15 and four segments of Works Grant No. 16 *viz.* Capital, Railway Fund, OLWR & RSF) and six Charged Appropriations (*i.e.* five Revenue *viz.* 2, 6, 9, 10 & 12 and four segments of Works Appropriation No. 16 *viz.* Capital, Railway Funds, OLWR & RSF) and gross excess of ₹ 1670.24 crore under three Voted Grants (8, 10 & 13) and seven Charged Appropriations (3, 4, 5, 7, 8, 11 & 13).

The gross excess of ₹ 1670.24 crore was made up of ₹ 1668.95 crore under Voted Grants and ₹ 1.29 crore under Charged Appropriations constituting 3.33% of the total provision of ₹ 50167.99 crore under those Grants/Appropriations in which excess occurred.

The gross saving amounting to ₹ 20220.42 crore was made up of ₹ 20162.81 crore under Voted Grants and ₹ 57.61 crore under Charged Appropriations constituting 10.38% of the total provision of ₹ 194721.49 crore under the saving registering Grants/ Appropriations. (Reference Para. 26 to 29-Excess/Saving over Voted Grants and Charged Appropriations of the Appropriation Accounts of Indian Railways for the year 2012-13 Part-I-Review).

All savings involving ₹ 100 crore and above under each Grant and all excesses grant-wise, are being explained in detail in the ensuing paras.

1.2 Excess under Charged Appropriation & Voted Grants

There is an excess under seven Charged Appropriations (3, 4, 5, 7, 8, 11 and 13) and three Grants (8, 10 & 13). These Appropriations/Grants are explained as under:—

(a) Charged Appropriations

(i) Appropriation No. 3: Working Expenses—General Superintendence and Services.

		In unit of ₹
Original Appropriation	:	0
Supplementary Appropriation	:	91,000
Total Sanctioned Appropriation	:	91,000
Actual Expenditure	:	42,73,995
Excess	:	41,82,995
Misclassification	:	—
Excess requiring regularisation	:	41,82,995

A Supplementary Charged Appropriation of ₹ 0.91 lakh was sanctioned for decretal payments, which proved to be inadequate. The actual payments exceeded the provision by ₹ 41,82,995 as more decretal payments materialized.

The excess requiring regularisation is ₹ 41,82,995 as disclosed in the Appropriation Accounts.

(ii) Appropriation No. 4: Working Expenses—Repairs & Maintenance of Permanent Way and Works.

		In unit of ₹
Original Appropriation	:	33,01,000
Supplementary Appropriation	:	18,21,000
Total Sanctioned Appropriation	:	51,22,000
Actual Expenditure	:	97,41,936
Excess	:	46,19,936
Misclassification	:	—
Excess requiring regularisation	:	46,19,936

Charged Appropriation of ₹ 33,01 lakh was obtained at the Budget Estimate Stage for payments towards satisfaction of court decrees. A Supplementary Charged Appropriation of ₹ 18.21 lakh was sanctioned due to more decretal payments, which proved to be inadequate. The actual payments exceeded the provision by ₹ 46,19,936 as more decretal payments materialized.

The excess requiring regularisation is ₹ 46,19,936 as disclosed in the Appropriation Accounts.

(iii) Appropriation No. 5: Working Expenses—Repairs & Maintenance of Motive Powers.

		In unit of ₹
Original Appropriation	:	0

Supplementary Appropriation	:	0
Total Sanctioned Appropriation	:	0
Actual Expenditure	:	4,12,746
Excess	:	`4,12,746
Misclassification	:	—
Excess requiring regularisation	:	4,12,746

The actual expenditure of ₹ 4,12,746 incurred without any budget provision towards unanticipated decretal payments.

The excess requiring regularisation is ₹ 4,12,746 as disclosed in the Appropriation Accounts.

(iv) Appropriation No. 7: Working Expenses—Repairs & Maintenance of Plant and Equipment.

In unit of ₹

Original Appropriation	:	0
Supplementary Appropriation	:	17,000
Total Sanctioned Appropriation	:	17,000
Actual Expenditure	:	2,28,968
Excess	:	2,11,968
Misclassification	:	—
Excess requiring regularisation	:	2,11,968

A Supplementary Charged Appropriation of ₹ 0.17 lakh was sanctioned for decretal payments, which proved to be inadequate. The actual payments exceeded the provision by ₹ 2,11,968 as more decretal payments materialized.

The excess requiring regularisation is ₹ 2,11,968 as disclosed in the Appropriation Accounts.

(v) Appropriation No. 8: Working Expenses—Operating Expenses—Rolling Stock & Equipment.

In unit of ₹

Original Appropriation	:	0
Supplementary Appropriation	:	0
Total Sanctioned Appropriation	:	0
Actual Expenditure	:	4,96,123
Excess	:	4,96,123

Misclassification	:	—
Excess requiring regularisation	:	4,96,123

The actual expenditure of ₹ 4,96,123 incurred without any budget provision towards unanticipated decretal payments.

Thus, the excess requiring regularization is ₹ 4,96,123 as disclosed in the Appropriation Accounts.

(vi) Appropriation No. 11: Working Expenses—Staff Welfare and Amenities

		In unit of ₹
Original Appropriation	:	0
Supplementary Appropriation	:	4,69,000
Total Sanctioned Appropriation	:	4,69,000
Actual Expenditure	:	19,21,241
Excess	:	14,52,241
Misclassification	:	—
Excess requiring regularisation	:	14,52,241

A Supplementary Charged Appropriation of ₹ 4,69 lakh was sanctioned for decretal payments, which proved to be inadequate. The actual payments exceeded the provision by ₹ 14,52,241 as more decretal payments materialized.

Thus, the excess requiring regularisation is ₹ 14,52,241 as disclosed in the Appropriation Accounts.

(vii) Appropriation No. 13: Working Expenses—Provident Fund, Pension & Other Retirement benefits

		In unit of ₹
Original Appropriation	:	58,20,000
Supplementary Appropriation	:	0
Total Sanctioned Appropriation	:	58,20,000
Actual Expenditure	:	73,83,329
Excess	:	15,63,329
Misclassification	:	—
Excess requiring regularisation	:	15,63,329

Charged Appropriation of ₹ 58,20 lakh was obtained at the Budget Estimate Stage, which proved to be inadequate. The actual payments exceeded the provision by ₹ 15,63,329 as more decretal payments materialized.

Thus, the excess requiring regularisation is ₹ 15,63,329 as disclosed in the Appropriation Accounts.

(b) Voted Grants

(i) Grant No. 8: Working Expenses—Operating Expenses—Rolling Stock and Equipment :

		(In unit of ₹)
Original Grant	:	7360,74,70,000
Supplementary Grant	:	500,03,24,000
Total Sanctioned Grant	:	7860,77,94,000
Actual Expenditure	:	7888,94,97,579
Excess	:	2817,03,579
Misclassification	:	571,55,478
Excess requiring regularisation	:	3388,59,057

A Grant of ₹ 7360.75 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 500.03 crore was obtained in March-2013 mainly for higher payment of staff cost, Contractual Payments, Materials, Fuel for other than traction etc. The actual expenditure of ₹ 7888.95 crore was ₹ 28.17 crore more than the total sanctioned provision of ₹ 7860.78 crore. There was a net effect of ₹ 5,71,55,478 on account of misclassification of expenditure. The excess thus worked out to ₹ 33.89 crore.

This excess occurred mainly under the following Minor heads:—

(a) Diesel Locomotives (200) (₹ 89.05 crore), mainly due to incurrence of more expenditure towards staff cost, than anticipated. (b) Electric Locomotives (300) (₹ 114.00 crore), mainly due to incurrence of more expenditure towards staff cost, than anticipated. (c) Ferry Services and Rail Cars (800) (₹ 0.16 crore), mainly due to more expenditure towards running staff ferry services.

The Excess was partly offset by savings under the following Minor heads:—

(a) Steam Locomotives (100) (₹ 0.03 crore), mainly due to incurrence of less expenditure towards staff cost, than anticipated. (b) Electrical Multiple Unit Coaches (400) (₹ 10.58 crore), mainly due to incurrence of less expenditure towards staff cost, than anticipated. (c) Carriages and Wagons (500) (₹ 142.14 crore), mainly due to incurrence of less expenditure towards staff cost, than anticipated. (d) Traction (Other than Rolling Stock) and General Electrical Services (600) (₹ 12.42 crore), mainly due to incurrence of less adjustment of debits and more adjustment of credits, less expenditure towards staff cost and less materialization of contractual payments during the year, than anticipated (e) Signalling and Telecommunication (700) (₹ 9.87 crore), mainly due to incurrence of less expenditure towards staff cost, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 33,88,59,057 (*i.e.* 0.43% of the total sanctioned provision).

(ii) Grant No. 10: Working Expenses—Operating Expenses—Fuel.

		(In unit of ₹)
Original Grant	:	21346,72,40,000
Supplementary Grant	:	382,61,62,000
Total Sanctioned Grant	:	21729,34,02,000
Actual Expenditure	:	22388,16,45,046
Excess	:	658,82,43,046
Misclassification	:	—
Excess requiring regularisation	:	6,58,82,43,046

A Grant of ₹ 21346.72 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 382.62 crore was obtained in March-2013 mainly for more expenditure on fuel due to increase in prices of fuel under Diesel Traction and Electric Traction. The actual expenditure of ₹ 22388.16 crore was ₹ 658.82 crore more than the total sanctioned provision of ₹ 21729.34 crore. The excess thus worked out to ₹ 658.82 crore.

This excess occurred mainly under the following Minor heads:—

(a) Diesel Traction (200) (₹ 418.81 crore), mainly due to increase in prime cost of HSD Oil and more consumption of HSD Oil for more activity of diesel locos during the year, than anticipated. (b) Electric Traction (300) (₹ 243.89 crore), mainly due to increase in rate of energy purchased from outside sources, than anticipated.

The Excess was partly offset by savings under the following minor heads:—

(a) Steam Traction (100) (₹ 3.88 crore), mainly due to less direct purchases during the year, than anticipated.

The Excess, therefore, requiring regularisation from Parliament works out to ₹ 658,82,43,046 (*i.e.* 3.03% of the total sanctioned provision).

(iii) Grant No. 13: Working Expenses—Provident Fund, Pension & Other Retirement benefits.

		(In unit of ₹)
Original Grant	:	19120,65,95,000
Supplementary Grant	:	1456,06,05,000
Total Sanctioned Grant	:	20576,72,00,000
Actual Expenditure	:	21558,67,20,896
Excess	:	981,95,20,896
Misclassification	:	—
Excess requiring regularisation	:	981,95,20,896

A Grant of ₹ 19120.66 crore was obtained at the Budget Estimate Stage and a Supplementary Grant of ₹ 1456.06 crore was obtained in March—2013 mainly for meeting the increased pensionery charges. The actual expenditure of ₹ 21558.67 crore was ₹ 981.95 crore more than the sanctioned provision of ₹ 20576.72 crore.

Excess occurred mainly under the following Minor heads:—

(a) Superannuation and Retiring Pension. (100) (₹ 690.67 crore), due to receipt of more debits from various pension disbursing authorities on account of implementation of MACP and increase in DA, than anticipated. (b) Family Pension (400) (₹ 98.20 crore), due to implementation of MACP and increase in DA than anticipated. (c) Death-cum-Retirement Gratuity (500) (₹ 233.87 crore), due to finalisation of more number of Death-cum-Retirement Gratuity cases during the year, than anticipated. (d) Leave Encashment Benefits (700) (₹ 121.00 crore), due to incurrence of more expenditure towards leave encashment for pension optees during the year, than anticipated. (e) Gratuities Special Contribution to Provident Fund and contribution to Provident Fund (88) (₹ 9.42), due to more Government contribution for newly defined contributory pension scheme, than anticipated.

This Excess was partly offset by savings under the following Minor heads:—

(a) Commuted Pension (200) (₹ 120.28 crore) due to incurrence of less expenditure towards commutation of pension during the year, than anticipated. (b) Ex-gratia Pension (300) (₹ 0.85 crore), due to incurrence of less expenditure towards ex-gratia pension during the year. (c) Other Allowances, Other Pensions and Other Expenses (600) (₹ 50.08 crore), due to incurrence of less expenditure towards invalid pension, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 981,95,20,896 (*i.e.* 4.77% of the total sanctioned provisions).

APPENDIX I

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 16TH DECEMBER, 2014

The Committee sat on Tuesday the 16th December, 2014 from 1500 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Prof. K.V. Thomas — *Chairperson*

MEMBERS

Lok Sabha

2. Shri Ranjit Singh Brahmpura
3. Shri Gajanan Kirtikar
4. Shri Bhartruhari Mahtab
5. Shri Ramesh Pokhriyal "Nishank"
6. Shri Neiphiu Rio
7. Shri Dushyant Singh
8. Shri Janardan Singh Sigriwal
9. Shri Shiv Kumar Udasi
10. Dr. Kirit Somaiya
11. Shri Anurag Thakur
12. Dr. P. Venugopal

Rajya Sabha

13. Shri Shantaram Naik

SECRETARIAT

1. Shri A.K. Singh — *Joint Secretary*
2. Smt. Anita B. Panda — *Director*
3. Shri Jayakumar T. — *Additional Director*

Representatives from the office of the Comptroller and Auditor General of India

1.	Shri A.K. Singh	—	Dy. CAG
2.	Shri Satish Loomba	—	Director General of Audit (Central Expenditure)
3.	Shri R.B. Sinha	—	Director General of Audit (Post & Telecommunications)
4.	Shri T. Theethan	—	Director General of Audit (Railways)
5.	Shri Parag Prakash	—	Director General of Audit (Defence Services)
6.	Ms. Shubha Kumar	—	Director General of Audit (Report Central)
7.	Ms. Meira Swarup	—	Director General of Audit
8.	Shri A.M. Bajaj	—	Principal Director of Audit (ESM)
9.	Shri L.S. Singh	—	Principal Director of Audit (Report Central)
10.	Shri P. Tiwari	—	Principal Director of Audit (PAC)

(A) Representatives of the Ministry of Finance (Department of Economic Affairs and Expenditure)

1.	Shri Rajiv Mehrishi	—	Finance Secretary
2.	Shri Ratan P. Watal	—	Secretary, Expenditure
3.	Shri H. Pradeep Rao	—	Additional Secretary & Financial Adviser
4.	Dr. Rajat Bharagava	—	Joint Secretary (Budget)

(B) Representatives of the Ministry of Defence

1.	Shri Ravikant	—	Addl. Secretary

(C) Representatives of the Ministry of Communications and Information Technology

1.	Ms. Kavery Banerjee	—	Secretary (Posts)
2.	Ms. Saroj Punhani	—	JS & FA

(D) Representatives of the Ministry of Railways (Railway Board)

1.	Shri Arunendra Kumar	—	Chairman, Railway Board
2.	Smt. Saroj Rajware	—	Additional Member (Budget)

2. At the outset, the Chairperson welcomed the Members of the Committee and the Audit Officers to the sitting of the Committee. The Chairperson then apprised the Members that in the first instance the Committee would consider and adopt the draft Report on Action Taken on the observations/recommendations contained in the 81st Report (15th Lok Sabha) on "Fertilizer Subsidy" and thereafter, the Committee

would take oral evidence of the representatives of the Ministries of Finance (Departments of Economic Affairs and Expenditure), Defence, Communications and Information Technology (Department of Posts) and Ministry of Railways on the subjects "Grants/Appropriations with Excess disbursement" and "Persistent excess in Grants" based on Para Nos. 3.4 and 3.5 respectively of the C&AG Report No. 1 of 2014.

3. After some deliberations, the Committee adopted the said draft Report with minor modifications and authorised the Chairperson to finalise the Report in the light of the factual verifications, if any, made by the Audit and present the same to the House on a date convenient to him. Thereafter, the Committee discussed the excess expenditure incurred by the aforesaid Ministries/Departments during the year 2012-13 and persistent excesses in grants/Appropriations during the last five year period. Then, the representatives of all the above said Ministries/Departments were called in.

4. The Chairperson in his introductory remarks highlighted the fact that there was an excess expenditure of ₹ 6591.30 crore over and above the authorisation from Consolidated Fund of India. He observed that the reasons advanced by the Ministries for this excess expenditure were too general. He, therefore, desired the Ministry of Defence and Department of Posts to respond as to why they had to resort to excess expenditure in the areas where the requirements can be anticipated without much difficulty. He further, pointed out that inspite of strong comments by the PAC in their earlier reports, the Ministry of Defence had, on account of pensions, incurred an excess expenditure of ₹ 13.32 lakh in 2008-09 which rose to ₹ 8999.54 crore in 2009-10 and the excess expenditure remained at ₹ 3863.71 crore in 2012-13. The Chairperson also pointed out that the Department of Posts and Ministry of Railways had incurred unauthorized expenditure too. He also advised to bring these instances of excess expenditure to the personal notice of the Appointing Authority of concerned Chief Accounting Authority and Financial Adviser for taking suitable notice including appropriate entry in the Annual Performance Report of the respective officers. The Chairperson then draw the attention of the representatives to Direction 55 (1) relating to confidentiality of the matter till the Report on the subject was presented to the House.

5. The representatives of the Ministries introduced themselves and the Secretary (Ministry of Finance), Additional Secretary (Ministry of Defence), Secretary (Department of Posts) and Chairman (Railway Board) made brief presentations and expressed regret at the incurring of excess expenditure reported by Audit. Members sought clarifications on various issues which *inter-alia* included inability of the Financial Advisers/Head of Departments to comply with the prescribed Financial Rules thus resulting in excess expenditure, absence of an effective monitoring mechanism, excess expenditure despite obtaining Supplementary Grants, need to study the best international practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions etc. The Members also sought the reasons for allocation of less funds by the Ministry of Finance than the requirements projected by the Ministry of Defence and Railways. Further, they sought reasons for failure of the Ministry of Defence to anticipate their actual requirement of funds under Grant No. 21—Defence Pensions, ineffective budgeting and monitoring of expenditure by the

Ministry of Railways and steps taken by the Ministries/Deptts. to utilize latest information technology tools so as to establish a centralised database for correct estimation of funds to obviate excess expenditure year after year etc.

6. Secretary, Ministry of Finance while admitting that the excess expenditure on salaries and pensions was wrong, clarified that the excess expenditure was only 0.83% of the total budget of the Government. He assured the Committee that a study of the practices followed in foreign countries to contain the excess expenditure would be conducted and report submitted to the Public Accounts Committee within 4 to 5 months. The representatives of all the aforesaid Ministries/Departments clarified various issues raised by the Members of the Committee and assured that the written replies would be furnished expeditiously.

7. The Chairperson then thanked the representatives of the Ministries/Departments for deposing before the Committee and also asked them to furnish the requisite information sought by the Members. The Chairperson also thanked the representatives of the Office of the C&AG of India for providing valuable assistance to the Committee in the examination of the subject.

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the Sitting was kept on record.

The Committee, then, adjourned.

APPENDIX II

MINUTES OF THE NINETEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 9TH APRIL, 2015

The Committee sat on Thursday the 9th April, 2015 from 1430 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Prof. K.V. Thomas — *Chairperson*

MEMBERS

Lok Sabha

2. Shri S.S. Ahluwalia
3. Shri Nishikant Dubey
4. Shri Gajanan Kirtikar
5. Shri Bhartruhari Mahtab
6. Shri Dushyant Singh
7. Shri Janardan Singh Sigriwal
8. Shri Shiv Kumar Udasi
9. Dr. Kirit Somaiya
10. Shri Anurag Thakur

Rajya Sabha

11. Shri Bhubaneswar Kalita
12. Shri Shantaram Naik

SECRETARIAT

1. Shri A.K. Singh — *Joint Secretary*
2. Smt. Anita B. Panda — *Director*
3. Shri Jayakumar T. — *Additional Director*
4. Shri S.L. Singh — *Under Secretary*
5. Smt. Anju Kukreja — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri A.K. Singh — Dy. CAG (RC)
2. Smt. Shubha Kumar — Director General (RC)
3. Shri Satish Loomba — Director General
4. Shri L.S. Singh — Principal Director (PAC)

Representatives of the Ministry of Health and Family Welfare

1. Shri B.P. Sharma — Secretary
2. Dr. Jagdish Prasad — D.G.H.S.
3. Shri N.S. Kang — AS&DG (CGHS)

Representatives of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals)

1. Dr. V.K. Subburaj — Secretary
2. Shri Kalyan Nag — Adviser (Cost), NPPA

Representatives of the Ministry of Chemicals and Fertilizers (Dapartment of Chemicals and Petrochemicals)

1. Shri Surjit K. Chaudhary — Secretary
2. ****** ****** ******
3. ****** ****** ******
4. ****** ****** ******
5. ****** ****** ******
6. ****** ****** ******

The witnesses then withdrew.

A copy of the verbatim proceedings of the Sitting was kept on record.

7. The Committee then took up the following draft Reports one by one for consideration:

(i) ****** ****** ******

(ii) ****** ****** ******; and

(iii) Draft Report on the subject **"Excesses Over Voted Grants and Charged Appropriations (2012-13)"** based on Para 3.4 and 3.5 of C&AG Report No. 1 of 2014.

8. Giving an overview of the issues contained in the draft Reports and comments of the Committee thereupon, the Chairperson solicited the views/suggestions of the Members. After some discussions, the Committee adopted the two draft Reports

******Not relatled to this Report

mentioned at Sl. Nos. (ii) and (iii) without any modifications. As regards the draft Report mentioned at Sl. No. (i), the Committee adopted the same with the modifications as shown in the Annexure.

9. ****** ****** ******

The Committee, then, adjourned.

****** Not related to this Report.

APPENDIX III

Statement of Observations and Recommendations

Sl. No.	Para No. (Part-II)	Ministry/Department	Observations/Recommendations
1	2	3	4
1.	1	Finance (Economic Affairs), Indian Audit and Accounts Department, Urban Development, Defence, Communications and Information Technology (Department of Posts) and Railways.	The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2012-13 has revealed that the total excess expenditure of ₹ 6591.30 crore was incurred in 19 cases of 16 Grants/ Appropriations. The defaulting Ministries are Ministry of Defence (5 cases under four Grants *i.e.* Grant No. 21—Defence Pensions, Grant No. 22—Defence Services—Army, Grant No. 23—Defence Services—Navy and Grant No. 24—Defence Services—Air Force), Ministry of Finance (Appropriation No. 34—Interest Payments), Department of Indian Audit and Accounts (Grant No. 40—Indian Audit and Accounts Department), Department of Urban Development (Grant No. 101—Department of Urban Development), Ministry of Communications and Information Technology (Grant No. 13—Department of Posts) and the Ministry of Railways (10 cases under 8 Grants/ Appropriations *i.e.* Grant No. 8—Operating Expenses-Rolling Stock and Equipment, Grant No.-10—Operating Expenses—Fuel, Grant No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits, Appropriation No. 03—Working Expenses—General Superintendence and Services, Appropriation No. 04—Working Expenses—Repairs and Maintenance of Permanent Way and Works, Appropriation No. 05-Working Expenses—

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			Repairs and Maintenance of Motive Powers, Appropriation No. 07—Working Expenses—Repairs and Maintenance of Plant and Equipment, Appropriation No. 08—Operating Expenses—Rolling Stock and Equipment, Appropriation No. 11—Working Expenses—Staff Welfare and Amenities and Appropriation No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits).
2.	2	Finance (Economic Affairs), Defence, Communications and Information Technology (Department of Posts) and Railways.	The excess expenditure during the year is prominently noticeable in the Grants/ Appropriations operated by the Ministries of Defence, Finance, Railways, Communications & Information Technology (Department of Posts). The Committee note that bulk of the excess expenditure was on the Civil side *viz.* ₹ 4565.39 crore, out of which the Ministry of Defence under Grant No. 21—Defence Pensions alone accounted for a highest excess expenditure of ₹ 3867.71 crore which is 58.68% of total excess expenditure incurred during the year 2012-13. Further, Ministry of Finance under Appropriation No. 34—Interest Payments incurred excess expenditure of ₹ 695.25 crore. In case of Defence Services an excess of ₹ 195.53 crore was incurred under Grant No. 22—Defence Services—Army, No. 23—Defence Services—Navy and No. 24—Defence Services-Air Force. There was total excess expenditure of ₹ 160.14 crore incurred under one section of Grant No. 13—Department of Posts, while Grants/ Appropriations operated by the Ministry of Railways, an excess expenditure of ₹ 1670.24 crore (Before misclassification of ₹ 571,55,478 under Grant No.—8 Operated by Ministry of Railways) was incurred in ten cases. It is further disconcerting to note that during the year 2012-13 though there was some decline in total excess expenditure incurred in Civil, Defence and

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			Postal Sectors as compared to the earlier three years, there was an increase in the number of total excess registering Grants/ Appropriations as well excess expenditure incurred by the Ministry of Railways. That the excess over Voted Grants and Charged Appropriations administered by the Ministries of Defence, Finance, Railways & Department of Posts had persisted only serve to reinforce the Committee's off repeated observations that adequate and serious attention was not being paid by the Ministries/Departments concerned to implement the Committee's recommendations. Though the Ministry of Finance have been dutifully circulating the recommendations of the Committee to the Ministries/Departments of the Government for compliance, financial discipline remains still a distant goal. An analysis of the reasons given by the Ministries/ Departments concerned has revealed that want of essential alacrity in the budgetary estimations, sheer dereliction of duty on the part of budget controlling authorities to monitor the pace of expenditure and to invoke the provision of Supplementary demands and failure on their part to ensure strict fiscal discipline continue to be the main reasons for this excess expenditure year after year. From the fact that the similar reasons for excess expenditure by the Ministries/Departments, it is clear that matter is being dealt with only in a routine manner and the Government is not making serious efforts to ensure financial discipline. The Committee further find no cogent reasons for incurring excess expenditure when all the Ministries/Departments have opportunity to have the Supplementary Grants during three occasions in a year. Moreover, in an age of e-governance which made instant connectivity between field formations, subordinate offices and

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			Headquarters, financial irregularities like excess expenditure should not recur. The Committee express their displeasure to the defaulter Ministries/Departments for bad planning tepid approach, lack of foresight and ineffective monitoring on the part of budget controlling authorities while preparing both Budget Estimates as well as Supplementary Demands for Grants. The Committee, therefore, emphasise the need for scrupulous scrutiny of the budget proposals, rigorous monitoring of the pace of expenditure and strict compliance of General Financial Rules so as to eliminate the possibility of excess expenditure. Ministry of Finance should also devise effective measures and make it incumbent upon the Financial Advisers and the budget controlling authorities to ensure that no excess expenditure is incurred in future.
3.	3	Railways	A comparative scrutiny of the Appropriation Accounts (Railways) for the year 2012-13 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations during 2012-13 revealed that there was misclassification of expenditure to the tune of ₹ 571,55,478 under Grant No. 8—Working Expenses—Operating Expenses—Rolling Stock and Equipment. Taking into account the effect of this misclassification the actual excess expenditure incurred by the Ministry of Railways during the year 2012-13 comes out to ₹ 1675,95,62,337 instead of ₹ 1670,24,06,859 as indicated in their Appropriation Accounts (2012-13). Accordingly, the total amount of actual excess expenditure incurred by the Ministry of Railways during the financial year 2012-13, which has to be regularized by Parliament under Article 115(1)(b) of the

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			Constitution is of the order of ₹ 1675.96 crore.
4.	4	Finance (Economic Affairs), Defence, Communications and Information Technology (Department of Posts) and Railways.	The Committee note with profound concern that out of five cases of excess expenditure incurred under four Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Defence under two sections of Grant No. 21—Defence Pensions incurred excess expenditure of ₹ 3867.71 crore which is 58.68% of total excess expenditure of ₹ 6591.30 crore (before misclassification) incurred during the year 2012-13. Further, the Ministry of Finance under Appropriation No. 34—Interest Payments, incurred excess expenditure of ₹ 695.25 crore which is 10.55 percent of total excess expenditure. In case of Defence Services, the excess of ₹ 195.53 crore was incurred under Grant No. 22—Defence Services—Army, No. 23—Defence Services—Navy and No. 24—Defence Services-Air Force which is 2.97 percent of total excess expenditure incurred. There was total excess expenditure of ₹ 160.14 crore incurred under one section of Grant No. 13—Department of Posts which was about 2.43% of the total excess expenditure incurred. In the case of Grants/ Appropriations administered by the Ministry of Railways, an excess expenditure of ₹ 1670.24 crore (before misclassification) *i.e.* 25.34% of total excess expenditure was incurred in ten cases. An analysis of the reasons for excess expenditure during 2012-13, which have been discussed in details in the succeeding paragraphs of this Report, clearly indicate that the lack of proper monitoring of the progress of expenditure, inadequate review and analysis of the financial requirement in terms of committed liabilities and non-observance of the prescribed financial rules were the main contributory factors in the incurrence of excess expenditure of such a

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			high magnitude. Although General Financial Rules clearly provide that the grant administering authorities shall be fully accountable for control of expenditure and clear cut instructions have also been laid down for the detailed procedures to be followed for checks against provisions of funds, the Committee cannot help observing from the facts that the concerned authorities in the various Ministries/Departments continue to display their negligence and callous attitude towards rules prescribed for containing the expenditure within the sanctioned provisions and no responsibility has been fixed as yet against the grant administering authorities. Expressing their concern over this state of affairs, the Committee in Para 3 of their 92nd Report (15th Lok Sabha) had urged the Ministry of Finance to strongly impress upon all the Departmental Heads concerned to strictly observe the instructions issued under the financial rules so as to ensure that no expenditure is incurred in excess of the authorized limits. The Committee had also desired the Ministry of Finance to devise suitable and foolproof mechanism for tightening the exchequer control and to deal sternly with those cases where any deviations and slackness in following the prescribed financial rules are noticed. The unabated large excess expenditure is self manifestation of the fact that no suitable remedial measures have been taken by the Ministry of Finance to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee once again urge upon the Ministry of Finance to take this issue with utmost seriousness and find innovative steps for establishing sound budgetary mechanism whereby the expenditure management of any Grant/ Appropriation is made more accurate and practicable and the scare financial resources are utilized appropriately.

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5.	5	Defence and Railways	An analysis of the Appropriation Accounts, Explanatory Notes and the written replies furnished by the defaulting Ministries/ Departments indicates that in 5 cases the percentage of excess expenditure over the total grant was exceedingly high. These are 487.32 percent in respect of Grant No. 21—Defence Pensions, 390.11 percent in Grant No. 22—Defence Services—Army 72.49 per cent in Grant No. 23—Defence Services—Navy, 151.50 percent in Defence Services—Air Force, 4596.70 percent in Appropriation No. 3—Working Expenses General Superintendence and Services 90.20 percent in Appropriation No. 4—Working Expenses—Repairs and Maintenance of Permanent Way and Works, 1246.87 percent in Appropriation No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment, 309.65 percent in Appropriation No. 11—Working Expenses—Staff Welfare and Amenities and 26.86 percent in Appropriation No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits. Obviously, such a huge excess expenditure shows that entire budgetary process has gone awry in these defaulter Ministries/ Departments and there was abysmal failure on the part of the budget controlling authorities and Financial Advisers in budget formulation, monitoring and in submission of revised estimates in time. The Committee feel that incurring excess expenditure of more than 5 percent of the total Grant despite obtaining Supplementary Grants is a pointer towards the total failure of the Ministries concerned in anticipating the fund requirements. The Committee, therefore, recommend that in order to make the budgetary system really effective and meaningful, budget controlling authorities should have regular meetings to review the progress of expenditure *vis-a-vis* Budgetary

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			provision in respect of all the Heads/Sub-Heads under the Grants operated by them and assess the likely requirements for balance period of financial year taking into consideration the commitments already made and likely to arise and timely inform the Ministry of Finance the expected levels of expenditure so as to seek additional funds by way of Supplementary Grants. They also recommend that in future the concerned Ministries/Departments should ensure that under no circumstances the excess over final Grants should exceed more than 5 percent of the total Grant.
6.	6	Finance (Economic Affairs), Indian Audit and Accounts Department, Defence, Communications and Information Technology (Department of Posts) and Railways	The Committee are constrained to observe that out of total 19 cases of excess registering Grants/Appropriations, an excess expenditure of ₹ 6420.17 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/ Appropriations to the extent of ₹ 8596.33 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 Grants/Appropriations ranged from 2.52 percent (Grant No. 40—Indian Audit and Accounts Department) to 4596.70 percent (Appropriation No. 03—working) Expenses—General Superintendence and Service) and in 9 cases this percentage was more than 100 percent. To give the sector-wise details, Supplementary Grants to the tune of ₹ 5305.64 crore was allocated in five cases of four excess registering Grants/ Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 4565.39 crore. In Defence Sector, even though Supplementary Grants to the tune of ₹ 10.86 crore was allocated for two excess registering Grants, the Committee are dismayed to note that an excess expenditure of ₹ 18.93 crore was incurred. In the Postal Sector, a Supplementary Grant of ₹ 940.88 crore proved inadequate by ₹ 160.14 crore. In respect of Railways, out of ten cases of

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			excess registering Grants/Appropriations, Supplementary Grant of ₹ 2338.95 crore was obtained in seven cases, still an excess expenditure of ₹ 1675.71 crore was incurred. In respect of nine Grants and Appropriations the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. The Committee deplore the tendency of the defaulting Ministries/Departments in incurring excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more astonishing is that these Ministries/ Departments could not realistically project their requirement of funds even after obtaining of Supplementary Grants at various stages. This exposes the hollow claim of the Ministries/Departments concerned as well as the Ministry of Finance that they regularly monitor the flow of expenditure. This is a clear indication of the pervading malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement despite availability of ample opportunities for seeking approval of Parliament. It is, therefore, imperative that the Ministries/ Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministries/Departments to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee recall that only last year, they had emphasized that the Supplementary Budget should normally be for unexpected items of expenditure or schemes taken up for compelling public

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			interest. However, the Ministries went on incurring excess expenditure, year after year, in spite of ample provisions available for supplementary demands for grants to obtain Parliament's approval to meet unexpected expenditure. Based on other fiscal federal models, the Finance Ministry should evolve modalities enshrined on prudent financial principles which will enable the sanctity of budgetary provisions ensuring the reach and superintendence of Parliament on appropriation outgoes. The Committee had also urged that the Ministry of Finance should initiate a study of the best International Practices on the modalities for ensuring greater confirmity of expenditure to the budgetary provisions. The Secretary (Department of Economic Affairs) had submitted that in the next four-five months, they would try to do a paper of the best international practices and present it to PAC. The Committee regret that such a study has not been initiated as yet. The Committee would desire that the said study be completed within the timeframe as stated by the Ministry. The Committee also recommend that the Ministries/ Departments should evolve an effective mechanism in coordination with the Ministry of Finance (Department of Economic Affairs), Comptroller and Auditor General of India and the Controller General of Accounts in the Department of Expenditure by which the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by the Parliament despite having Supplementary Grants.
7.	7	Finance (Economic Affairs), Defence, Communications and Information Technology	The Committee find that the incurrence of excess expenditure is a recurring phenomenon in the past despite recommendations of the Public Accounts Committee and subsequent issuance of instructions by the

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		(Department of Posts) and Railways.	Ministry of Finance from time to time. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in all the sectors the excess expenditure which was reduced to a considerable extent during the year 2007-08 has again showed an upward trend during the year 2008-09. From 2009-10 to 2012-13 it has again showed a decreasing trend. However, during the year under review *i.e.* 2012-13, while the excess expenditure under Civil, Defence Services and Postal Services has shown a downward trend, it has increased in case of Railways both in respect of amount as well as number of excess registering Grants/ Appropriations. Similarly, overall excess expenditure has also been reduced from ₹ 8563.14 crore in 2011-12 to ₹ 6597.02 crore during the fiscal 2012-13 even though number of excess registering Grants/ appropriations has increased from 11 in 2011-12 to 16 in 2012-13. Further, from the scrutiny of excess registering Grants/ appropriations for the last five years period *i.e.* from 2008-09 to 2012-13 it has been found that in 9 Grants/Appropriations (Grant No. 21—Defence Pensions, Grant No. 13—Department of Posts and Grants/ Appropriations Nos. 3, 4, 5, 6, 8, 12 & 13 operated by the Ministry of Railways) persistent excess occurred in at least three years out of five years. It has further been observed that the Minister of Defence under Grant No. 21—Defence Pensions, had incurred excess expenditure of more than ₹ 3000 crore recurringly for the last four years. *i.e.* from 2009-10 to 2012-13 (₹ 8999.54 crore in 2009-10, ₹ 3336.31 crore in 2010-11, ₹ 3568.81 crore in 2011-12 and ₹ 3863.71 crore in 2012-13. Similarly, the Department of Posts under Revenue-Voted Section of Grant No. 13—Postal Services had incurred excess expenditure of more than ₹ 100 crore

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			for the years 2009-10 to 2012-13 (₹ 818.13 crore in 2009-10, ₹ 366.63 crore in 2010-11, ₹ 400.04 crore in 2011-12 and ₹ 160.14 crore in 2012-13). Further, in case of Grants/ Appropriations operated by the Ministry of Railways it is seen that out of 16 Grants/ Appropriations, recurring excess expenditure under two Grants/ Appropriations namely Grant No. 13—Provident Fund, Pension and other Retirement Benefits and Appropriation No. 03—General Superintendence and Services had been incurred for the last four years i.e. from 2009-10 to 2012-13. The fact that the excess expenditure persist, year after year, despite repeated exhortations of the Committee and issuance of instructions by the Ministry of Finance from time to time only leads the Committee to conclude that the matter has not been viewed by the Ministries/Departments with the seriousness it deserves. The Committee would like the Ministries to bear in mind that excess expenditure is 'unauthorised expenditure' betraying lack of financial discipline. The only situation in which the excess expenditure is understandable is when a need for unforeseen or unavoidable expenditure has arisen suddenly which could not have been anticipated and with no time left for the Ministry/Department to approach Parliament for a Supplementary Grant. Only last year, the Committee in Para 6 of their 92nd Report (15th Lok Sabha) had desired that the Government should earnestly undertake case studies of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years. However, no such study seems to have been conducted by the Government in this regard. In view of the persistent trend in the incurring of excess expenditure going unchecked, the Committee once again

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			recommend the Government to undertake a case study of the instances of excess expenditure incurred recurringly for the last five years with a view to looking into the reasons as to why the existing mechanism for control of expenditure has failed to effectively check the unabated trend of excess expenditure. Steps should also be initiated to constitute a high-level Inter-Ministerial Group under the Chairmanship of the Cabinet Secretary to examine this recurring issue and apprise the Committee about the steps taken to rectify the problems. The Comptroller and Auditor General of India also need to be closely associated with this process.
			Considering the fact that the Committee have been asking the Government to take steps to minimize the recurring excess expenditure, they would like to be apprised about the corrective measures taken alongwith the specific results achieved during the last ten years as a follow-up of PAC's recommendations in the matter. Non-implementation of recommendations, if any, should also be clearly indicated in the Action Taken Notes required to be furnished to the Committee.
8.	8	Defence	A scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last ten financial years *i.e.* 2003-04 to 2012-13 indicated that the Ministry of Defence had been incurring excess expenditure recurringly under the Grants/Appropriations operated by them. Figures for the last five years indicate that the Ministry of Defence incurred an excess expenditure of ₹ 770.25 crore in four Grants in 2008-09, ₹ 11710.08 crore in four Grants in 2009-10, ₹ 7575.76 crore in five Grants in 2010-11, ₹ 4137.01 crore in two Grants in 2011-12 and ₹ 4063.24 crore in four Grants in 2012.13. During the course of examination

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			of the excess expenditure under the Grants operated by the Ministry of Defence, the Committee were informed that the Ministry of Defence had undertaken internal brainstorming to identify the possible reasons for repeated instances of excess expenditure. The Committee are inclined to conclude that either the exercise was not done properly or the discrepancies brought out therefrom have not been timely rectified. The Committee had also been informed that Ministry of Defence had set up three Committees which would devise alternate solutions for any weak internal controls that may exist. Now, the Ministry have apprised the Committee that they had identified certain loopholes in its internal procedures and these are being reviewed on the basis of the recommendations of these three Committees. The Committee would like the Ministry of Defence to review the identified loopholes at the highest level and initiate credible action that will yield visible results. The Committee would await active follow-up action by the Ministry of Defence in the matter.
9.	9	Railways	The Committee find that the Appropriation Accounts relating to Civil, Defence Services, and Postal Services for the financial year 2012-13 were presented to the Parliament on 01.08.2014. However, the Appropriation Accounts of Railways were presented to the Parliament only on 28.11.2014 after a dealy of about 4 months which resulted in avoidable delay in finalization of the Committee's Report on 'Excesses over Voted Grants and Charged Appropriations (2012-13)' which in turn delayed the regularization of excess expenditure incurred during 2012-13 under Article 115(1) (b) of the Constitution. Taking a serious view of the callous attitude on the part of the Ministry of Railways on such an

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			important matter, the Committee strongly recommend the Ministry to take urgent corrective action to timely present the Appropriation Accounts to Parliament so that regularisation of excess expenditure incurred during a particular financial year can be done promptly.
10.	10	Defence	A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the financial year 2012-13, the Ministry of Defence incurred an excess expenditure of ₹ 3867.71 crore under two sections (₹ 3863.71 crore under Revenue—Voted Section and ₹ 4.00 crore under Revenue-Charged Section) of Grant No. 21—Defence Pensions. Under Revenue-Voted Section of the Grant the excess expenditure of ₹ 3863.71 crore incurred was the net effect of total excess of ₹ 3908.52 crore and the total unspent provision of ₹ 44.81 crore under various sub-heads of the Grant. The Committee are constrained to observe that the excess expenditure of ₹ 3863.71 crore under Revenue—Voted Section of this Grant was incurred despite obtaining Supplementary Grant of ₹ 499.44 crore and under Revenue-Charged Section excess expenditure of ₹ 4.00 crore was incurred despite having Supplementary Grant of ₹ 0.56 crore. The explanatory note furnished by the Ministry of Defence, *inter-alia* states that the excess expenditure was due to receipt of more cases of Modified Assured Career Progression (MACP) Scheme, implementation of One Rank One Pension (OROP) Scheme and booking of pending Pension Scrolls received from banks to clear amount under suspense. In the opinion of the Committee these reasons for excess expenditure clearly indicate that lack of proper and timely review of anticipated expenditure had largely contributed to the excess under this Grant. The Committee's examination has revealed

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			that this Grant had been registering excess expenditure of more than ₹ 1000 crore for the past five years. The main contributory factor as attributed by the Ministry of Defence is lack of availability of sufficient funds for payment of Defence Pension which is a committed liability and payment of which cannot be stopped for want of funds. The Committee find that the Ministry of Defence have been giving the same stock reply over the last five years instead of taking adequate precautionary steps to avoid excess expenditure. Upon asking the reasons for short release of funds, the Ministry of Finance apprised the Committee that fund for committed liabilities as projected by Ministries/Departments with sufficient justification are fully provided to them. However Ministries/Departments with inconsistent reporting system seek higher allocations based on rough estimates. Such projections are not considered by the Ministry of Finance. This view of the Ministry of Finance confirms with the fact that projection by the Ministry of Defence for RE 2012-13 was forwarded to Ministry of Finance in the month of October, 2012 and the ceiling was finalized with a less allocation of ₹ 2285 crore and immediately an additional requirement of ₹ 2000 crore was again requested in the month of March 2013 and finally in the month of April, 2013 an additional requirement of ₹ 4000 crore was again requested. In this regard, the Committee are constrained to observe that the excess expenditure of ₹ 3867.71 crore incurred during 2012-13, is far more than the cut of ₹ 2285 crore imposed by the Ministry of Finance. Further, the Ministry had sought the funds first at the fag end of the year *i.e.* March 2013 and again after close of the financial year *i.e.* April, 2013. The Committee, therefore, conclude that there

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			is some inherent defect in the system for correctly/timely forecasting and factoring the pension liability in the revised budget estimates of the Ministry of Defence. The Committee are of the view that a precise assessment of funds required to cover the impending excess expenditure could have been made and adequate Supplementary provisions with proper justification sought from the Ministry of Finance well in advance before the closing of the financial year. That this has not been done is regrettable.
11.	11	Defence	The Committee note that as a remedial measure to overcome the recurring phenomenon of excess expenditure under this Grant, the instructions for advising all the budget controlling authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration the commitments, trend of expenditure and the anticipated expenditure had been circulated. Subsequently, instructions were also issued to Principal Controller of Defence Accounts (P) [PCDA(P)] Allahabad to adopt e-governance model to utilize the information technology/tools so as to establish a centralized data base of Pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year. An Internal Audit of the existing arrangement of reporting and accounting of Defence Pensions was conducted by the Office of the Controller General of Defence Accounts. PCDA(P) Allahabad has been asked to take into account pending scrolls of the previous years while estimating budget for the next years. An exercise named 'Project Sangam' has been undertaken in order to create an up-to-date Pensions database in collaboration with PCDA(P), Allahabad and

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			various pension disbursing agencies. As a result digitization of Pensioners enrolled under Defence Pensions has been completed during the month of September, 2014. Apart from 'Project Sangam' a new web based application for 'Pension Accounting System' has also been developed, which is under trial running process. According to the Ministry, the project once fully implemented will give a more accurate database for monitoring the pace of expenditure and will be very useful while predicting the future requirement of funds. Moreover, Grant No. 21-Defence Pensions has now been covered under Cash Management System from FY 2013-14 and the monthly expenditure plan and quartely expenditure allocations of Grant No. 21 in prescribed format has been incorporated in Detailed Demands for Grants for FY 2013-14. The Committee have also been informed that as a result of the above mentioned steps initiated by the user Department *i.e.* PCDA(P), Allahabad, in the financial year 2014-15, as per the Appropriation Accounts, there is an overall savings of ₹ 46 lakh. While appreciating the efforts made by the Ministry of Defence to tighten their exchequer by issuing instructions for advising all budget controlling authorities of Defence Pensions to prepare their budget proposal on realistic basis and to establish a centralized data base of pensioners, the Committee hope that the Ministry of Defence will be consistent in their efforts so that no expenditure is incurred in excess of the authorized limits under this Grant in future.
12.	12	Finance (Economic Affairs)	The Committee find that under Appropriation No. 34-Interest Payments for the year 2012-13, the Ministry of Finance had incurred an excess expenditure of ₹ 695.25 crore over and above the total sanctioned provision of ₹ 329487.43 crore, which

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			included supplementary provisions of ₹ 4718.00 crore. The excess expenditure under this appropriation is the net effect of total excess of ₹ 6791.11 crore and total savings of ₹ 6095.86 crore under various sub-heads of the Appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. In their Explanatory Note to the Committee the Ministry of Finance have stated that it is difficult to estimate precisely the interest payments, which are largely dependent on numerous factors such as market borrowings, variation in interest rates, foreign exchange rates etc. Further, according to the Ministry excess expenditure under this appropriation was mainly due to excess expenditure booked by Department of Posts on account of 'Postal Insurance and Life Annuity Fund' and Department of Posts did not propose additional requirement either in RE 2012-13 or at the final requirement stage, which resulted in the excess. The variation in exchange rate, interest etc cannot be pre-assessed. Although the Committee are in consonance with the justification furnished by the Ministry at the same time they are concerned to observe that the excess expenditure of such a large magnitude had occurred inspite of obtaining 2nd Supplementary Grants of ₹ 4718.00 crore in March, 2013. Significantly, the Ministry of Finance had been persistently making appropriations in excess of the budgeted provisions under this appropriation for the past three years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn any lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while

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			obtaining Supplementary Grants. The Committee view this situation seriously and would like to convey their unhappiness over the lackadaisical attitude of the Ministry of Finance while obtaining Supplementary appropriations during the year 2012-13. The Committee consider it absolutely necessary, that the provisions of Supplementary Grants should be availed judiciously and with more precision and being the nodal Ministry, the Ministry of Finance should not make indiscriminate use of this mechanism. In this context, the Committee in their 64th Report (15th Lok Sabha) and 92nd Report (15th Lok Sabha) had expressed their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance. The Committee feel that this excesses could and should have been anticipated by the Ministry and adequate provisions thereof provided in the revised estimates, if not earlier. That, this was not done, is regrettable. While taking a serious view of the continuing excess expenditure under this appropriation, the Committee in para 10 of their 92nd Report (15th Lok Sabha) had desired to analyse the reasons for failure to make realistic assessment of funds so that adequate provisions for funds are provided under this appropriation. Recurrence of excess expenditure during the year 2012-13 under this appropriation clearly indicate that no study to find out the reasons for recurrent excess expenditure had been conducted by the Government. While expressing their displeasure over the recurrent phenomenon of excess expenditure under this appropriation, the Committee once again desire that the Ministry of Finance should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the

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			interest payments are rectified and recurrence of excess expenditure is either avoided or greatly minimized in future.
13.	13	Defence	The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 176.60 crore, ₹ 9.57 crore and ₹ 9.36 crore had been incurred under Revenue Section (Charged) of Grant No. 22-Defence Services-Army, Grant No. 23—Defence Services-Navy and Grant No. 24—Defence Services-Air Force respectively during the fiscal 2012-13. Surprisingly, the excess expenditure under Grant No. 23 and 24 was incurred despite obtaining a Supplementary Grant of ₹ 7.00 crore and ₹ 3.86 crore respectively. The main contributory reason as advanced by the Ministry of Defence for incurring excess expenditure under all the above said three Grants is implementation of court orders in Dhanapalan case on the issue of Rank Pay, the extent of which could not be adequately forecast. The Committee are perturbed to find that though the orders of the Supreme Court were received in September 2012 and Government Orders for implementation were issued on 27.12.2012, the Ministry could not forecast their actual requirement of funds till the last batch of Supplementary Grants. Moreover the Supplmentary Grants sought in Grant No. 23 & 24 was also proved inadequate. The difficulties as experienced by the Ministry in estimating financial impact of the orders included revision of pay fixation for old cases covering three successive Pay Commissions *viz.* III, IV & V. Further, the exact number of cases was not known to them and old records were not available in computerized database. Several estimates made by Controller General of Defence Accounts during February 2013 were widely different and considered unreliable. The Committee are

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			constraint to find that this is not the first occasion when excesses under the Grants operated by the Ministry of Defence has incurred. The Ministry had been incurring excess expenditure recurringly for the past ten years and subsequently issuing routine instructions to avoid the same. It seems that the instructions issued in the past have had little effect on the estimating and disbursing authorities. While reiterating their earlier recommendation to identify additional measures to contain the recurring phenomenon of excess expenditure, the Committee would once again urge the Ministry of Defence to chalk out a definite policy in order to observe greater financial discipline and ensure that expenditure does not exceed its prescribed limits.
14.	14	Communications and Information Technology (Department of Posts)	While reviewing the excess expenditure for the last few years, the Committee further regret to find that the Department of Posts had been incurring excess expenditure recurringly during the years 2009-10, 2010-11, 2011-12 and 2012-13 (₹ 818.13 crore, ₹ 366.63 crore, ₹ 400.04 crore and ₹ 160.14 crore respectively). As in the past the Department of Posts had made only the Ministry of Finance responsible for short release of funds to them during these years. The Department have further informed that during the year 2012-13 although the amount of funds reduced by the Ministry of Finance was ₹ 255.48 crore, the Department has contained excess expenditure within ₹ 160.14 crore only. The Committee are also informed that as per the instructions outlined by the Ministry of Finance, no additional requirement of funds are included in the first and second batch of the Supplementary Demands for meeting the unforeseen and committed liabilities, rather these additional funds are considered only in the final batch of the Supplementary Demands by the Ministry of Finance.

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			Moreover, Ministry of Finance does not provide the projected funds in RE stage in full. The Committee are not convinced with these reasons as the excess expenditure during the year 2012-13 was incurred despite having a huge amount of Supplementary Grant of ₹ 940.88 crore which proved inadequate to meet the expenditure of Department of Posts. In this regard the Committee are apprised that the Department strives to ensure to monitor the expenditure and due care is taken to maintain fiscal discipline and contain the expenditure within the budgetary allocation through continuous monitoring at apex level, regular issue of instructions to all the subordinate units of the Department, conduction of video conferences on monthly basis with the heads of circles/ units, keeping close watch over the flow of expenditure especially in the last quarter and in the last month, which has resulted in decreasing trend of excess expenditure between 2009-2013 and complete stopping of excess expenditure during the year 2013-14. Further, with the 'IT Project' under progress, real time information on budget expenditure would be available which will go a long way in streamlining the system of budgeting. While appreciating the efforts made by the Department of Posts, the Committee urge that the Department should henceforth rectify the prevailing deficiencies and shortcomings in the existing expenditure review system so as to either avoid the recurrence of excess expenditure or minimize it to a greater extent in future. The Committee also desire the Ministry of Finance to do re-assessment of funds on a realistic basis as Department of Posts is an operational Department with a Pan India spread and the budgetary cuts in their operational expenses would scale

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			down their quality of the services.
15.	15	Communications and Information Technology (Department of Posts)	The Committee note that an excess expenditure of ₹ 160.14 crore was incurred under Revenue (Voted) section of Grant No. 13—Postal Services despite obtaining Supplementary Grants of ₹ 940.88 crore. The excess occurred mainly due to MACP promotions, leave encashment on LTC, normal increase in pay on account of DA, more expenditure under salary, Office Expenses (OE) and Rent, Rates & Taxes (RRT) than anticipated, increase in pensioners, more settlement of Family Pension cases as anticipated etc. In the opinion of the Committee, these reasons clearly indicate that lack of proper and timely review of anticipated expenditure and failure to provide fully for requirement of funds had largely contributed to the excess under this Grant. The Committee are unable to appreciate as to why liabilities on account of settlement of Pensionary cases as also expenditure on pay and allowances could not be assessed realistically by the Department of Posts since there is usually no element of uncertainty in the expenditure on Pensions or pay and allowances. One another reason as adduced by the Department of Posts is that the Ministry of Finance had disregarded their need for additional requirement of funds and imposed cuts on operational cost which had led to excess expenditure. The Committee are not convinced by this reason as more than 90% of the total budget of Department of Posts is for salaries and pensions and only 8-9% is for operational expenses. However, in this regard, the Ministry of Finance submitted that funds for committed liabilities as projected by Ministries/ Departments concerned with sufficient justification are fully provided. The Committee are, therefore, inclined to

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			conclude that the Department have woefully failed to take appropriate measures to efficiently project their actual requirement of funds before the Ministry of Finance at the Budget/Revised Estimates stage which resulted in presenting the same *fait accompli*, year after year. The Committee have now been informed that the Department of Posts has embarked on "IT Modernisation Project" and the roll out of the project is under implementation in the Pilot Circles. With the IT system in place, real-time budgetary information would be available which would streamline the expenditure and budgetary control and instill fiscal discipline. The project is likely to complete its implementation phase by the end of October, 2016. In the meantime, the Committee desire that the Department of Posts should take measures to prevent excess expenditure. The Committee further hope that the project will be implemented within the prescribed time limit and the Department of Posts will be consistent in their efforts so that no expenditure is incurred in excess of the authorized limits under this Grant in future.
16.	16	Railways	The Committee's examination of the Indian Railways Appropriation Accounts for the Financial Year 2012-13 has revealed that the Ministry of Railways incurred a total excess expenditure of ₹ 1675.96 crore (after misclassification) in 10 cases of 8 excess registering Grants/Appropriations. The Committee note that while there was some decline in the excess expenditure as well as excess registering Grants/Appropriations during the year 2011-12 in comparison to the year 2010-11, it has again reversed during the year 2012-13 when the amount of excess expenditure as well as the number of cases of Grants/Appropriations had increased from ₹ 1049.86 crore in 4 Grants/ Appropriations during 2011-12 to

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			₹ 1675.96 crore in 8 Grants/Appropriations during the year 2012-13. The Committee are astonished to note that out of the total excess expenditure incurred by the Ministry of Railways during the fiscal 2012-13, the excess expenditure of more than ₹ 600 crore was incurred under two Grants *viz*. ₹ 658.82 crore under Grant No. 10—Working Expenses—Operating Expenses—Fuel and ₹ 981.95 crore under Grant No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits. According to the Ministry of Railways, the excess expenditure of ₹ 1674.66 crore under Revenue (Voted) Section of Grant Nos. 8, 10 and 13 was incurred due to incurring more expenditure towards staff cost, more contractual payments, increase in prime cost of HSD oil and more consumption of HSD oil, increase in rate of energy purchased from outside, receipt of more debits from Pension disbursing authorities on account of implementation of MACPS and dearness allowance hike, more *ex-gratia* pension, more cases of death-cum-retirement gratuity, leave encashment for pension optees and more Government contribution for new pension scheme. Apparently, most of these items were not such as to crop up suddenly or which could not be anticipated at the time of budget/revised estimates by an experienced organization like the Railways. Further, under Revenue (Charged) section of Appropriation Nos. 3, 4, 5, 7, 8, 11 & 13 the excess expenditure of ₹ 1.29 crore was incurred due to decretal payments. The Committee would like to know when exactly was the decretal payments made in all the cases and whether provisions for these payments could have been provided for at the time of revised budget allocation. It, however, appears that no attempt was made to provide for them in a Supplementary Appropriation for authorization by

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			Parliament during the year itself. Deploring the tendency of excess expenditure by the Ministry of Railways, the Committee in their earlier report had expected that the Ministry should look into the recurrent lapses on this account with a view to fixing responsibility at the appropriate level so that the existing deficiencies and shortcomings in the prevailing expenditure review system are rectified and recurrence of excess expenditure is avoided. The fact that the Ministry has not taken due care despite the Committee's directive is regrettable. The Committee would, therefore, again like to emphasise that through proper control over expenditure and with more accurate estimation of liabilities, much of the excess expenditure can be avoided. The Committee desire to be apprised of the concrete action taken in this regard by the Ministry within six months.
17.	17	Railways	Yet another area where inherent shortcomings were observed by the Committee related to the manner in which Supplementary Grants had been obtained by the Ministry of Railways. The Committee's examination of the relevant Appropriation Accounts has revealed that Supplementary provisions of ₹ 2338.95 crore were obtained in seven out of ten cases of excess registering Grants/ Appropriations. The Committee's scrutiny has also revealed that under Appropriation Nos. 3, 5, 7, 8 & 11 the original provisions were not available and only Supplementary Grants were obtained for this purpose. Further, under the Appropriation Nos. 3, 4, 7 & 11 the Supplementary provisions obtained proved to be inadequate as the excess expenditure incurred under these Appropriations was 4596.70%, 253.70% and 1246.87% and 309.65% of the

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			Supplementary provisions obtained. Under Appropriations Nos. 5, 8 & 13, no Supplementary Grants were obtained although there was excess expenditure subsequently to the tune of ₹ 0.25 crore. In fact that Supplementary provision in all these cases were too meager as compared to excess noticed subsequently which goes to prove that Supplementary Grants were ill conceived without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee are concerned over such a poor state of affairs and would like to express their unhappiness in this regard. They, therefore, recommend that the Ministry of Railways should evolve a mechanism to assess and project realistic requirement of funds both at Budgetary and Supplementary stages so that timely action is taken to ensure that the excess expenditure could be avoided as far as possible.
18.	18	Railways	The Committee are concerned to note that excess expenditure has become a recurring phenomenon in respect of Grant No. 13—Provident Fund, Pension and other Retirement Benefits and Appropriation No. 03—General Superintendence and Services operated by the Ministry of Railways. Recurring excess expenditure under these two Grants/Appropriations had been incurred during the last four years *i.e.* from 2009-10 to 2012-13. Out of which under Grant No. 13 the amount of excess expenditure incurred was more than ₹ 1000 crore during the years 2009-10 and 2010-11 (₹ 1512.39 crore in 2009-10 and ₹ 1403.98 crore in 2010-11), while it was more than ₹ 700 crore during the years 2011-12 and 2012-13 (₹ 769.62 crore in 2011-12 and ₹ 981.95 crore in 2012-13). The excess expenditure under Grant No. 13 which had

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			shown some decrease during the year 2011-12 has again increased to ₹ 981.95 crore during the year 2012-13. The Committee are constrained to record their displeasure over the persistent tendency of exceeding the budgetary ceilings. However, explaining the reasons for recurring excess expenditure under Grant No. 13 the Ministry of Railways informed the Committee that vastness of Railway Pensioners who have settled all across the country, involvement of a number of pension disbursing authorities and implementation of the recommendations of the 6th CPC in piecemeal made it difficult to accurately assess the requirement of funds under this grant during the recent years. Further apprising the Committee about the stringent measures proposed to be taken by the Railway Board to tighten up their budget estimation systems in pursuance of the repeated exhortations of the Committee to minimize the excess expenditure the Ministry informed that the concern is being regularly shared with the Zonal Railways and they have been instructed to accurately forecast requirement with available data. They have also been cautioned to avoid instances of excess expenditure in the future by containing the same within the sanctioned allotment. The Committee are led to conclude that once again the Ministry of Railways have failed to take any stringent measures to address this problem of recurrent excess expenditure despite issuing routine instructions to the Zonal Railways. The Committee, therefore, strongly feel that the Ministry must analyse in depth the reasons for this recurring phenomenon with a view to initiating some concrete measures whereby budget estimates are prepared more precisely and

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			the actual expenditure is incurred/contained within the funds authorized by Parliament.
19.	19	Railways	The Committee further find that in order to reduce/eliminate the excess expenditure under Grants/Appropriations operated by the Ministry of Railways, computerization of accounting activities is being done. Major functions of the Accounts Department are computerized with the applications like, Advanced Finance Railway Earning and Expenditure System (AFREES), Pay Roll and Integrated Modules of Establishment (PRIME), Integrated Pay roll and Accounting System (IPAS), Indian Railway Project Sanction and Management (IRPSM), Inter-Railway Online Reconciliation of Transfer Transactions (e-Recon), Rail-lekha etc. Moreover, for entire Indian Railways Pension preparation and monitoring, a pension portal namely Advance Railway Pension Access Network (ARPAN) has been developed from April, 2014 for centralized pension processing, accountable of Pension expenditure, interface with pension disbursing banks, reconciliation of Pension amounts paid by banks with Railways to detect over and under payments and centralized pension grievance redressal and monitoring. This application has already been implemented in 79 units out of total 145 units across zonal Railways/Production Units. The application is in process of implementation in remaining Units/Railways and entire process is planned to be completed by March, 2016. The Committee would like to be apprised of the progress made in the computerization of accounting activities, implementation of these applications in a phased manner and hope that this will help in improving the assessment of pension expenditure thereby eliminating the excess expenditure under every grant including pension grant.

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20.	20	Railways	The Committee regret to find that during the year 2012-13 there was misclassification of expenditure of ₹ 571,55,478 under Grant No. 8—Working Expenses—Operating Expenses-Rolling Stock and Equipment operated by the Ministry of Railways. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2012-13 works out to ₹ 1675.96 crore instead of ₹ 1670.24 crore as indicated in Indian Railways Appropriation Account (2012-13). The Committee are distressed to find despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in their accounts. During the last 10 financial years, the Committee have come across 56 cases of misclassification of expenditure. Further, scrutiny of the cases of misclassification of expenditure during the last five years has revealed that though the misclassification of expenditure during the year 2011-12 has reduced to ₹ 174,75,509 in 2 cases in comparison to the misclassification of ₹ 29,70,49,848 in 9 cases in the year 2010-11, it has again increased to ₹ 571,55,478 in one case in 2012-13. It seems that no tangible action has been taken by the Ministry of Railways either to fix the responsibility against the responsible officers for such glaring mistakes or to revamp their existing accounting system as had been repeatedly recommended by the Public Accounts Committee. The Committee take a serious view of such callous approach on the part of the Ministry of Railways for not timely detecting such mistakes which led to derail the budgetary exercise. As major functions of Accounts Department of Ministry of Railways are stated to be computerized with several applications to strengthen the various accounting

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			activities, the Committee hope that the Ministry would now be able to overcome systemic lacunae/loopholes and progressive elimination of the misclassification syndrome in future.
21.	21	Finance (Economic Affairs), Defence, Communications and Information Technology (Department of Posts) and Railways	The instances of excess expenditure that have occurred under various Grants/ Appropriations particularly those relating to Ministries of Finance, Defence, Railways and Department of Posts only highlight the growing malaise of not learning lessons from past mistakes. It is further seen that excess expenditure has occurred even in cases where the expenditure could have been easily anticipated and incorporated in the budget estimates/revised estimates. In some cases, even routine types of expenditure were not taken into account, resulting in excess expenditure under that Grant/Appropriation. This clearly shows that the Government particularly the Ministry of Finance, as the nodal agency, have not been paying the requisite attention to this issue. In this connection, the Committee would like to point out that as per the extant Financial Rules, the Secretary of the Ministry/Department concerned should take responsibility for ensuring financial discipline in that Ministry/ Department with a view to obviating excess expenditure. Considering the persisting trend of excess expenditure ranging from ₹ 1544.94 crore in 2008-09 to ₹ 6597.02 crore in 2012-13, the Committee would now like the matter to be considered seriously. The Committee, accordingly recommend the Department of Personnel and Training to look into that the recurrent lapses in observing financial discipline should be reflected in the Annual Performance Appraisal Report of the budget controlling authorities as well as the Financial Advisors of the Ministry/Department concerned so

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			as to ensure strict adherence to the financial discipline thereby reducing the recurrent phenomenon of excess expenditure to the barest minimum, if not, eliminated altogether. An expert group should also be set up to review the existing General Financial Rules so as to plug the lacunae, if any, in the rules to curb the tendency of the Ministries to incur excess expenditure in future.
22.	22	Finance (Economic Affairs), Indian Audit and Accounts Department Urban Development, Defence, Communications and Information Technology (Department of Posts) and Railways.	Subject to the Observations/Recommendations made in the preceding Paragraphs, the Committee recommend that the expenditure referred to in Paragraph 14 of Part—I of this Report be regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India.

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