

**AUGMENTATION OF PROVISION TO OBJECT HEADS-
GRANTS-IN-AID AND SUBSIDY**

[Action Taken by the Government on the Observations/Recommendations of
the Committee contained in their 83rd Report (15th Lok Sabha)]

**MINISTRY OF FINANCE (DEPARTMENT OF
ECONOMIC AFFAIRS)**

**PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

TWENTY-FOURTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2055

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PUBLIC ACCOUNTS COMMITTEE **(2015-16)**

(SIXTEENTH LOK SABHA)

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HEADS-GRANTS-IN-AID AND SUBSIDY**

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Eighty-third Report (15th Lok Sabha)]

**MINISTRY OF FINANCE (DEPARTMENT OF
ECONOMIC AFFAIRS)**



Presented to Lok Sabha on:

Laid in Rajya Sabha on:

13 AUG 2015

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2015 /Shravana, 1937 (Saka)

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

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmputra
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udas
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Smt. Anita B. Panda - Director
3. Shri T. Jayakumar - Additional Director
4. Smt. Anju Kukreja - Under Secretary

INTRODUCTION

1. I, the Chairperson, Public Accounts Committee (2015-16), having been authorised by the Committee, do present this Twenty-fourth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Eight-Third Report (Fifteenth Lok Sabha) on 'Augmentation of Provision to Object Heads Grants-in-Aid and Subsidy' relating to Ministry of Finance (Department of Economic Affairs).

2. The Eighty-third Report was presented to Lok Sabha/laid in Rajya Sabha on 30th April, 2013. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Twenty-fourth Report at their sitting held on 11th August, 2015. Minutes of the sitting are given at Appendix I.

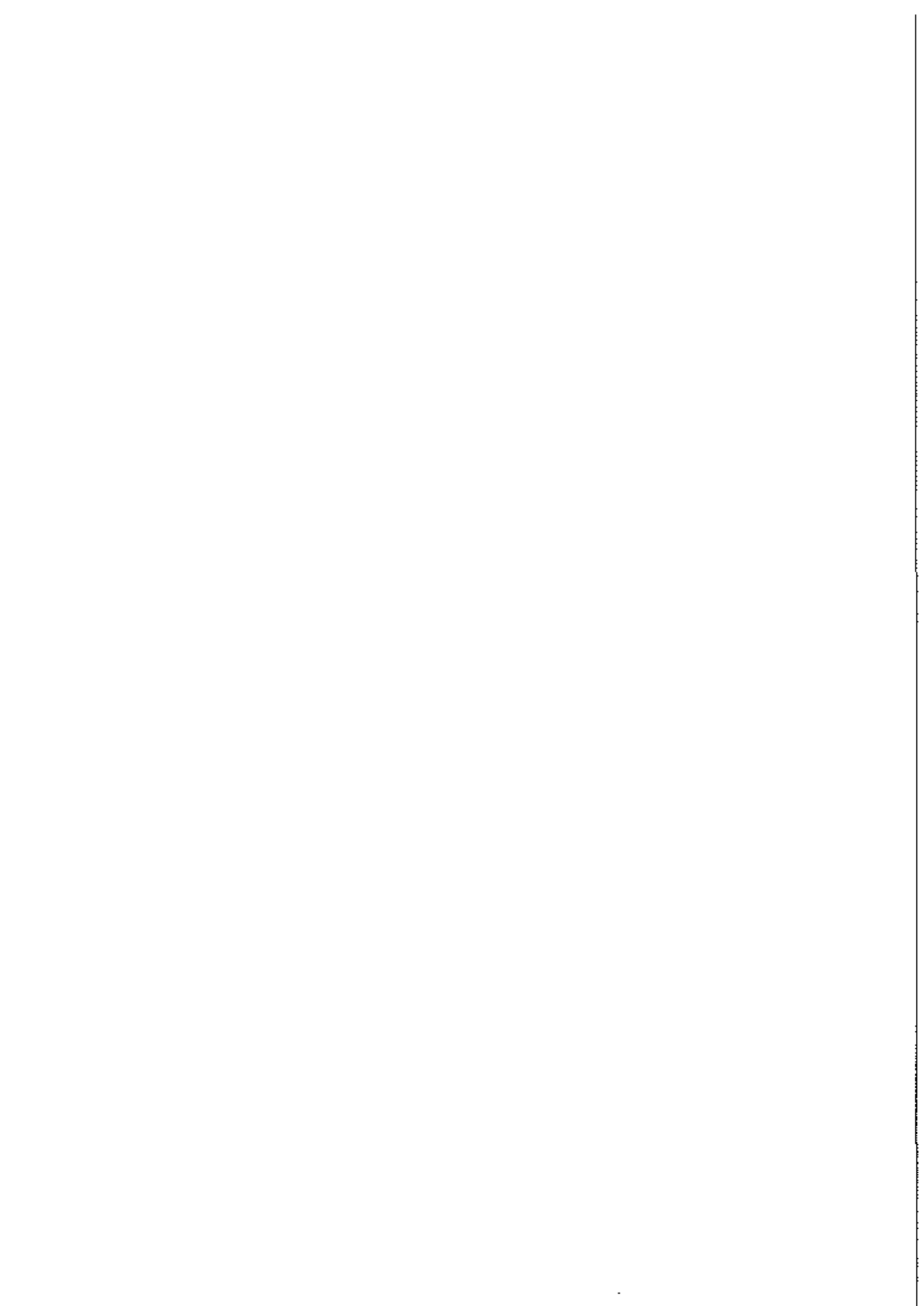
3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

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

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

NEW DELHI;
12th August, 2015
2nd Shravana, 1937 (Saka)

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



REPORT

PART - I

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Eighty-third Report (15th Lok Sabha) on "Augmentation of Provision to object Heads – Grants-in-Aid and Subsidy" based on Para Nos. 4.2.1 and 4.2.2 of the C&AG's Report No. 1 for the year 2011-12, Union Government – Accounts of the Union Government.

2. The Eighty-third Report (15th Lok Sabha) which was presented to Lok Sabha/laid in Rajya Sabha on 30th April, 2013, contained 11 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministries/Departments concerned and are broadly categorized as under:

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

Para Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 & 11

Total: 11

Chapter - II

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

Para Nos. NIL

Total: NIL

Chapter - III

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

Para Nos. NIL

Total: NIL

Chapter - IV

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

Para Nos. NIL

Total: NIL
Chapter -V

(a) Audit Observation

3. Audit scrutiny of the subject revealed that in 25 cases, across 14 Grants, funds aggregating to ₹ 698.82 crore were provided through Re – appropriation by various Ministries/Departments during the financial year 2010-11 for augmenting provisions under the object head "Grants-in-aid", without obtaining prior approval of Parliament. Further, in four cases, across four Grants, funds aggregating to ₹ 935.52 crore were provided through Re – appropriation by various Ministries/Departments during the financial year 2010-11 for augmenting the provision under the object head 'Subsidy' without obtaining prior approval of Parliament.

(b) Further observation of Audit

4. The Office of Comptroller and Auditor General of India, vide their D.O. letter dated 14 June, 2012 on the subject had stated that the aforesaid cases of augmentation of provision to object head 'Grant-in-aid' and 'Subsidy' relate to Re-appropriation being effected by Ministries/Departments where they were required to seek prior approval of Parliament. They had, therefore, requested the Public Accounts Committee to review the matter and take a decision as to whether the amount re-appropriated in those cases may be regulated in terms of Article 115(1)(b) of the Constitution.

(c) Comments of the Ministry of Finance (Department of Economic Affairs)

5. In this regard, comments of Ministry of Finance (Department of Economic Affairs) were sought in the first instance. The Ministry examined the issue and made the following comments:—

"Article 115(1)(b) stipulates that 'The President shall, if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure or cause to be presented to the House of the People a demand for such excess, as the case may be.

Soon after the Lok Sabha passes the Demands for Grants, Supplementary Demands for Grants or Demands for Excess Grants, the Government introduces an Appropriation Bill to provide for Appropriations out of the Consolidated Fund of India. Each Appropriation Bill becomes Appropriation Act after the Parliament passes the Bill and President assents. Appropriation Act authorizes the Government to withdraw certain sum (in respect of Main Demands for Grants), certain further sums (in respect of Supplementary Demands for Grants for the services of the financial year) and in respect of Demands for Excess Grants, the connected Appropriation Act seeks to provide for the authorization of Appropriation of moneys out of the Consolidated Fund of India to meet the amounts spent on certain services during the financial year ended on the 31st day of March, in excess of the amounts granted for those services and for that year. The word 'Services' here denotes the Name of the Demand.

Excess Grants happens when in any one of the four sections, viz. Revenue Voted, Capital-Voted, Revenue-charged or Capital-Charged, the expenditure for the year exceeds the sum of Original plus Supplementary Grants/ Appropriations. While Original Appropriation Act and Supplementary Appropriation Acts are obtained in thousands of rupees, Appropriation for Excess Grants are always obtained in unit of rupees.

The Re-appropriation orders issued by the Ministries/Departments in respect of Grants-in-aid and Subsidy without the approval of Parliament tantamount to defective Re-appropriation order, and, therefore, it has to be dealt in the manner as an instance in which the expenditure is incurred without proper budgetary sanction.

Regularisation of such type of expenditure under Article 115(1)(b) is not an appropriate mechanism for obtaining Parliament's approval. As explained above Article 115(1) (b) is only invoked to get the excess expenditure regularized in any of the four sections of the Grants (Services). Regularizing the inappropriate Re-appropriations through the route of Article 115(1) (b) of the Constitution will result in bloating of Appropriation and will be mis-leading.

In view of the above, it is observed that in the instant case, the Re-appropriation done without the approval of Parliament may be treated as defective Re-appropriation and the Ministries/Departments may be directed to frame the ATN, which could be examined by the PAC for further necessary action."

(d) Comments of the Ministry of Law and Justice

6. Subsequently, the Committee sought the views of Ministry of Law and Justice on the subject, as to whether the amount re-appropriated in these cases may be regulated in terms of Article 115(1)(b) of the Constitution. The Ministry referred the matter to Learned Attorney General for India for his considered opinion. Learned Attorney General dwelling on the Article 115 (1)(a) and Article 115(1)(b) of the Constitution opined that:—

"One has to analyze Article 115 of the Constitution of India. It is in two parts. Article 115(1)(a) deals with cases where the amount authorized is found insufficient for the purpose or where a need has arisen during the current financial year for Supplementary or additional expenditure. This would cover cases where the authorization is sought before the amount is spent. Article 115(1)(b) deals with cases where money has been spent on any service during a financial year in excess of the amount granted for that service and for that year.

In both cases, the President shall cause to be laid before both the Houses of Parliament, another statement showing the estimated amount of that expenditure or cause to be presented to the House of the People a demand for such excess, as the case may be.

As rightly pointed out by Dr. B.R. Ambedkar, the passing of an excess Grant is nothing but an Indemnity act which is consistent with the principle that ultimately it is Parliament alone which can sanction and authorize payments in the Consolidated Fund of India. As Dr. Ambedkar said:

In the case of excess grant, the excess expenditure has already been incurred and the executive comes before Parliament for sanctioning what has already been spent.

In the premises, my answer to the Query raised is in the 'affirmative'."

7. Therefore, taking into consideration the Constitutional provisions, the relevant Rules, the reasons attributed by the Ministries/Departments concerned in their explanatory notes, comments of the Ministry of Finance (Department of Economic Affairs) and the considered opinion of the Learned Attorney General for India on the subject, the Committee had given their Observations/Recommendations in their Eighty-third Report (15th Lok Sabha). The gist of important observations/recommendations as contained in the Report are given as under:

- (i) The Ministry of Finance should devise an effective mechanism so as to avoid recurrence of such serious lapses and to reinforce financial discipline.
- (ii) The Ministry of Finance should keep strict vigil over the trend of expenditure and take timely corrective action to obtain additional funds with the prior approval of Parliament.
- (iii) The Ministry of Finance should seriously look into the matter and deal sternly with cases of aberrations noticed so as to ensure strict adherence to and strict application of the prescribed Financial Rules by the Departmental Heads and FAs.
- (iv) Need for establishing a robust and fool proof mechanism for ensuring strict compliance of Constitutional and Financial provisions emphasized.
- (v) The contravention of the Constitutional and Financial provisions in all the cases of wrongful Re – appropriations be regularized as per the Constitution as also advised by the I d. Attorney General.

8. The Action Taken Notes furnished by the Ministries/Departments concerned on the Observations/Recommendations contained in 83rd Report (15th Lok Sabha) have been reproduced in the relevant chapters of this Report. The Committee will now deal with action taken by the Government on their Observations/Recommendations which either need reiteration or merit comments.

1. To devise an effective mechanism for imposing financial discipline (Recommendation Para No. 2)

9. The Committee had expressed their serious concern over the augmentation of funds to the tune of ₹ 698.82 crore under the head 'Grants-in-aid' and ₹ 935.52 crore under the head 'Subsidy' during the year 2010-11 without obtaining the mandatory prior approval of Parliament. The violation of Constitutional and Financial provisions occurred despite the fact that the adequacy of funds is discussed during mid-review while drawing up Revised Estimates. Upon noticing that the Ministry of Finance had no robust mechanism for timely detection of such contraventions of Constitutional and Financial provisions, the Committee recommended that the Ministry of Finance should

devise an effective mechanism so as to avoid recurrence of such serious lapses and to reinforce financial discipline.

10. The Ministry of Finance (Department of Economic Affairs) in their Action Taken Notes have responded as under:

"Ministry of Finance (Budget Division) has been re-iterating all necessary instructions on the subject every year as a part of Budget circular. Further this Ministry is contemplating to cause further awareness among all the Ministries/ Departments on the seriousness of overshooting the appropriation approved by the Parliament.

2. A meeting of the Financial Advisors of various Ministries/ Departments on the subject of 'excess expenditure' was also held under the chairmanship of Finance Secretary on 18th April, 2013. The thrust of the meeting was to ascertain the reasons for excess expenditure, besides laying special emphasis to avoid its recurrence and bring more accuracy in estimation of Budget.

3. The above points will also be discussed in the expenditure review meeting chaired by Hon'ble Finance Minister.

4. Each Ministries/Departments are controlled by the respective Secretary of that unit and all expenditure are incurred with the concurrence of respective Financial Adviser. Ministry of Finance does not come into picture when the expenditure is incurred by them. However, the above steps taken by Ministry of Finance will ensure that the incidence of such unauthorised expenditure does not recur again and financial discipline is enforced."

11. During the course of vetting of the above said Action Taken Note, the Audit made the following observations:

"Ministry of Finance, being the nodal authority is responsible for ensuring financial propriety and discipline from all the Ministries/Departments. Ministry is silent on the issues to devise an appropriate and effective re-appropriation mechanism for timely detection of such contraventions of Constitutional and financial provisions for imposing financial discipline on all the Ministries/Departments. This aspect may please be incorporated in the reply for proper appreciation of the PAC."

12. While submitting their comments in response to the above-said audit observation, the Ministry of Finance (Department of Economic Affairs) have stated as follows:

7

"Ministry of Finance (Budget Division) vide letter No.F.7(7)-B(SD)/2013 dated 7.1.2014 has once again reiterated that it is incumbent upon the Secretaries of Ministry/Department as Chief Accounting Authority of their respective Ministry/Department, to ensure that Constitutional and financial provision are strictly observed. Further they have been directed that these rules are rigidly followed.

A new initiative has been taken up by this Department which envisages development of software to process Re-appropriation proposals, for approval of Competent Authority. Necessary checks with respect to rules are being built in the proposed software, so that re-appropriation is correctly done. The necessary software is in the conceptual stage and shall be implemented in due course.

In view of the above it is once again assured that Ministry of Finance shall continue to carry out its review at apex level to ensure that such cases of inappropriate re-appropriation orders are eliminated."

13. The Committee note that in pursuance of their recommendation, the Ministry of Finance (Department of Economic Affairs) have once again tried to impress upon the Secretaries of the Ministries/Departments to observe the Constitutional and financial provisions strictly instead of devising a suitable mechanism for tightening the exchequer control as recommended by the Committee. The Committee have also been given to understand that the Ministry of Finance (Department of Economic Affairs) has taken up a new initiative to develop a software for processing Re-appropriation proposals, for approval of Competent Authority. Necessary check with respect to rules are being built in the proposed software, so that re-appropriation is correctly done. According to the Ministry of Finance the necessary software is in the conceptual stage and shall be implemented in due course. The Committee regret to observe that the Action Taken Note is silent about the date of initiation of this software and the time frame by which it would be completed and the tangible outcome thereof. The Committee also regret to note that despite the lapse of three years since the laying of C&AG Report containing the subject on the Table of the House and after lapse of two years since the presentation of 83rd Report (15th Lok Sabha) of Public Accounts Committee to the Parliament, the said software has not yet been developed. While deploring lack of urgency on the part of the Ministry of Finance to such a critical area of financial control, the Committee emphasize the need to

take measures for expediting setting up of such software with a view to effectively monitoring the re-appropriation of funds by all the Ministries/Departments. The Committee would also like to be apprised about the tangible difference in the system by eliminating the inappropriate re-appropriation in the wake of introduction of this software.

II. Unauthorized expenditure under Grant No. 32 -- Department of Economic Affairs
(Recommendation Para No. 8)

14. In yet another case, the Committee found that Grant No. 32 -- Department of Economic Affairs under head of Account "3075.60.101.02 -- Reimbursement of losses of Railways" on operating strategic Railway lines an additional expenditure of ₹ 34.38 crore was met by Re-appropriation. According to the Ministry of Finance augmentation of ₹ 10 crore was alone agreed against the budget provision of ₹ 600 crore in the absence of prior approval of Parliament through Supplementary Demands for Grants and sanction for release of ₹ 610 crore was accordingly issued by them. The Committee observed that augmentation of ₹ 10 crore through Re-appropriation of funds is admissible under the primary unit of appropriation 'Subsidy' in terms of Ministry of Finance's instructions dated 25.05.2006. Strangely, the Ministry of Railways while putting through the transaction on proforma basis adjusted ₹ 634.38 crore in accounts for the year 2010-11 for re-imbusement of losses to Railways, resulting in unauthorized expenditure of ₹ 24.38 crore. Taking a serious view of the perfunctory manner in which the vital accounts were maintained by the Railways, the Committee sought an explanation from the Ministry as to how such error escaped notice and could not be rectified in time. They had also desired the Ministry to go into the causes, fix responsibility for the lapse and take corrective measures so that such aberrations do not recur.

15. In their Action Taken Note on the above-said recommendation, the Ministry of Railways stated as follows:

"No error has occurred as far as Railway Accounts are concerned. The "Reimbursement of Losses on operation of Strategic Lines" has been accounted

for at ₹ 610 crore only in railway accounts as per sanction given by the Ministry of Finance. However, in accounts of Department of Economic Affairs, the same has been shown as ₹ 634.38 crore. This might be due to the fact that both the 'Subsidy to Railways towards dividend relief' and the 'Reimbursement of Losses to Railways on operation of Strategic lines' are shown under the MH-8675. The amount of ₹ 24.38 crore, which actually should have been a part of the first item appears to have been erroneously accounted for in the second item by Ministry of Finance. The matter has already been explained to Ministry of Finance vide this Office's letter No. 2012/AC-I/3/6 dated 16.10.2012 in reference to their letter No. CCA/Fin/DEA/Pr.AO/Pro. Acct./2012-13/1192 dated 19.09.2012 that the adjustments made are strictly as per rules and within the allotted amounts."

16. The Vetted comments of Audit on the above said Action Taken Notes are as under:

"Railway Audit vide their U.O. 14 – RA-III/2-2/13 dated 23.08.2013 have vetted the ATN with the remarks Soen. Thanks.' Ministry of Railways receives subsidies from Ministry of Finance on two occasions subsidy to Railways from General revenues towards dividend relief, other concessions and subsidy to dividend relief is to be accounted for by the Department of Economic Affairs under Sub Head-01 Payment to Railways (Object Head 01.00.33) and Reimbursement of losses to Railways on operating strategic railway line under Sub Head-02 (Object Head 02.00.33)

During the year 2010-11, the Ministry of Railways has obtained ₹ 610 crore as subsidy to Railways towards re-imbursement of losses on operating strategic railway line and ₹ 2,037.64 crore as Subsidy to Railways from General Revenues towards dividend relief and other concessions both for Commercial line (₹ 2,013.26) and strategic lines (₹ 24.38 crore)

Thus, subsidy towards losses to Railways on operating of strategic lines was only ₹ 610 crore during the year 2010-11 and not ₹ 634.38 crore. The remarks given by the Ministry of Railways in its Action Taken are correct."

17. While observing that wrong adjustment of ₹ 634.38 crore instead of ₹ 610 crore in the accounts for the year 2010-11 by the Ministry of Railways resulted in unauthorized expenditure of ₹ 24.38 crore, the Committee had desired the Ministry to go into the causes, fix responsibility for the lapse and take corrective measures so that such aberrations do not recur. The Ministry of Railways while denying the said wrong adjustments in their accounts have now stated that the amount of ₹ 24.38 crore had been erroneously accounted for by the Ministry of Finance and the matter had already been explained to the Ministry of Finance by

the Ministry of Railways vide their letter dated 16th October, 2012. The Railway Audit while vetting the Action Taken Notes of the Ministry of Railways had also supported the views of the Ministry and found those correct. On account of the casual approach of the Ministry of Finance in presenting the facts and figures without proper analysis of the case the Committee were misled and accordingly constrained to seek explanation from the Ministry of Railways for unauthorized expenditure of ₹ 24.38 crore. The Committee consider it a sad reflection on the adequacy of accounting system and also a failure on the part of the Budget Controlling Authorities of the Ministry of Finance. The Committee are inclined to conclude that this is a clear case of laxity in the financial control exercised at the supervisory level in the Ministry of Finance for which responsibility should be fixed and action taken against those responsible for the mistake.

III. Infringement of the basic Constitutional and Financial Provisions
(Recommendation Para No. 9 and 10)

18. Expressing their serious displeasure over the ever increasing tendency on the part of various Ministries/Departments to blatantly indulge in violation of the provisions of General Financial Rules, the Committee had emphasized that it is imperative on the part of the Ministry of Finance, being the nodal Ministry for overall general financial management, to put in place a robust and fool-proof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments. As the Ministries/Departments were required to obtain approval of Parliament in all the cases of wrongful Re-appropriations, the Committee had recommended that contravention of the Constitutional and Financial provisions be regularized as per the Constitution and urged the Ministry of Finance to regularize the irregular excess re-appropriations as also advised by the Ld. Attorney General.

19. The Ministry of Finance (Department of Economic Affairs – Budget Division) in their Action Taken Notes have stated as under:

"The recommendations/observations of the Committee made in the above two paragraphs of 83rd Report (2012-2013) (15th Lok Sabha) on 'Augmentation of Provision to Object Heads—Grants-in-Aid and Subsidy' have been noted. The

following is the submission of this Ministry on the recommendations/observations of the Committee:

2. Rules 59 and 60 of General Financial Rules (GFRs) stipulate that –
- (i) Subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates.
 - (ii) Re-appropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in the appropriation for the said unit.
 - (iii) Funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.
 - (iv) An application for re-appropriation of funds should ordinarily be supported by a statement in Form GFR 4 or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning re-appropriation, the reasons for saving and excess of ₹ 1 lakh or over and the primary units (secondary units, wherever necessary), affected should be invariably stated. The authority sanctioning the re-appropriation should endorse a copy of the order to the Accounts Officer.
 - (v) Supplementary Grants: If savings are not available within the Grant to which the payment is required to be debited, or if the expenditure is on 'New Service' or 'New Instrument of Service' not provided in the budget, necessary Supplementary Grant or Appropriation in accordance with Article 115 (1) of the Constitution should be obtained before payment is authorized while processing the cases relating to re-appropriation of funds available within the same section of the Grant and for obtaining the approval of Parliament through Supplementary Demands for Grants when savings are not available in the Grant for meeting additional requirement of funds or if the expenditure on 'New Service/New Instrument of Service' is not provided in the budget.

All the Ministries/Departments are required to follow these provisions while processing the cases relating to re-appropriation of funds available within the same section of the Grant and for obtaining the approval of Parliament through Supplementary Demands for Grants.

3. Ministry of Finance has been impressing upon all Ministries/Departments, while calling for the Supplementary proposals, the need to obtain the approval of the Parliament whenever the financial limits to New Service/New Instrument of Service are attracted. The position is brought to the notice of all Financial Advisors of line Ministries/Departments at the time of calling for the Supplementary proposals. As is evident from the table below, the Ministries/Departments are complying with the stipulations made in GFRs and in this Ministry's O.M. No. F.1 (23)-B (AC)/2005 dated 25.05.2006.

Statement showing number of cases referred to Parliament through token supplementaries in Supplementary Demands for Grants seeking approval of Parliament for incurring expenditure on 'New Service/New Instrument of Service'.				
Year	Supplementary Demands for Grants			Total
	First	Second	Third	
2010-2011	58	60	98	216
2011-2012	60	90	107	257
2012-2013*	94	98	---	192
2013-2014	3	109	123	235

* No third batch in the year 2012-2013.

4. This Ministry has been taking all precautions in ensuring compliance of financial rules/provisions relating to augmentation of funds under various object heads including 'Grants-in-Aid' and 'Subsidy'.

5. The Report cites only 25 cases across 14 Grants/Appropriations for the year 2010-2011, where excess expenditure has been observed by audit under these specific object heads such as 'Grants-in-aid' and 'Subsidy', whereas 216 cases, in all, were referred to Parliament through Supplementary Demands for Grants by including token supplementaries. This is evident from the table given above. This proves that this Ministry has been monitoring the cases which require the approval of Parliament in cases relating to New Service/New Instrument of Service and ensuring that these are included in the Supplementary Demands for Grants and approval of the Parliament thereon obtained. The cases where the certain Ministries/Departments failed to obtain the prior approval of the Parliament through Supplementary Demands for Grants for augmentation under Grants-in-aid/Subsidy are viewed by this Ministry to obviate the possibility of recurrence of such deviations/lapses and efforts are continuing to educate the

Ministries/Departments. This Ministry has been inviting the attention of the Secretaries of Ministries/Departments to the provision stipulated in this Ministry's O.M.No.1(23)-B(AC)/2005 dated 25.5.2006 relating to financial limits applicable to 'New Service'/'New Instrument of Service'. Latest instruction issued vide letter No. 7(7)-B (SD)/2013 dated 7.1.2014 from this Ministry refers in this regard.

6. The observations and recommendations made by the Committee for regularizing the excess expenditure under specific primary units of appropriation viz. 'Subsidies' and 'Grants-in-aid' under article 115(1)(b) of the Constitution are based on the considered views rendered by Ld. Attorney General. It may be seen that the views rendered by Ld. Attorney General are largely towards interpretation of the Constitutional provisions relating to Supplementary/Excess grant and the opinion does not throw new interpretation to the extant procedure being followed with reference to Supplementary/ Excess grant. Application of the Constitutional provision on financial management at micro level may not be appropriate. Regularization of excess expenditure under the object heads 'Subsidies' and 'Grants-in-aid' in terms of article 115 of the Constitution of India are selective and this may result in seeking the approval of Parliament on the excess expenditure even when, under specific circumstances, 'grant as a whole' is not exceeded. In case, the excess expenditure under the object heads 'Subsidies' and 'Grants-in-aid' is regularised in terms of article 115 of the Constitution of India, similar treatment may need to be given to all other object heads (like 'Major Works', 'Machinery & Equipment', 'Investments' and 'Loans and Advances', etc.) where the expenditure incurred in excess of the financial limits applicable to New Service/New Instrument of Service and without the explicit approval of the Parliament. With the recommendation made by the Committee, the excess expenditure occurred under 'Subsidies' and 'Grants-in-aid' would require to be regularized even if there is no excess expenditure in any of four sections of the grant (Revenue-Voted, Revenue-Charged, Capital-Voted and Capital-Charged)."

20. Vetted comments of Audit on the aforesaid Action Taken Notes are as under:

"(i) On Action Taken Note's Paras 4 and 5:

The Public Accounts Committee in their 23rd Report (14th Lok Sabha: 2005-2006), while agreeing to the revision of norms for re-appropriation of funds, which was circulated vide Ministry of Finance OM No. F.1 (23)-B (AC)/2005 dated 25.05.2006, had observed that:

"The Committee would like to impress upon the Ministry of Finance (Department of Expenditure) to devise an effective mechanism for proper and continuous monitoring of the revised norms in order to ensure strict adherence to

the same by each and every Ministry/Department. The Committee also expects the Financial Advisors of the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with".

Being the nodal Ministry for ensuring overall financial discipline in the Government, Ministry of Finance is responsible to ensure that there is no violation of OM No. F.1 (23)-B(AC)/2005 dated 25.05.2006 by any Ministry/Department as desired *ibid* by the Committee. 25 cases of violation across 14, grants/appropriations in the financial year 2010-2011 reflects that Committee's directives have not been taken seriously by the Ministry of Finance and the line Ministries.

(ii) On Action Taken Note's para 6:

In para 4.2.1. and 4.2.2 of Comptroller & Auditor General of India's Audit Report No. 1 of 2011-12 for the financial year 2010-11, cases of financial breach attracting limitations of New Service/New Instrument of Service have been pointed out in respect of only two object heads viz. subsidies/grants-in-aid.

In subsequent Financial Audit Reports of Comptroller & Auditor General of India on the Accounts of the Union Government, instances relating to financial breach attracting New Service/New Instrument of Service in respect of a number of object heads in addition to subsidies/grants-in-aid, viz. Major Works, Machinery & Equipment, Loans & Advances, etc. have been pointed out.

In the light of the recommendations of the PAC, the Ministry of Finance would therefore need to strengthen the mechanisms to ensure that a single aberration of the conditions stipulated in OM No. F.1 (23)-B (AC)/2005 dated 25th May, 2006 do not occur in any of the grant/appropriation. It may also be mentioned that the Ministry of Finance, has further clarified and elaborated the OM dated 25th May, 2006, in their subsequent OM No. F.1 (5)-B (AC)/2011 dated 21 May, 2012. Any slackness in implementation/ compliance of the said revised norms for re-appropriation of funds is strictly dealt with, as desired by the PAC, since such instances tantamount to assuming the financial powers of Parliament by the executives."

21. Further reply of the Ministry of Finance (Department of Economic Affairs -- Budget Division) on the aforesaid Audit comments is given as under:

"Ministry of Finance has been taking all precautions in ensuring compliance of financial rules/provisions relating to augmentation of funds under various object heads including 'Grants-in-Aid' and 'Subsidy'.

In view of the above, this Ministry humbly appeals to the Public Accounts Committee to re-consider their recommendation for regularizing the expenditure

occurred under object heads 'Subsidies' and 'Grants-in-aid', exclusively, in excess of the appropriation authorized by Parliament and allow this Ministry to continue the existing practice of seeking approval of Parliament for regularizing the excess expenditure only if the excess expenditure has occurred in any of the four sections of the grant."

22. Expressing concern over the irregular provision of funds to the tune of more than ₹ 1600 crore through Re-appropriation by various Ministries/Departments during the Financial year 2010-11 without obtaining the approval of Parliament, the Committee in their 83rd Report (15th Lok Sabha) had emphasized the Ministry of Finance to put in place a robust and fool-proof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments. They had also urged the Ministry of Finance to ensure that in case the expenditure exceeds Parliamentary authorization, the excess expenditure is regularized through Appropriation (Excess) Act. The Ministry of Finance have now informed that the cases where certain Ministries/Departments failed to obtain the prior approval of the Parliament through Supplementary Demands for Grants for augmentation under Grants-in-aid/subsidy have been reviewed to obviate the possibility of recurrence of such deviations/lapses and efforts are continuing to educate the Ministries/Departments. Further, the Ministry of Finance have been inviting the attention of Secretaries of Ministries/Departments to the provision stipulated in their O.M. dated 25.05.2006 relating to financial limits applicable to 'New Service/New Instrument of Service' and latest instruction in this regard was issued on 07.01.2014. Keeping in view the instances relating to financial breach in respect of the object heads Grants-in-aid and subsidy in the subsequent C&AG Reports, the Committee feel that repeated instructions are not being followed scrupulously by the Ministries/Departments and therefore, an effective mechanism should be put in place in the Ministry of Finance (Department of Economic Affairs-Budget Division) so as to ensure that a proper check is exercised on the flow of expenditure under every Grant/Appropriation of all the Ministries/Departments. Again, as regards the regularization of excess expenditure under specific primary units of appropriations viz. 'Subsidies' and

'Grant-in-aid' under Article 115(1) (b) of the Constitution, the Ministry of Finance informed that this may result in seeking the approval of Parliament on the excess expenditure even when, under specific circumstances, 'grant as a whole' is not exceeded. Moreover, similar treatment may need to be given to all other object heads viz. 'Major Works', Machinery and Equipment', 'Investments' and 'Loans and Advances' etc. The Ministry of Finance (Department of Economic Affairs) have therefore, requested the Public Accounts Committee to re-consider their recommendation for regularizing the expenditure occurred under object Heads 'Grants-in-aid' and 'Subsidy'. The Committee have been disappointed to note that the Ministry of Finance (Department of Economic Affairs) have not taken any concrete steps for implementation of their recommendation. No mention has been made in the reply regarding measures taken or proposed to be taken to strengthen the mechanisms to ensure that there is no violation of O.M. No. F.1 (23)-B (AC)/2005 dated 25.05.2006 by any Ministry/Department. The fact that instructions have been issued time and again without achieving any concrete result warrants that some bold and innovative measures are required to be taken by the Ministry of Finance to ensure compliance of financial rules/provisions relating to augmentation of funds under various object heads including 'Grants-in-Aid' and 'Subsidy'. Since instances relating to financial breach attracting New Service/New Instrument of service tantamount to assuming the financial powers of Parliament by the executive, the Committee trust that in the larger interest of achieving a sound fiscal health in future, the Ministry of Finance (Department of Economic Affairs) should devise an effective mechanism to timely detect such cases and ensure that these are included in the Supplementary Demands for Grants, approval of Parliament thereon obtained and any slackness is strictly dealt with.

NEW DELHI;
 12th August, 2015
 29 Shrawana, 1937 (Saka)

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

APPENDIX-II

(Vide Paragraph 5 of Introduction)

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

(i)	Total number of Observations/Recommendations	11
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1 to 11	Total : 11 Percentage: 100%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. -Nil	Total : 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para Nos. -Nil	Total : 0 Percentage: 0
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para Nos. -Nil	Total : 0 Percentage: 0