EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2010-11)

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

PUBLIC ACCOUNTS COMMITTEE 2014-2015

NINTH REPORT

SIXTEENTH LOK SABHA



LOK SABHA SECRETARIAT NEW DELHI

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

Presented to Lok Sabha on 11 December, 2014 Laid in Rajya Sabha on 11 December, 2014



LOK SABHA SECRETARIAT NEW DELHI

December, 2014/Agrahayana, 1936 (Saka)

PAC No. 2040

Price: ₹ 170.00

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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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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15)

Prof. K.V. Thomas — Chairperson

Members

Lok Sabha

- 2. Shri S.S. Ahluwalia
- 3. Shri Sudip Bandyopadhyay
- 4. Shri Ranjit Singh Brahmpura
- 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. Shri Shiv Kumar Udasi
- 13. Dr. Kirit Somaiya
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Rajya Sabha

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- 22. Shri Ramchandra Prasad Singh

SECRETARIAT

- 1. Shri A.K. Singh Joint Secretary
- 2. Shri Jayakumar T. Additional Director
- 3. Shri S.L. Singh *Under Secretary*

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

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

[‡]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 Chairperson, Public Accounts Committee (2014-15), having been authorised by the Committee, do present this Ninth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Sixty-fourth Report (Fifteenth Lok Sabha) on 'Excesses Over Voted Grants and Charged Appropriations (2010-11)'.
- 2. The Sixty-fourth Report was presented to Hon'ble Speaker on 16th January, 2013 and Lok Sabha on 26th February, 2013 and laid in Rajya Sabha on 27th February, 2013. Replies of the Government to the Observations/ Recommendations contained in the Report were received from the Ministries of Finance, Commerce & Industry (Department of Commerce), External Affairs, Petroleum and Natural Gas, Road Transport and Highways, Urban Development, Defence, Communications and Information Technology (Department of Posts) and Railways on 15th January 2014, 13th September 2013, 22nd July 2013, 20th December 2013, 28th November 2013, 15th July 2013, 20th June 2013 and 27th June 2013 respectively. The Public Accounts Committee considered and adopted the Ninth Report at their sitting held on 2nd December, 2014. Minutes of the sitting are given at *Appendix* I.
- 3. For facility of reference and convenience, the Observations/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* II to 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 Sixty-fourth Report (Fifteenth Lok Sabha) is given at *Appendix* III.

New Delhi; 08 *December*, 2014 17 *Agrahayana*, 1936 (*Saka*) PROF. K.V. THOMAS

Chairperson,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Sixty-fourth Report (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2010-11)".

- 2. The Sixty-fourth Report (15th Lok Sabha), which was presented to Hon'ble Speaker on 16th January, 2013 and Lok Sabha on 26th February, 2013 and laid in Rajya Sabha on 27th February, 2013 contained 13 Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministries/Departments concerned and are categorised as under:—
 - (i) Observations/Recommendations which have been accepted by Government:

Paragraph Nos. 1-4, 8-10, 12 and 13

Total: 9 Chapter: II

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

-Nil-

Total: Nil

Chapter: III

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

Paragraph Nos. 5-7 and 11

Total: 4 Chapter: IV

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

-NIL-

Total: Nil Chapter: V

I. Delay in submission of Action Taken Notes

3. In accordance with the time line prescribed by the Committee, Notes indicating the Action Taken by the Government on the Observations/Recommendations contained in their Reports were required to be furnished by the Ministries/Departments concerned within six months of the presentation of the Reports. But an analysis of the submission of the Action Taken Notes furnished by the Ministries/Departments concerned in the

instant case has revealed that there have been delays ranging between 7 days to 6 months beyond the stipulated period of six months. The Ministry/Department-wise position of delay has been tabulated as under:—

Sl. No.	Ministry/Department	Due date of furnishing ATNs	Date when complete ATNs were furnished	Delay
1.	Finance	15.07.2013	15.01.2014	6 months
2.	Commerce	-do-	13.09.2013	1 Month 29 days
3.	External Affairs	-do-	22.07.2013	7 days
4.	Petroleum and Natural Gas	-do-	31.10.2013	3 Months 16 days
5.	Road Transport and Highwa	ys -do-	20.12.2013	5 Months 5 days
6.	Urban Development	-do-	28.11.2013	4 Months 13 days
7.	Defence	-do-	15.07.2013	-
8.	Posts	-do-	20.06.2013	-
9.	Railways	-do-	27.06.2013	-

4. The Committee are perturbed that despite repeated assurances given by the Ministries/Departments especially by the Ministry of Finance that necessary remedial measures have been taken to ensure timely submission of Action Taken Notes, none of the defaulting Ministries/Departments barring the Ministry of Defence, Department of Posts and the Ministry of Railways could furnish the requisite Action Taken Notes on the Observations/Recommendations contained in their Sixty-fourth Report (15th Lok Sabha) within the prescribed time of six months from the date of presentation of the Report. The Ministry of Finance, the nodal Ministry expected to act as a role model in such matters, performed miserably and submitted their Action Taken Notes after a maximum delay of six months. Evidently, this shows gross negligence and undermining of the principles of the fiscal discipline and financial propriety by the Ministries/Departments concerned especially the Ministry of Finance. The Committee express their strong displeasure over such inordinate delay in furnishing the requisite Action Taken Notes resulting in avoidable delays in preparation and presentation of the relevant Action Taken Reports by the Committee. While deploring the callous and indifferent approach of the defaulting Ministries/Departments, the Committee impress upon the authorities concerned in these Ministries/Departments to urgently initiate requisite remedial and corrective measures including fixation of responsibility for lapses/ negligence and overhauling of their extent mechanism so as to ensure that the Action Taken Notes on the Observations/Recommendations of the Committee are finalized and furnished invariably within the stipulated deadline of six months.

5. The Action Taken Notes furnished by the Ministries/Departments concerned have been reproduced in the relevant chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/

Recommendations made in their Sixty-fourth Report (15th Lok Sabha) which either need reiteration or merit comments.

II. Measures for containing Excess Expenditure

Recommendation (Para No. 2)

6. Taking note of the huge variations in the quantum of excess expenditure incurred under twenty-nine Grants/Appropriations during the financial year 2010-11, the Committee in their Sixty-fourth Report had cautioned that expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of the budget did not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The Committee had observed that the unabated large excess expenditure by these defaulting Ministries/Departments was not only axiomatic of the fact that they had miserably failed to track the pace of expenditure vis-a-vis the grants approved by Parliament but also indicated that the defaulting Ministries/Departments had not accorded due importance to the guiding principles of budgeting and abdicated their responsibilities. The Committee had urged upon the defaulting Ministries/Departments to learn from the experience of the Ministries/Departments which did not incur excess expenditure. In view of the persisting trend of excess expenditure and considering the fact that the problem was not intractable with effective application of IT and e-governance, the Committee had recommended that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling Authorities by issuing suitable and periodic instructions to ensure that no excess expenditure takes place in future.

7. In their Action Taken Note, the Ministry of Finance have stated as under:—

"The Ministry of Finance circulates among the Ministries/Departments, various Government instructions to be undertaken to formulate Budget, ensure smooth pace of expenditure throughout the year, avoid exceeding the budgetary limit etc., in one place. While seeking proposals for Supplementary Demands for Grants also, instructions are issued to make realistic projections, so that neither there is an occasion for huge surrender of budget provisions nor there are huge excesses. Compliance to these instructions is closely monitored.

Discussions are held with the Financial Advisers of various Ministries/Departments so that a micro review is undertaken at the apex level of Ministry of Finance for estimating a realistic budget requirement by the Ministries/Departments. During the discussions, review of expenditure is done schemewise in respect of Ministries/Departments so that realistic budget is framed and approved by the Parliament. Ministry of Finance also takes an opportunity to assess realistic requirement of funds for the year during the three batches of Supplementary Demands for Grants.

Ministry of Finance has taken steps for precisely estimating the expenditure and budget accordingly so that the instances of excess are avoided. Finance Secretary had convened a meeting of Financial Advisers of Ministries/ Departments where excess had taken place in the past to ascertain the reasons

for excess expenditure over Voted Grants and Charged Appropriations. Measures to be taken up to avoid its recurrence in future were also discussed. Finance Secretary directed that excess expenditure on account of inaccurate estimates needs to be avoided. Measures such as tighter payment control by disbursing officers, and speedy reconciliation of accounts with field units were emphasised.

Instructions have been issued from time to time and periodic discussions are held with the Financial Advisers and Budget Controlling Authorities to ensure that no excess expenditure takes place in future."

8. The Department of Commerce in their Action Taken Note have stated as under:—

"So far as Department of Commerce is concerned, the excess Expenditure is Rs. 6,56,75,990 against the Total Grant of Rs. 682,99,00,000. The excess Expenditure was incurred due to (a) booking of expenditure (i) on projects/schemes for the benefit of North Eastern Region and Sikkim; (ii) by the Ministry of Urban Development under the ongoing schemes; and (b) excessive expenditure incurred by some Cheque Drawing and Disbursing Officers. On the advice of Ministry of Finance Department of Economic Affairs *vide* their D.O. No. 7 (2)-B(SD) 2012, dated 5th February, 2013, the excess Grants of Rs. 6,56,75,990 has been regularised by Parliament and assented to by the President of India on 22nd March, 2013 enclosed. The same has been intimated to Lok Sabha Secretariat, Parliament House on 14 June, 2013 *vide* this Department O.M. No. G. 20008/10/2011-B&A.

It may be mentioned that Expenditure against the Budget is being monitored on a monthly basis with senior officers."

9. The Ministry of External Affairs in their Action Taken Note have stated as under:—

"The Ministry had taken all necessary steps to try and avoid excess expenditure. However, due to reasons already explained in the Excess Note 2010-11, it was not possible to avoid excess expenditure. Clear instructions are issued to all the spending units of Ministry at RE stage each year to surrender any identifiable excess funds forthwith. Instructions are issued to spend the funds retained in full and to avoid incurring excess expenditure. The instruction of the Hon'ble Committee will be circulated to further sensitize these units to strictly adhere to the budgetary limits on spending. Close monitoring of expenditure on daily basis is being done in the last quarter of the financial year to ensure that expenditure remains with the budgetary limits. Tools of IT and e-governance are also being used in accounting and monitoring the pace of expenditure. Expenditure of the 180 Missions/Posts in particular is constantly monitored through implementation of Integrated Mission Accounting Software (I-MAS), accounts of which are rendered monthly by these Missions/Posts."

10. In their Action Taken Note, the Ministry of Petroleum and Natural Gas have merely stated that the Recommendation of the Committee had been noted.

11. The Ministry of Road Transport and Highways in their Action Taken Note have stated as under:—

"The Excess expenditure of 15,000 was erroneously booked by BRDB under Revenue Charged due to urgency in implementing court order against Court Case No. WP(C) 787 of 2010 filed by Ravinder *Vs* UOI & others. Suitable instructions have been issued to all concerned to ensure no excess expenditure take place in future."

12. In their Action Taken Note, the Ministry of Urban Development have stated as under:—

"Observation of Hon'ble PAC is accepted. Concerted efforts to avoid the chances of excess expenditure over voted grants and appropriation are being made by issue of Instructions to all concerned to strengthen the monitoring of expenditure to keep the expenditure within the budgeted allocation and no excess expenditure may occur."

13. In respect of Grant No. 21 — Defence Pensions, the Ministry of Defence have *inter-alia* stated as under:—

"As a measure of control, the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget with utmost caution and accuracy while estimating requirement of funds and budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of actual/anticipated expenditure. In this regard, instructions were issued *vide* 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.

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 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. 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 informed about various measures initiated to promote e-governance model and use of IT.

Also, as per the directions of Ministry of Finance, to Review of 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 Min. of Finance *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 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 are disbursing agencies.
- PCDA(P) has taken up with Banks to provide Pension Payment scrolls on electronic format.
- * 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 lakhs pensioners have been computerized and the remaining 8 lakhs pensioners are in the process of computerization.
- * Apart from "Project Sangam", a new web based application for "Pension Accounting System" has also been developed, which is under trial running process. The project once 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.

Any instructions issued by Ministry of Finance in this regard would certainly be followed by this Ministry."

14. With regard to Grant No. 22 — Defence Services — Army, Grant No. 23 — Defence Services — Navy, Grant No. 25 — Defence Ordnance Factories and Grant No. 27 — Capital Outlay on Defence Services, the Ministry of Defence in their Action Taken Note have stated as under:—

"In light of the recommendations of the Committee, three Committees are being constituted in the Ministry of Defence to make an in-depth examination of the issues and identify weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same. These Committees will comprise representatives from Defence Finance Division, Budget Holders/Financial Planning Directorates of the Services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. Further, any instructions issued by Ministry of Finance to curb excess expenditure in future would be complied with by this Ministry in letter and spirit."

15. In their Action Taken Note, the Department of Posts have stated as under:—

"Subordinate units of the Department of Posts are instructed regularly to project realistic demands for funds. Department place request for funds which is mainly based on assessment and projections made by its subordinate units. Ministry of Finance during pre-budget discussions; re-assess the demands for funds and based on this, the fund allocation has reduced, which also is a reason for excess expenditure.

Instructions on austerity measures received from Ministry of Finance are also being circulated to all field formations and their expenditures 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."

16. The Ministry of Railways in their Action Taken Note have stated as under:—

"Of the total excess of Rs. 3,052.79 cr. incurred during 2010-11, 93.73% of the excess has occurred under five grants, *viz.*, 6, 8, 10, 12 & 13. Excess under grant No. 13 alone is 46% of the total excess incurred by Ministry of Railways. The excess under this Grant has been due to the difficulty in assessing the impact of implementation of recommendations of the 6th CPC on pension payments which continued in 2010-11 also. Under Grant No. 12, the excess was 21.5% mainly under the head 'Suspense' mainly due to clearance of heavy outstanding liabilities and more materialisation of claims than anticipated. Under Grant No. 10, the excess was 13% mainly due to increase in average rate of HSD oil & electricity, higher activity of locos and higher taxes/duties than anticipated. The share of excess under Grant no. 6 & 8 is relatively minor at 7.2% & 6.2%."

17. The Committee are appalled to note that except for the Ministry of Finance issuing circulars, holding discussions and convening meetings and the Ministry of Defence undertaking 'Project Sangam' and 'Pension Accounting System' to streamline and computerize Defence Pension Accounting System, none of the Ministries/Departments concerned have taken any concrete steps to ensure application of IT and e-governance in their budgeting so as to avoid excess expenditure. Disappointingly, instead of admitting their lapses and striving to learn from the experience of the Ministries/Departments which did not incur excess expenditure as recommended by the Committee, almost all these Ministries/Departments have sought to justify the excess expenditure incurred by them. The Committee vehemently criticize such tendancy of the Ministries/ Departments concerned to unsuccessfully justify their excess expenditure and violation of Financial Rules instead of revamping their existing mechanism with a view to achieving concrete improvement in their budget estimation exercise. The Committee find that the Ministries/Departments which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and propriety contain their expenditure within the budget allocated and approved by Parliament. Moreover, in an age of e-governance made feasible by computerization and instant connectivity between filed formations, Subordinate Offices and Head Quarters, there is no valid justification for irregularities like unauthorized excess expenditure. The Committee, therefore, urge upon the defaulting Ministries/Departments to learn from the experience of the Ministries/Departments which did not incur excess expenditure and also ensure effective application of IT and e-governance in their budgeting to avoid excess expenditure. Furthermore, since the instructions issued for containing excess expenditure have failed to produce tangible result year after year, the Committee desire that the Ministry of Finance should now take more stringent and innovative measures and make it incumbent upon the Financial Advisers and the budget controlling authorities to ensure that no excess expenditure is incurred in future.

III. Excess Expenditure Despite obtaining Supplementary Grants/Appropriations Recommendation (Para No. 5)

18. In their Original Report, the Committee had noted with profound concern that out of the total twenty-nine cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 10,966.95 crore was incurred in as many as twentythree cases even after obtaining Supplementary Grants/Appropriations to the tune of Rs. 19,065.46 crore. The percentage of excess expenditure over the Supplementary Grants/Appropriations in respect of these twenty-three Grants/Appropriations ranged from 0.001 per cent [Grant No. 72 (Capital Voted) — Ministry of Petroleum and Natural Gas] to 2,108 per cent [Grant No. 101 (Revenue Voted) — Public Works] and in thirteen cases, this percentage was more than 50 per cent. In respect of seven Grants/Appropriations, the quantum of excess expenditure incurred was even higher than the Supplementary Grants/Appropriations sought. The Committee had deplored the tendency of the defaulting Ministries/Departments in resorting to excess expenditure in a routine manner despite obtaining huge sums of Supplementary Grants/ Appropriations in three stages, the latest being February — March 2011 i.e. the fag end of the financial year. The Committee had observed that this was a clear indication of not only bad budgeting but also deeply pervading malaise in the extent budgeting method/mechanism, which had failed to ensure proper assessment and accurate projection of fund requirement despite ample opportunities for seeking parliamentary approval besides exposing the hollow claim of the Ministries/Departments that they monitored the flow of excess expenditure. The Committee had recommended that the Ministries/Departments concerned should probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure was incurred and strict fiscal discipline was maintained.

19. The Ministry of External Affairs in their Action Taken Note have stated as under:—

"It is submitted that many of the Ministry's developmental projects are implemented in the foreign countries which depend on the local conditions prevailing in those countries. Very often, implementation of these projects is affected by the political climate in the host country. Ministry, however, will continue to endeavour to project more realistic budget demands taking into consideration all aspects of projects under consideration and implementation.

With the implementation of the Integrated Mission Accounts Software (I-MAS) in all the Missions/Posts in a phased manner, control of expenditure has improved. Clear instructions are given to all the spending units at RE stage to stick to the RE ceiling indicated and also to surrender any savings which are foreseen. The instructions of Ministry of Finance regarding curtailment of expenditure and expenditure ceiling are also given wide circulation among the spending units."

20. In their Action Taken Note, the Ministry of Petroleum and Natural Gas have stated as under:—

"This Ministry had requested for the entire sum of Rs. 101,53,14,000, but in the budget document only Rs. 101.53 crore was shown due to rounding off leaving Rs. 14,000 unadjusted.

The amount of Rs. 101.53 crore (leaving Rs. 14,000/- unadjusted) was provided to us in 3rd Supplementaries and the approval was conveyed on 18.03.2011. During the next financial year *i.e.* 2011-12, this Ministry had *vide* letter dated 7.12.2011 requested Ministry of Finance to forward the Explanatory Note to Public Accounts Committee for regularization of excess expenditure of Rs. 14.000/-."

21. The Ministry of Road Transport and Highways in their Action Taken Note have stated as under:—

"No supplementary grant was taken by the Ministry for this purpose. The Excess expenditure of Rs. 15,000 was erroneously booked due to urgency in implementing court order against Court Case No. WP(C) 787 of 2010 filed by Ravinder *Vs* UOI & others."

22. In their Action Taken Note, the Ministry of Urban Development have stated as under:—

"Instructions have already been issued to all concerned to strengthen monitoring of expenditure and to keep the expenditure well within the budgeted allocation and no excess expenditure over the grant/appropriation is allowed to occur *vide* OM No.G-23012/6/2011-Bt.(UD) dated 12.08.2011. Further, One Day Workshop on Awareness Building on re-appropriation and projection of Supplementary Demands for Grants was also conducted on 13.09.2011."

23. In respect of Grant No. 21 — Defence Pensions, the Ministry of Defence in their Action Taken Note have *inter-alia* stated as under:—

"The approved BE 2010-11 was Rs. 25000 crore and at RE 2010-11 stage, an amount of Rs. 37647 crore was projected under Grant No.21—Defence Pensions, however, due to financial constraint, MoF approved only Rs. 34000 crore, that is, Supplementary Grant to the tune of Rs. 12647 crore was requested at RE stage of 2010-11, but due to financial constraint only Rs. 9000 crore was approved by MoF, which means less Supplementary Grant was approved than projected, which resulted into excess expenditure of Rs. 3,336.41 crore. The actual expenditure of Rs. 37,336 crore incurred under the Grant, was in line with the RE projection of Rs. 37,647 crore submitted by the Ministry to MoF. Also, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of Budget."

24. Regarding corrective measures taken, in respect of Grant No. 21 — Defence Pensions, the Ministry of Defence in their Action Taken Note have stated that they had issued, from time to time, instructions to exercise strict control on progress of

Expenditure in order to avoid any large-scale savings or excess under any grant relating to Civil Estimates. The Ministry also submitted the same reply given by them in the case of Committee's Recommendation No. 2 which is reproduced in para 13 of this Report.

25. With regard to Grant No. 22 — Defence Services — Army, Grant No. 23 — Defence Services — Navy, Grant No. 25 — Defence Ordnance Factories and Grant No. 27 — Capital Outlay on Defence Services, the Ministry of Defence in their Action Taken Note have stated as under:—

"In view of the above recommendation of the Committee, the Ministry of Defence is constituting three Committees comprising representatives from Defence Finance Division, Budget Holders/Financial Planning Directorates of the Services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. These Committees would make an in-depth examination of the issues to identify weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same. Detailed instructions have been issued to all concerned *vide* MoD (Fin.) ID No. 7(5)/Bud.-I/2011 dated 29/11/2011, 10(01)/Bud.-I/2012(PC) dated 11/12/2012, 10(01)/Bud.-I/2012 dated 06/02/2013, 10(01)/ Bud.-I/2013 (PC) dated 07/03/2013, 14/03/2013, 20/03/2013, 26/03/2013 for strict monitoring of utilization of the budget to avoid excess expenditure over allocation."

26. In their Action Taken Note, the Department of Posts have stated as under:—

"It is a fact that there has been excess expenditure for Rs. 366.63 crores during the year 2010-11. Austerity measures received from Ministry of Finance are also being circulated to all field formations and their expenditures 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.

Department is implementing IT project through which business processes of each action of the Department is going to be computerised which will enable to make more accurate projection of demands for funds."

27. In their Action Taken Note, the Ministry of Railways have stated as under:—

"In March, 2011, Ministry of Railways obtained supplementary under 13 Grants and 9 Appropriations. Of this, excess has occurred under 9 Grants, *viz.*, 3, 4, 6, 7, 8, 10, 11, 12 & 13 and under 4 Appropriations, *viz.*, 3, 6, 8 & 12.

Excess under charged appropriations could not be avoided despite taking supplementary because more decretal payments materialised in March, 2011 whereas the supplementary was finalised at the end of February, 2011 itself. As regards excess under voted grants, the reasons have been given in the ATNs to the preceding observations.

However, noting the concern of the Committee, the Railways have been addressed on the issue *vide* the letter (No. 2013-B-342 dated 09-04-2013) and also in the General Managers' conference held in April, 2013."

28. The Committee are dismayed to observe that only the Ministry of Petroleum and Natural Gas and the Ministry of Defence (in respect of Grant No. 21—Pensions) could give satisfactory reply for incurring excess expenditure despite obtaining Supplementary Grants/Appropriations. The reply given by the remaining defaulting Ministries/Departments i.e. the Ministry of External Affairs, the Ministry of Urban Development, the Ministry of Defence (in respect of Grants No. 22 Defence Services—Army, Grant No. 23—Defence Services—Navy, Grant No. 25—Defence Ordnance Factories and Grant No. 27—Capital Outlay on Defence Services), the Department of Posts and the Ministry of Railways is far from convincing and as such, they should have initiated probe into the causes of excess expenditure despite obtaining Supplementary Grants/Appropriations under the Grants/Appropriations operated by them as recommended by the Committee. It signifies that no specific and concrete measures have been put in place as yet by them to streamline their budgetary process and overhaul the procedures adopted for revised estimation of budget at the Supplementary Grants/Appropriations stage with view to avoid unjustified excess expenditure. As there are no cogent reasons for the inevitability of excess expenditure when the Ministries/Departments get opportunities to present and obtain Supplementary Grants/Appropriations during the three sessions of Parliament in a year, the Committee deprecate the defaulting Ministries/Departments and would once again like to remind them about the sanctity of General Financial Rules which stipulate that no expenditure should be incurred which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament by law for a financial year except by way of obtaining Supplementary Grants/Appropriations or an advance from the Contingency Fund. The Committee, therefore, reiterate that the Ministries/ Departments concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants/Appropriations more realistic and the Financial Advisers and the budget controlling officers responsible so that strict fiscal discipline is maintained and no excess expenditure is incurred after obtaining Supplementary Grants/ Appropriations.

IV. Recurring Excess Expenditure by the Ministries of Railways and Defence Recommendation (Para No. 6)

29. In their Sixty-fourth Report, the Committee had observed that the Ministry of Railways had been persistently incurring huge excess expenditure during the financial years 2001-02 to 2010-11 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2003-04 to 2010-11. To elucidate, the Ministry of Railways incurred excess expenditure of Rs. 210.71 crore in eight Grants/Appropriations in 2001-02, Rs. 323.65 crore in eleven Grants/Appropriations in 2002-03, Rs. 1136.92 crore in nine Grants/Appropriations in 2003-04; Rs.2,151.99 crore in ten Grants/Appropriations in

2004-05, Rs. 2,322.46 crore in eleven Grants/Appropriations in 2005-06, Rs. 365.16 crore in eight Grants/Appropriations in 2006-07, Rs. 51.22 crore in eight Grants/Appropriations in 2007-08, Rs. 532.12 crore in eight Grants/Appropriations in 2008-09, Rs. 1,922.84 crore in nine Grants/Appropriations in 2009-10 and Rs. 3,056.86 crore in ten Grants/Appropriations in 2010-11. The Committee had found that under Defence Services sector, the Ministry of Defence incurred an excess expenditure of Rs. 37.50 crore in a single Grant in 2003-04, Rs. 41.99 crore in two Grants in 2004-05, Rs. 44.84 crore in two Grants in 2005-06, Rs. 667.17 crore in a single Grant in 2006-07, Rs. 71.19 crore in a single Grant in 2007-08, Rs. 742.61 crore in two Grants in 2008-09, Rs. 2,615.23 in two Grants in 2009-10 and Rs. 4,239.34 crore in four Grants/Appropriations in 2010-11. This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods had led the Committee to arrive at the conclusion that the estimation of requirement of funds was still done in a haphazardly manner devoid of sound budgetary presumptions. Needless to say the existing budgeting mechanism in these Ministries still suffered from various loopholes and lacunae which were nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. Observing that the persistence of such a pernicious trend was bound to further deteriorate the fiscal discipline leading to financial ad-hocism, and maladministration, the Committe had impressed upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce and implement IT and e-governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

30. In their Action Taken Note, the Ministry of Railways have stated as under:—

"The excess expenditure on Railways has increased from Rs. 210.71 crore in 2001-02 to Rs. 2322.46 crore in 2005-06. However, it declined to Rs. 365.16 crore in 2006-07 and further to Rs. 51.22 crore in 2007-08. But, it increased to Rs. 532.12 crore in 2008-09, to Rs. 1,922.84 crore in 2009-10 and to Rs. 3056.86 crore in 2010-11. The increase in 2008-09 and 2009-10 had been mainly due to the difficulty in assessing the impact of implementation of the recommendations of the 6th CPC as has already been submitted to in ATNs to Reports of PAC on Excess over Voted Grants and Charged Appropriations relating to those years. As regards the increase in 2010-11, the reasons have been given in the other ATNs to the present Report of PAC.

Notwithstanding the same, the recommendation of the Committee has been noted for compliance. The Committee may appreciate the fact that the excess in 2011-12 has drastically reduced to around Rs. 1050 crore."

31. The Ministry of Defence in their Action Taken Note have stated as under:—

"In light of the recommendations of the Committee, three Committees are being constituted comprising authorities in Defence Finance Division, Budget Holders/Financial Planning Directorates of the Services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. These

Committee would make an in-depth examination of the issues to identify the weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same. One of these Committees will be examining the extant IT system used for compilation of defence expenditure for further refinements and will also study the feasibility of conveying budget allotments by means of an IT solution. The Navy has implemented an FIS system which will also be examined for possible replication by other services.

Detailed instructions have been issued to all concerned *vide* MoD (Fin) ID No. 7(5)/Bud-I/2011 dated 29/11/2011, 10(01)/Bud-I/2012(PC) dated 11/12/2012, 10(01)/Bud-I/2012 dated 06/02/2013, 10(01)/Bud-I/2013 (PC) dated 07/03/2013, 14/03/2013, 20/03/2013, 26/03/2013 for strict monitoring of utilization of the budget to avoid excess expenditure over allocation."

32. The Committee are pleased to note that pursuant to their Recommendation, the Ministry of Defence have initiated certain measures by way of constituting three Committees towards overhauling their budgetary mechanism and introducing IT and e-governance in the system. The Committee would like the Ministry of Defence to take further concerted efforts in this direction to achieve successful overhauling of their budgeting mechanism wherein IT and e-governance are fully integrated and fixation of responsibility against the erring budget controlling authorities is ensured. The Committee are, however, concerned to note that the Ministry of Railways have merely noted the Recommendation of the Committee and sought to justify their recurring excess expenditure on one pretext or the other. It is apparent that the Ministry of Railways, instead of sincerely introspecting and finding solutions to their ever recurring unjustified excess expenditure, have chosen to remain incorrigible even to the extent of grossly undermining the Parliamentary financial control. Strongly criticizing such a cavalier attitude, the Committee reiterate their Recommendation impressing upon the Ministry of Railways to overhaul their budgetary mechanism drastically, introduce and implement IT and e-governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

V. Delay in submission of Explanatory Notes

Recommendation (Para No. 7)

33. In their Original Report, the Committee had observed that the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in the Union Government Appropriation Accounts (Civil) for the financial year 2010-11 were due for submission to the Committee on or before 24th April, 2012. However, the Ministries of External Affairs, Commerce and Industry (Department of Commerce), Petroleum and Natural Gas and Defence furnished their Explanatory Notes pertaining to the financial year 2010-11 after a delay of 7 months 18 days; 7 months 5 days; 3 months 27 days; and 13 days respectively. The Committee did not find any valid justification for inordinate delay in submission of the Explanatory

Notes by these defaulting Ministries/Departments as they had ample time to prepare and furnish the same to the Committee well before the stipulated time as has been done by other Ministries/Departments. Deploring the abysmal failure on the part of the Ministry of Road Transport and Highways to furnish Explanatory Notes to the Committee (as on 28.12.2012) even after repeated written and oral reminders, the Committee, being unable to endorse regularization of the excess expenditure, had recommended that responsibility be fixed by the Ministry of Finance in consultation with the Ministry of Law & Justice for violation of constitutional provision and they be apprised accordingly.

34. In their Action Taken Note, the Ministry of Finance have stated as under:—

"Accordingly, letters dated 15th May, 2013, 14th June, 2013 and 8th October, 2013 were sent to Ministry of Road Transport and Highways requesting them to initiate and intimate the action taken for the lapse. Ministry of Road Transport and Highways will ensure that the lapse does not recur in future and suitable action is taken against those responsible."

35. The Department of Commerce in their Action Taken Note have stated as under:—

"So far as Department of Commerce is concerned regarding Delay of 7 months 5 days, the reason for delay is due to non receipt of Vetting Note from the Audit."

36. To this, Audit in their vetting comments have stated as under:—

"Initially when the explanatory Note was sent in September 2011, the same was vetted and returned to Ministry on 23.11.2011 without offering any comment in Capital section of the grant, since this was shown as saving of Rs. 6.57 crore *i.e.* less than Rs. 100 crore. Subsequently, Ministry of Commerce and Industry submitted the ATN on excess to Audit for vetting on 27th November, 2012. The vetting comments of Audit were forwarded to the Ministry on 7th December, 2012."

37. In their Action Taken Note, the Ministry of External Affairs have stated as under:—

"The delay in submission of explanatory notes on excess expenditure in FY 2010-11 is regretted. However, it may be mentioned that some queries were raised in the Excess Note sent to Audit for vetting, and gathering information on these queries and their acceptance by the Audit led to delay. After clearance from Audit, the explanatory note was submitted to PAC. The delay could have been avoided. Ministry will make all efforts to avoid such delay in future."

38. The Ministry of Petroleum and Natural Gas in their Action Taken Note have stated as under:—

"Ministry of Petroleum & Natural Gas had forwarded the 'Explanatory note for Excess' for the excess expenditure to Monitoring Cell, Department of Expenditure, Ministry of Finance on 7th December 2011. Hence there was no delay at the level of Ministry of Petroleum & Natural Gas."

39. In their Action Taken Note, the Ministry of Road Transport and Highways have stated as under:—

"The excess expenditure of Rs. 15,000 was incurred under the head 3451.00.090.11 (Revenue Section Secretariat Economic Services). The Charged Expenditure amount to Rs. 15,000 was booked by AO, GREF agency of Border Road Development Board — against a writ petition (Civil) No. 787 of 2010 against Union of India *V/s* Ravinder, in which the judge awarded an amount of Rs. 15,000 as a court decree. The expenditure was incurred by an agency of BRDP which is not under the direct payment control of the Ministry of Road Transport and Highways. However, the provisional expenditure is made in the DDG of the Ministry of Road Transport and Highways.

The above excess expenditure was brought to the knowledge of Pr. Accounts Office of Ministry of Road Transport and Highways by the BRDB after the close of financial year, which was later on incorporated in the Appropriation Accounts.

On receiving the information regarding the excees expenditure immediately the Pr. Accounts Office prepared the Excess Note as per the prescribed guidelines and submitted to the O/o CGA after duly approved by AS&FA along with the remedial action taken. The same was also submitted to O/o Director General of Audit, Economic & Service Ministries *vide* U.O. No. Pr. AO/RTH/ATN/Gr. No 80/2010-11/12, dated 20.11.2011 for vetting. The C&AG office confirms the receipt of the excess expenditure note for the Ministry of Road Transport and Highways.

The duly vetted audit comments were received by this office on 22.12.2011 in which the Audit had directed to submit explanatory note to the Monitoring Cell, Deptt. of Expenditure, M/o Finance for onward transmission to the PAC Branch, Lok Sabha Secretariat for regularization of the excess expenditure.

As per the direction of Audit 40 sets of English and 30 sets of Hindi versions of Explanatory Note in respect of Gr. No. 80 for the year 2010-11 was submitted to the Under Secretary, Monitoring Cell, *vide* letter no. PAO/RTH/Saving Note/2011-12/118 dated 31.01.2012.

Further it was also confirmed by the Monitoring Cell that the duly vetted excess expenditure note was duly forwarded by the Monitoring Cell to the Lok Sabha Secretariat for consideration of the Committee *vide* letter dated 02.02.2012.

All the required documents along with the Explanatory Notes on Excess expenditure of Rs. 15,000 for regularization by the PAC were submitted by this office well in time. Further, this office has not received any written and oral reminder for non-submission of explanatory notes from Monitoring Cell or PAC. From the above mentioned facts it may be appreciated that there was no delay in submission of explanatory notes for the excess expenditure. Hence the action to fix responsibility is not warranted. However suitable actions are being taken by the BRDB to ensure that such lapse of excess expenditure over grants does not happen in future."

40. The Ministry of Defence in their Action Taken Note have stated as under:—

"The Appropriation Acconts (Defence Services) for 2010-11 was laid before the Parliament on 24th April, 2012 and the connected Explanatory Notes for excess expenditure was submitted to the PAC Branch and the Monitoring Cell of Ministry of Finance on 2nd May, 2012. The nominal delay has been noted for future avoidance. The Explanatory Notes for the year 2011-12 have already been vetted by the Audit and ready for submission to the PAC along with the Appropriation Accounts (Defence Services) for 2011-12 as and when the date for laying the same is intimated by the Ministry of Parliamentary Affairs/Ministry of Finance."

41. The Committee are shocked to find that the Ministry of Petroleum and Natural Gas had forwarded their Excess Explanatory Note to the Monitoring Cell, Department of Expenditure, Ministry of Finance on 7th December, 2011 but the same was furnished to the Committee by the Monitoring Cell only on 21st August, 2012 after a delay of 8 months and 15 days. Further, on checking the records in PAC Secretariat pursuant to the reply of the Ministry of Road Transport and Highways that their Excess Explanatory Note was furnished to the Committee on 2nd February, 2012, it was found that this Excess Explanatory Note was surreptitiously attached by the Monitoring Cell to the Saving Note of the Ministry of Road Transport and Highways furnished by them with a forwarding O.M. which mentioned about the Saving Note only. Deplorably, when the PAC Secretariat forwarded repeated oral and written reminders to both the Monitoring Cell and the Ministry of Road Transport and Highways, none of them cared to inform the Committee that this Excess Explanatory Note had already been furnished. In fact, upon receiving the reminders, the Monitoring Cell themselves wrote to the Ministry of Road Transport and Highways to expedite furnishing of this Excess Explanatory Note. Such acts of extreme carelessness and utter disregard of the Committee are unpardonable and the Committee, therefore, recommend the Ministry of Finance to institute a high level enquiry into the matter, fix responsibility for the lapse and take stringent punitive action against those found responsible. While criticizing other defaulting Ministries/Departments also for delay in furnishing their Explanatory Notes, the Committee would like them to learn suitable lessons from this episode and ensure timely submission of their Explanatory Notes in future.

VI. Lackadaisical Attitude of the Ministry of Railways Towards Controlling Excess Expenditure

Recommendation (Para No. 11)

42. In their 64th Report, the Committee had noted that during the financial year 2010-11, the Ministry of Railways incurred a total excess expenditure of Rs. 3,056.86 crore (after misclassification) in fifteen cases of ten excess registering Grants/Appropriations which was 158.98 per cent of the preceding financial year's total of Rs. 1,922.84 crore incurred in ten cases of nine excess registering Grants/Appropriations. According to the Ministry, the reasons for excess expenditure were incurrence of more expenditure on staff cost due to implementation of the 6th Pay Commission Recommendations, materialization of more contractual payment than

anticipated, more direct purchase due to increase in special repairs, more drawal of stores from stock, more adjustments of wages and material on POH, increase in POH activity, more expenditure towards consumption of HSD oil for more activity of diesel locos, increase in average rate of HSD oil, adjustment of more details, more expenditure towards sales tax/excise duty and VAT than anticipated, incurrence of more expenditure cost of electricity used for traction services, clearance of heavy outstanding liabilities and more materialization of claims and adjustment of details than anticipated, receipt of more details from various pension disbursing authorities on account of implementation of the 6th Pay Commission Report. The Committee's examination had revealed that the Grant No. 6 (Revenue Voted)—Working Expenses-Repairs and Maintenance of Carriages and Wagons had registered excess expenditure of ₹157.25 crore, ₹161.20 crore and ₹221.26 crore during the financial year 2008-09, 2009-10 and 2010-11 respectively while the Grant No. 8 (Revenue Voted)— Working Expenses—Operating Expenses—Rolloing Stock and Equipment had registered and excess expenditure of ₹128.30 crore during the financial year 2008-09, similarly, the Grant No. 12 (Revenue Voted)-Miscellaneous Working Expenses registered excess expenditure to the tune of ₹39.87 crore and ₹22.33 crore during the financial years 2009-10 and 2007-08 respectively. The Committee had also found that the Grant No. 13 (Revenue Voted)—Working Expenses—Provided Fund, Pension and other Retirement Benefits had registered excess expenditure of ₹1,512.27 crore during the financial year 2009-10. In these cases too, the Ministry had furnished similar contributory reasons. Finding that incurring of excess expenditure under the Grants/Appropriations operated by the Ministry of Railways was a recurring phenomenon indicating serious flaws in their budgetary excercise, the Committee were not enthused by the Ministry's stock reply that every care had been taken to assess the expenditure under various Grants/Appropriations as precisely as possible and to obtain supplementary allotments where necessary so that excess is avoided to the maximum extent possible. The Committee had observed that while anticipating the requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising cost, etc. which was possible by putting in a little more effort. Concluding that the indolent Ministry of Railways had not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure, the Committee had observed that the Ministry had paid scant respect to enforcing fiscal discipline while incurring want only excess expenditure, which was regrettable. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee had recommended that the Ministry of Railways strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that the existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.

43. The Ministry of Railways in their Action Taken Note have stated as under:—
"The excess expenditure in 2008-09 and 2009-10 had been mainly due to the difficulty in assessing the impact of implementation of the recommendations

of the 6th CPC as has already been submitted to in ATNs to Reports of PAC on Excess over Voted Grants and Charged Appropriations relating to those years. As regards the excess in 2010-11, the reasons have been given in the other ATNs to the present Report of PAC.

Notwithstanding the same, the recommendation of the Committee has been noted for compliance. The Committee may appreciate the fact that the excess in 2011-12 has drastically reduced to around ₹1,050 crore".

44. The Committee feel that it's untenable on the part of the Ministry of Railways to exonerate themselves form incurring excess expenditure by furnishing year after year the similar contributory reasons such as the implementation of the 6th Pay Commission Recommendations, more operational cost than anticipated, more expenditure on purchases than anticipated, more maintenance and repair costs, etc. These reasons/factors are not that unforeseeable and estimations for various Sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising costier, etc. which was possible by putting in a little more effort. The Committee find much to their consternation that the Ministry of Railways have once again merely noted the Recommendation of the Committee and sought to justify their perpetual incurring of unauthorized excess expenditure without giving proper regard to their Recommendation. As such, no action has been taken to review and overhaul their existing mechanism for estimation of budgetary requirements which has proved to be a failure year after year. This is symptomatic of the Ministry's penchant for disrespecting fiscal discipline, incurring want only excess expenditure and undermining Parliamentary financial control and hence unacceptable to the Committee. Deploring such an apathetic, boisterous and irredeemable attitude of the Ministry, the Committee reiterate their Recommendation asking the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that the existing lapses/loopholes are identified and concrete remedial measures taken to abviate excess expenditure.

45. In sum, the Committee express their strong displeasure over incurring consistently uncontrolled unauthorized excess expenditure by the defaulting Ministries/Departments and would like the nodal Ministry *i.e* the Ministry of Finance to bring this feeling of the Committee to the notice of the appointing authority of the respective Chief Accounting Authority as well as Financial Advisers of the Ministries/Departments concerned with a view to facilitating remedial measures which *inter-alia* should include fixation of responsibility so as to avoid excess expenditure in future.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

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 2010-11 has revealed that a total excess expenditure of ₹11,042.87 crore was incurred in twenty-nine cases under twenty-two Grants/ Appropriations. The Ministries/Departments which have incurred excess expenditure during the 2010-11 fiscal are the Ministry of Commerce and Industry (Grant No. 11—Department of Commerce); the Ministry of Communications and Information Technology (Grant No. 13—Postal Services); the Ministry of Defence (six cases under five Grants/Appropriations i.e. Grant Nos. 21, 22, 23, 27 and Appropriation No. 25); the Ministry of External Affairs (two cases under Grant No. 31); the Ministry of Petroleum and Natural Gas (Grant No. 72); the Ministry of Road Transport and Highways (Grant No. 80); the Ministry of Urban Development (two Grants i.e. Grant Nos. 101 and 102); and the Ministry of Railways (fifteen cases under ten Grants/ Appropriations *i.e.* Grant Nos. 3, 4, 5, 6, 7, 8, 10, 11, 12 and 13 and Appropriation Nos. 3, 6, 7, 8 and 12). The Committee observe an improved performance of the Government in containing the quantum of excess expenditure during the financial year under review as compared to that of the last fiscal wherein a total excess expenditure of ₹14,581.86 crore (before misclassification) was incurred in twenty cases under eighteen Grants/Appropriations. They, however, express their concern over the increase in the number of excess registering Ministries/Departments. The incidence of excess expenditure of such a huge magnitude is far from justifiable given the provision for obtaining Supplementary Demands for Grants in the course of a financial year. The Committee desire that such an endemic failure arising out of 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 observance of strict fiscal discipline should be prudently addressed in the coming years.

> [Sl. No. 1, Appendix II, Para No. 1 of 64th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Department of Commerce

The Para 1 relates to various Ministries like Commerce and Industry/Defence/ External Affairs/Petroleum and Natural Gas, etc. So far as Department of Commerce is concerned, the excess Expenditure of ₹ 6,56,75,990 against the Total Grant of ₹ 682,99,00,000. The excess Expenditure was incurred due to (a) booking of expenditure (i) on projects/schemes for the benefit of North Eastern Region and Sikkim, (ii) by the Ministry of Urban Development under the ongoing schemes; and

(b) excessive expenditure incurred by some Cheque Drawing and Disbursing Officers. On the advice of Ministry of Finance, Department of Economic Affairs *vide* their D.O.No. 7 (2)-B(SD) 2012, dated 5th February, 2013, the excess Grants of ₹6,56,75,990 has been regularised by Parliament and assented to by the President of India on 22nd March, 2013. The same has been intimated to Lok Sabha Secretariat, Parliament House on 14th June, 2013 *vide* this Department O.M.No. G. 20008/10/2011-B&A copy enclosed.

It may be mentioned that now Expenditure against the Budget is being monitored on a monthly basis with senior officers.

Audit Comments

Excess expenditure of Rs. 6,56,75,990 (Capital Voted) has been regularised by the Parliament and assented to by the President of India on 22nd March, 2013 as prescribed in Article 115 (1) (b) of the Constitution of India has been obtained. Hence, no further comments.

Sd/-

AS&FA

The above ATN has been vetted by the Office of the Principal Director of Audit, Economic & Service Ministries, New Delhi *vide* their U.O.No. AMG-V/VV/ATN/2011-12/177-179, dated 29th August, 2013.

[Department of Commerce, O.M. No. G. 20008/10/2011-B&A (pt.), dated 13.09.2013]

Action Taken by the Ministry of External Affairs

The expenditure incurred by 180 Missions and Posts abroad and their accountal posed unique challenge to the Ministry. However, with the implementation of the Integrated Mission Accounts Software (I-MAS) in all the 180 Missions/Posts in a phased manner, monitoring of expenditure has improved. As regards monitoring of pace of expenditure, the periodicity prescribed by the Ministry of Finance for compilation of accounts of a Ministry is monthly. The Ministry of External Affairs fully adhere to the timelines prescribed by the Ministry of Finance in this regard. The Missions/Posts abroad are required to send their monthly cash accounts to the Principal Chief Controller of Accounts by the 5th day of succeeding month. The Principal Chief Controller of Accounts consolidates the accounts of the Ministry and furnished the same to the Controller General of Accounts (CGA) by the 10th of the succeeding month. The Monthly accounts of the Ministry are also uploaded on the web-based portal of CGA "e-lekha". The Accounting for the month of March involves closure of all transactions arising during the financial year. The timelines prescribed by Ministry of Finance for compilation of March preliminary and supplementary accounts are also fully adhered to. The reduction of time lag in reporting of financial transactions with the application of information technology is an on-going process involving directions of the Ministry of Finance. Further, the Ministry always endeavours to scrupulously follow all the instructions of Ministry of Finance issued from time to time such as 33% expenditure ceiling in the last quarter, 15% expenditure ceiling in the month of March etc. are also circulated to all concerned to be scrupulously followed.

No. Q/Bud./125/02/2012 Additional Secretary (Financial Advisor)
Ministry of External Affairs

Action Taken by the Ministry of Petroleum and Natural Gas

During the year 2010-11, the Ministry had sought a technical supplementary of Rs. 101,53,14,000.00 on account of additional equity investment in Engineers India Limited (EIL). This additional equity investment was necessitated on account of receipt of bonus shares from EIL. The President of India was having 90.401% equity in EIL as on 31.3.2010 and number of shares held by the President of India as on 31.3.2010 (face value of Rs. 10 each) were 507,65,700. Subsequently, it was decided to split one equity share of face value of Rs. 10/- into two equity shares of face value of Rs. 5/- each and to issue bonus share in the ratio of 2:1. As such for every one share two shares were issued. Accordingly, 20,30,62,800 bonus shares (Face value of Rs. 5/- each) worth Rs. 101,53,14,000/- were issued in the name of President of India during 2010-11. Accordingly, during third Supplementary Demands for Grants for the year 2010-11, we had requested Ministry of Finance to provide us technical supplementary to the tune of Rs. 101,53,14,000 under Major Head 4802 (Capital Section). However, on account of rounding off the amount in lakh, Ministry of Finance could provide us only Rs. 101.53 crore and the balance amount was left out.

From the above, it could be seen that there was no excess expenditure from Ministry of Petroleum & Natural Gas side as this Ministry had raised the demand for the entire sum but Ministry of Finance could provide us Rs. 1010.53 crore leaving Rs. 14,000 crore unadjusted.

Keeping in view the fact that there was no lapse on the part of this Ministry as far as excess expenditure under the Grant was concerned, the Public Accounts Committee was requested to regularize the excess expenditure *vide* this office O.M. of even No. dated 7.12.2011 (copy enclosed).

(The above mentioned ATN has been examined and vetted by the office of the Principal Director of Audit, Economic and Service Ministries, *vide* their U.O. letter No. AMG-VI/App.A/C/ATN/2013-14/11-13 dated 30.04.2013).

Sd/-

Additional Secretary and Financial Advisor

[Ministry of P&NG, O.M. No. G-24011/1/2012 Fin. 1, dated 31.10.2013]

Action Taken by the Ministry of Road Transport and Highways

An excess amount of Rs. 15,000/- was incurred by B.R.D.B. under the head 3451.00.090.11 Revenue charged—Sectt. Economic Service.

- The Excess Expenditure erroneously booked under Revenue Charged due to urgency in implementing court order against Court Case No. WP(C) 787 of 2010 filed by Ravinder Vs UoI & others.
- 2. The petitioner Shri Ravinder S/o Shri Jai Lal VPO Chandwas, Distt. Bhiwani was provisionally selected for the post of Driver MY (OG) under UR category against Advertisement No. 2/2008.
- 3. On checking of the Driving Licence of the candidate at the time of introduction, it was observed that on the first page of driving licence No. 1616/E1E the date of issue was mentioned as 28th July, 2006, however, on the next page the date of issue was mentioned as 16th July, 2008. Therefore, the *prima-facie* evidence raised the doubt of the genuineness of the Driving Licence. Hence, the candidature of Shri Ravinder was cancelled by the Competent Authority at that point of time.
- 4. The genuineness of the Driving Licence was later verified from the issuing authority and was found correct as intimated by the District Transport Officer, Imphal (East) *vide* their letter no. 2/10/DL/DTO/(IE), dated 2nd December, 2010.
- 5. Hon'ble High Court of Delhi *vide* order dated 9th December, 2010 directed to pay a sum of Rs. 15000/- to the petitioner as cost of litigation within eight weeks from the date of order.
- 6. To comply with the court order and to avoid Contempt of Court Order, GREF Centre was directed to implement the court order *vide* Dte. GBR Fax message dated 4th January, 2011. Accordingly GREF Centre, Pune has made the payment on 5th February, 2011 to the petitioner through SBI, Pune, DD bearing No. 173367 dated 14th January, 2011. The expenditure was booked under MH 3451.00.090.11 and Charge Head 099/066/21, which requires to be regularized under charged expenditure. The compelling reason for making this expenditure, erroneously under MH 3451.00.090.11, was to avoid contempt of court and to comply court direction/order.
- 7. It may be appreciated that excess expenditure of Rs. 15,000 was incurred to avoid contempt of court and to comply court direction/order.

8. Remedial Measures

- (i) DGBR has been asked to be careful while compiling expenditure in proper Code Heads.
- (ii) PCDA (BR) has also been asked to issue instructions to all AOs to ensure that such cases do not recur in future.

Sd/-

Addl. Secretary and Financial Advisor Ministry of Road Transport & Highways

Action Taken by the Ministry of Urban Development

The excess expenditure attributed to payment of enhanced Salary and Dearness Allowance, on implementation of MACP Scheme as well as clearance of payment of local bodies towards electricity, property tax, etc. However, kind observation and recommendation of Hon'ble PAC is taken care of. Instructions have also been issued to all concerned to strengthen the monitoring of expenditure to keep the expenditure within the budgeted allocation and no excess expenditure over the grant or appropriation is allowed to occur.

The explanatory note containing the reasons for excess was sent to the Principal Directorate of Audit, Economic & Service Ministries *vide* letter No. G-23012/4/2011-Bt.(UD) dated 5.10.2011 which has been duly vetted by the Audit *vide* their UO No. AMG-1/VV/ATN/2011-12/544-546 dated 19.12.2011.

The excess demand statement has been sent to the Ministry of Finance for regularisation of the excess expenditure during the Budget Session *vide* this Ministry's letter No. G-23012/1/2012-Bt.(UD) dated 11.02.2013.

The contents of the Action Taken Note on the Recommendations of PAC were sent to the Principal Director of Audit, Economic & Service Ministries vide letter No. G-23012/4/2011-Bt.(UD) dated 11th April, 2013 for vetting. The Principal Director, Audit *vide* their U.O. No. AMG-V/VV/ATN/2013-14/114-116 dated 26th June, 2013 has stated that the Action Taken Note has been examined in Audit and the Audit has no comments to offer thereon.

Sd/-(Naresh Salecha) Joint Secretary and Financial Adviser

Action Taken by the Ministry of Defence (Grant No. 21)

In this Paragraph, the Committee have observed that the Appropriation Accounts of the Union Government relating to the Defence Pensions, Defence Services, Postal Services and Railways for the financial year 2010-11 has revealed that a total excess expenditure of Rs. 11042.87 crore was incurred in 29 cases under 22 Grants/ Appropriations. The Committee have expressed their concern over the increase in the number of excess registering Ministries/Departments and have observed that the incidence of excess expenditure of such a huge magnitude is far from justifiable given the provision for obtaining Supplementary Demands for Grants in the course of a financial year. The Committee have desired that such an endemic failure arising out of 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 observance of strict fiscal discipline should be prudently addressed in the coming years.

2. In this regard, it is submitted that out of total excess expenditure of Rs. 11042.87 crore incurred in 29 cases under 22 Grants/Appropriations, an excess

expenditure of Rs. 3,336.41 crores only was incurred during the year 2010-11 under Grant No. 21-Defence Pensions, which is 9.81% of the total grants. It is further mentioned that the approved BE in 2010-11 was Rs. 25000 crores and at RE 2010-11 stage, an amount of Rs. 37647 crores was requested under Grant No. 21-Defence Pensions, however, due to financial constraints, MoF approved only Rs. 34000 crores, that is, less Supplementary was provided than the amount projected in RE 2010-11. Also, the actual expenditure of Rs. 37,336 crores incurred under the Grant, was in line with the RE projection of Rs. 37,647 crores, submitted by the Ministry to MoF. Moreover, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of funds, which resulted into excess expenditure.

- 3. It is further submitted that the excess expenditure of Rs. 3336.31 crores under the voted portion of Revenue Section under Gr. No. 21-Defence Pensions, occurred mainly due to substantial improvement in pension in respect of Personnel Below Officer Rank (PBOR) discharged prior to 01.01.2006; booking of pending Pension scrolls received from banks to clear amount under suspense and more balances of Earned Leave (EL) at the credit of retirees and encashment of Earned Leave (EL) and also payment of 10 days EL provided during Leave Travel Concession (LTC). Also, in view of the fact that 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 laying under RBI Suspense to reflect the true picture of cash flow from the Government account.
- 4. Under the charge portion of Revenue Section, the excess expenditure of Rs. 10.75 lakh under Gr. No. 21-Defence Pensions occurred mainly due to implementation of Court Decrees which is an obligatory expenditure and cannot be predicted in advance and cannot be stopped for want of funds.
- 5. As a measure of control, the Ministry of Defence has been advising the budget estimating authorities of Defence Pensions to prepare their budget with utmost caution and accuracy while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visulization of the actual/anticipated expenditure. In this regard, instructions were issued *vide* 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.
- 6. 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 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. 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 informed about various measures initiated to promote e-governance model and use of IT.
- 7. Also, as per the directions of Ministry of Finance, to Review the existing arrangement of Reporting and Accounting of Defence Pension, 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, dated 11/5/2012 wherein various measures to improve the system have been suggested by O/o the CGDA. The report was forwarded to Min. of Finance *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 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.
- PCDA(P) has taken up with Banks to provide Pension Payment scrolls on electronic format.
- 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 the process of computerization.
- Apart from "Project Sangam", a new web based application for "Pension Accounting System" has also been developed, which is under trial running process. The project once 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.

Sd/-(Rajnish Kumar) JS&Addl. FA(RK)

MOST IMPORTANT BUDGETARY MATTER

Ministry of Defence (Finance)

Main Office

Subject : Instructions/Cautions for preparation of Revised/Budget estimates on realistic basis to avoid savings or excess w.r.t. total allocations/grant under each sub/detailed head.

It has been noticed by this Division that Excess expenditure of Rs. 10.75 lakhs occurred under charged portion of revenue section under Demand No. 21—Defence Pensions, against the sanctioned provision during the financial year 2010-11.

It is, therefore, stressed that utmost caution and accuracy be adopted while estimating requirement of funds for RE 2011-12, BE 2012-13 after taking into account all the instructions issued by Ministry of Finance from time to time and adhere to the expenditure control during the current/ensuing financial year as well. In order to ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure, detailed reasons by giving the numercial impact in respect of each components of the respective detailed/sub-head should invariably be recorded where the estimations are increased or decreased by 10% or more w.r.t. the actual expenditure during the last financial year (i.e. 2010-11), etc.

These instructions may please by circulated to all concerned for avoiding savings or excess over the approved grant. Remedial measures/corrective action taken in this regard may kindly be intimated to this Division for apprising the positions to DGA, DS.

Sd/-(T. Henry Franklin) Dy. Financial Adviser (MO) Tel: 23014890/2404

- 1. Jt. CGDA(A/Cs & Budget)
- 2. Pr. CDA (P), Allahabad.

[MoD (Fin.) ID No. 2(6)/MO/2010-11/911, dated 11/07/2011]

No. 2(6)/MO/2010/1617 Government of India Ministry of Defence (Finance) Main Office

New Delhi, dated 9th December, 2011

The undersigned is directed to refer to this Division ID No. 2(6)/MO/2010-11/911 dated 11/07/2011 where in it has been requested for utmost caution and accuracy to be adopted while assessing Budget Estimates.

- 2. In the revised draft Head wise Appropriation Account (Stage-III) in r/o Gr. No.- 21, Defence Pensions, for 2010-11 it has been observed that there is an excess of Rs. 333630.73 lakhs in the voted portion of Revenue Section of the grant against the sanctioned provision. Hence, it is requested to strictly adhere to the instructions issued in the above mentioned ID dated 11/7/2011 so that the Savings/Excess under the grant may be avoided in future.
- 3. Further, it is also requested to give comprehensive and specific reasons along with supporting documents for excess expenditure incurred under sub-heads mentioned below in r/o the Gr. No.-21, Defence Pensions for the year 2010-11 as observed in the revised draft Head wise Appropriation Accounts (Stage-III) so that the same may be incorporated in the Explanatory Note which has to be submitted to the Monitoring Cell of Ministry of Finance for onward transmission to PAC. The excess incurred under Sub Heads are as follows:

(Rs. in thousands)

Sub-Head	Provisions	Actual Expenditure	Excess
2071.02.101.01	29848,06,15	33037,57,61	3189,51,46
2071.02.102.01	933,42,29	980,29,87	46,87,58
2071.02.102.03	106,87,63	124,98,83	18,11,20
2071.02.103.01	1947,07,81	2038,35,68	91,27,87
2071.02.103.03	240,88,55	252,30,41	11,41,86

- 4. It is requested to furnish the reasons for excess expenditure immediately/by return fax for incorporation of the same in the Explanatory Note.
 - 5. This issues with the approval of JS & Addl. FA(R).

Sd/(T.H. Franklin)

Dy. Financial Adviser (E/MO)

Tel: 011-23012180/23012404

Shri Shharat Sharma, IDAS Jt. CGDA/ (A/Cs & Budget) Office of the CGDA, Ulaanbataar Road, Delhi Cantt.

Copy to: Pr. C.D.A.(P) Allahabad.

Ministry of Defence (Finance)

Main Office

Subject: Instructions/Caution for preparation of Revised/Budget estimates on realistic basis to avoid savings or excess w.r.t. total allocations/grant under each sub/detailed head.

While going through the March Final Account (15/2012)/expenditure Statement in r/o Defence Pensions, it has been observed that during the Financial Year 2011-12 an excess expenditure of Rs. 3569.39 crores under Revenue Portion of the Grant has been incurred, against the sanctioned provision of Rs. 34,000 crores.

- 2. It is, therefore, stressed that utmost caution and accuracy be adopted while estimating requirement of funds for RE 2012-13 and BE 2013-14 after taking into account the instructions issued by Ministry of Finance from time to time and adhere to the expenditure control during the current/ensuing financial year as well. In order to ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure, detailed reasons by giving the numerical impact in respect of each components of the respective detailed/sub-head should invariably be recorded where the estimations are increased or decreased by 10% or more w.r.t. the actual expenditure during the last financial year (i.e. 2011-12) etc.
- 3. It is also observed that, from the Financial year 2008-09 onwards there is a persistent excess expenditure being booked under the Pension Heads which clearly indicate systemic weakness in budgetary Control. It is also observed that there has been wide gap between the Budget Estimate figures and the actual RBI Cash flow on account of Pension expenditure during the last few years which leads to accumulation of amount under Suspense Head. Due to this reason, a huge excess expenditure of Rs. 8999.54 crores has been incurred in the FY 2009-10 to clear pending Pension Vouchers/scrolls lying under Suspense head. This has been adversely commented by the PAC in its 40th Report. The Public Accounts Committee in it's report pointed out that concrete measures need to be taken to revamp the system so that the pension liability can be correctly forecast and factored into the budgetary estimations. The committee also stressed for the corrective action plan so that existing deficiencies and shortcomings in the pension payment system are rectified. 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 and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year.
- 4. In this regard, kind attention is drawn towards various measures initiated by the O/o CGDA in consultation with various pension sanctioning authorities to promote e-governance model and use of IT as intimated by the O/o the CGDA *vide* their UO letter No.A/B/I/0107/AA-DP/10-11 dt. 06.06.2012 (copy enclosed). It is requested to implement these measures as soon a possible so that PCDA(P) Allahabad can do

correct and timely booking of pension expenditure by automating classification and accounting system.

- 5. These instructions may please be circulated to all concerned for avoiding savings or excess over the approved grant. Remedial measures/corrective action taken in this regard may kindly be intimated to this Division for apprising the positions to DGA, DS.
 - 6. This issues with the approval of JS & Addl. FA(RK).

Sd/-(S.K. Jassal) Asstt. Financial Adviser (MO) Tel: 23014890/2404

- 1. Jt. CGDA(A/Cs & Budget) Palam, Delhi Cantt.
- 2. Pr. CDA (P) Allahabad.

[MoD(Fin.) ID No. 2(6)/MO/2011/51/हि.) dt. 12/07/2012]

Office of the Controller General of Defence Accounts (Accounts & Budget Division) Ulaanbataar Road, Palam, Delhi Cantt.

Subject: Action Taken on the observations/recommendations contained in the 40th Report of the Public Accounts Committee (PAC) (15th Lok Sabha) on Excess over Voted Grants and Appropriation (2009-10)-Defence Pensions.

Ministry of Defence (Fin./MO) may kindly refer to their DO letter No. 26(7)/MO/2011/195 dated 23rd May, 2012 on the above subject.

The observations/recommendations contained in paras 1,2,3,4,5,6,10 & 14 relate to Appropriation Accounts of the Union Government including Civil Ministries, Defence Services, Postal Services and Railways for the year 2009-10.

Para 9 of the PAC report was specific to the Defence Pensions (Grant No. 21), therefore, 'Action Taken Note' was sent to Ministry of Defence (Fin./MO) *vide* this office UO of even number dated 15.05.2012. Comments on other paras of the PAC report are as under:

Paras 1 & 3

In these paras, Public Accounts Committee has highlighted the total excess expenditure of Rs. 14581.86 crore in 20 cases pertaining to 18 Grants in the Appropriation Accounts of the Union Government for the financial year 2009-10, which includes excess booking of Rs. 8999.54 crore in respect of Grant No. 21 Defence Pensions. In this regard it is mentioned that since budget was not available for booking of pending pension scrolls, the amount was booked to suspense head by PCDA(P), Allahabad. The booking to Pension heads was however done at the closing of accounts for the year, at the instance of Ministry of Defence (Fin./MO) in order to clear the amount lying under suspense. The same as appropriately explained in the Appropriation Accounts in respect of Defence Pensions for the year 2009-10.

In this regard, PCDA(P), Allahabad has been instructed to streamline budget estimation process *vide* this office letter dated 10.05.2012 (copy enclosed) so as to avoid recurrence of excess expenditure in future because of incorrect estimation of budget.

Further, in accordance with the observations of PAC, Pension disbursement agencies *viz*. banks have been approached for transmission of pension payment data electronically so as to enable PCDA(P), Allahabad to ensure correct and timely booking of pension expenditure by automating classification & accounting system through computerized system.

Para 2

Para deals mainly with misclassification of expenditure in Grants/Appropriations in respect of Ministry of Railways, hence no comments.

Para 4

No comments. Ministry may reply.

Paras 5, 6 & 9

In order to ensure realistic estimation of budget for pension expenditure, necessary instructions have been issued to PCDA(P), Allahabad to streamline budget forecasting process and take into account previous year's liabilities while projecting expenditure for next year.

Further, to promote e-governance model and use of Information Technology, following measures have been initiated by this office in consultation with various Pension sanctioning authorities:

- New computer application for pension sanction is being developed to create pension data base at the time of issue of PPOs.
- In order to automate disbursement and accounting of pension payments made by departmental PDA *i.e.* DPDO, a web based online application has been implemented in all 61 DPDOs.
- Pension disbursement agencies viz. Banks have been approached for transmission of pension payment data electronically so as to enable PCDA(P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification & accounting system.

Para 10

Monthly analysis of booking is carried out to find out variation between the expenditure booked to Defence pension heads and the cash flow as per RBI books. Matter is pursued with PCDA(P) Allahabad and other pension disbursing offices to take necessary steps to bring down the gap between RBI cash flow and booking made by them to pension heads. Further, PCDA(P) Allahabad has been requested to liaise with the Public Sector Banks concerned to get the pension scrolls expedited.

Para 14

No comments.

This issues with the approval of CGDA.

Sd/-Jt. CGDA(A/Cs & Budget)

DFA(E/MO) Ministry of Defence (Fin./MO) South Block, New Delhi UO No.A/B/I/0107/AA-DP/10-11 Dated 06.06.2012

Office of the Controller General of Defence Accounts (Accounts & Budget Division) Ulaanbaatar Road, Palam, Delhi Cantonment-110010

Subject: Review of existing arrangements of reporting and accounting of Defence Pensions.

Ministry of Defence (Fin./MO) may kindly refer to their ID No. 2(8)REBE/2009/1938 dated 16.03.2012 on the above subject.

- 2. The Report submitted *vide* this office UO Note of even No. dated 09.02.2012 has been reviewed in light of observations contained in your ID under reference and subsequent discussions with FA(DS) on the above subject. A revised Internal Audit Report is enclosed for your further necessary action.
- 3. Further, following action to implement various recommendations/suggestions contained in the Report has been initiated:
 - The issue of incorrect or invalid PPO Nos., missing details in the scrolls has 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.
 - The office has undertaken an exercise, named 'Project Sangam', in order to create an up-to-date Pensions database in collaboration with PCDA(P), Allahabad and various pension disbursing agencies.
 - PCDA(P) has taken up with Banks to provide Pension payment scrolls on electronic format.
 - Further, Department of Banking, Ministry of Finance, GOI has proposed to form a committee for working out uniform format for transfer of pension payment data by the banks on electronic format and manner of data exchange.
- 4. The above measures are expected to improve budgeting and accounting of pension expenditure.

This issues with the approval of CGDA.

Sd/-Jt. CGDA (Accounts & Budget)

JS & Addl. FA(R) Ministry of Defence (Finance/Main Office) South Block, New Delhi - 110 011

[UO No.A/B/I/9130-Study Report/2012 dated 11/05/2012]

Ministry of Defence (Finance) Main Office

Subject: Expenditure Statements for the month of Oct. 2011 to Dec. 2011 and Review of existing arrangements of reporting and accounting of Defence Pensions.

Ministry of Finance, Department of Economic Affairs (Budget Division) may kindly refer to their DO letter No. 2(24)-B(AC)/2010 dt. 8.9.2011 and OM No. F.2(28)-B(AC)/2011 dated 08.02.2012 requesting thereby to have an internal audit conducted on the expenditure of Defence Pension with specific emphasis on arriving at the reasons for substantial increase in expenditure on Pension in the FY-2011-12.

- 2. Accordingly, O/o the CGDA was requested to review the existing arrangement of reporting and accounting of Defence Pensions and to have internal audit conducted on the expenditure of Defence Pensions in accordance with the advice of MoF. It was also requested to focus on all the other aspects such as increase in retirements/impact of DA increase/impact of implementing improvement in pensions of PBOR pensioners etc. and also the matter relating to accumulations under 'Suspense Head', timely accounting of Pension Payment, Speeding up the reporting mechanism and reconciliation of payments etc. may also be taken as a part of the study report.
- 3. O/o of the CGDA have now submitted its report vide UO No.A/B/I/9130-Study Report/2012 dt. 11.05.2012, same is forwarded herewith for further necessary action.
- 4. In the report, vide para 2.8 it has been clarified that the progressive expenditure booked till July, 2011 was higher than that of the progressive amount till July 2010, due to booking of previous year's pension payment scrolls/paid vouchers amounting to Rs. 3338.94 crore (not booked till March 2011). Later, these bookings were withdrawn from the booking of FY 2011-12 and booked in the last year's account (i.e. in the FY 2010-11) through manual correction in November, 2011. The other aspects mentioned in the DO letter dt. 8.9.2011 such as increase in retirements/impact of DA increase/impact of implementing improvement in pensions of PBOR pensioners etc. are also focused in the report. Moreover, action plans have been initiated by O/o the CGDA for automating classification and accounting of Pension expenditure to improve budgeting and accounting of pension expenditure.
 - 5. This issues with the approval of Financial Advisor (Defence Services).

Sd/-

(Veena Prasad) JS & Addl. FA(VP) Tele: 23012204

Shri N.M. Jha. Director Budget Ministry of Finance Department of Economic Affairs (Budget Division) North Block, New Delhi.

Action Taken by the Ministry of Defence

In view of the recurrence of incidences of excess expenditure and the observations/recommendations of the Committee on the subject, the Ministry has been issuing instructions to all concerned for ensuring proper control of Defence expenditure and stressing the need to avoid any excess over and above the grant approved by the Parliament. Detailed instructions have been issued to all concerned *vide* MoD(Fin.) ID No. 7(5)/Bud-I/2011 dated 29/11/2011, 10(01)/Bud-I/2012(PC) dated 11/12/20-12, 10(01)/Bud-I/2012 dated 06/02/2013, 10(01)/Bud-I/2013 (PC) dated 07/03/2013, 14/03/2013, 20/03/2013, 26/03/2013 (Copies enclosed) for strict monitoring of expenditure. The Ministry is also monitoring the Defence expenditure on monthly basis to ensure that funds allocated are fully utilized to achieve the planned objective and avoid excess expenditure.

Further, in view of the specific observations of the Committee to observe strict financial discipline, three Committees are being constituted comprising representatives from Defence Finance Division, Budget Holders/Financial Planning Directorates of the Services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. These Committees would make an in-depth examination of the issues to identify weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same.

Sd/(Veena Prasad)
Joint Secretary & Addl. FA(VP)
[MoD (Fin.) ID No. 7(2)/Bud-I/2013, dated 12-07-2013.]

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 "Excesses 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 cogent 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

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

R.S.GUJRAL Finance Secretary 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

Dear Shashi Kant,

4th December, 2012

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 meeting 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 respectively, 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 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 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)

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 D.O. 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, DGAQA, DGATVP, Director (Standardisation), MoD (Fin./MO).

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

IMMEDIATE/TOP PRIORITY

R.S.GUJRAL Finance Secretary 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 110 001

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 14.03.2013 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) Dir. (Fin./Bud.) Tel 011-23012554

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% ceilings 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) Dir (Fin./Bud.) Tel. 011-23012554

Jt. CGDA (Accounts & Budget), DG FP, ACNS (P&P), ACAS (Fin. P), ACIDS (FP), CCR&D (R&N), DGOF, DGQA, DG NCC, DG AQA, DG ATVP, Director (Standardisation), Mod (Fin/Mo)

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

Action Taken by the Department of Posts

The original Grant of Rs. 11328.68 crore under Revenue Section was augmented to Rs. 13426.63 crore by obtaining supplementary Grant of Rs. 2097.95 crore. Against this, Final Grant of Rs. 14326.63 crore, the actual expenditure of the Department was Rs. 13793.26 crore which resulted in excess expenditure by Rs. 366.63 crore. Out of excess expenditure of Rs. 366.63 crore, Rs. 346 crore (94.4%) pertains to Salary and pension expenses which are mandatory in nature. Due to additional expenditure incurred on implementation of MGNREGA, payments made on account of MACP scheme. 60% arrear of TRCA payable to GDS on implementation of GDS committee report, assessment of demand was not fully accurate etc.

Instructions on Austerity measures received from Ministry of Finance are also being circulated to all field formations and their expenditures 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.

Sd/(Joint Secretary)

[Ministry of Communications & IT (Department of Posts) OM No. 20-5/11-BGT (PA) Dt. 15.4.2013]

Action Taken by the Ministry of Railways

The above recommendation takes into account the excess expenditure incurred by various Central Ministries as a whole including Railways. The observation of the Committee is noted.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen Thanks".

Sd/-(V. Vaidehi) Exe. Director Finance (BC)

[Ministry of Railways' case No. 2013-BC-PAC-XV/64, dated 27.06.2013]

Observation/Recommendation

The Committee find that out of the total excess expenditure of Rs. 11,042.87 crore (before misclassification) incurred during the 2010-11 fiscal, the Civil Sector, Defence Services, Postal Services and Railways accounted for 30.65 per cent (Rs. 3,384.10 crore in nine cases under seven Grants/Appropriation), 38.39 per cent (Rs. 4,239.34 crore in four cases under four Grants/Appropriations), 3.32 per cent (Rs. 366.63 crore under a single Grant) and 27.64 per cent (Rs. 3,052.79 crore in fifteen cases under ten (Grants/Appropriations) respectively, Scrutiny of the cases of excess registering Grants/Appropriations for the financial year 2010-11 indicates huge variations in the quantum of excess expenditure incurred under twenty-two Grants/Appropriations. In the Civil Sector, as much as 98.59 per cent (Rs. 3,336.31 crore) of the total excess expenditure was incurred under Grant No. 21

(Revenue Voted)-Defence Pensions alone while Grant No. 72 (Capital Voted)-Ministry of Petroleum and Natural Gas registered 0.00004 percent (Rs. 14,000). Seven other Grants/Appropriation (i) Grant No.31 (Revenue Voted)-Ministry of External Affairs; (ii) Grant No. 101 (Revenue Voted)-Public Works; (iii) Appropriation No. 21 (Revenue Charged)- Defence Pensions; (iv) Appropriation No. 80 (Revenue Charged)-Ministry of Road Transport and Highways; (v) Grant No. 11 (Capital Voted)-Department of Commerce; (vi) Grant No. 31 (Capital Voted)- Ministry of External Affairs, and (vii) Grant No. 102 (Capital Voted)- Stationery and Printing accounted for 0.19 percent, 0.23 percent, 0.003 percent, 0.00004 percent, 0.19 percent, 0.80 percent and 0.0005 percent respectively. In the Defence Sector, Grant No. 22 (Revenue Voted)-Defence Services-Army Accounted for 67.56 per cent of the total excess expenditure of Rs. 4,239.34 crore incurred in this Sector during the fiscal year under examination. Grant No. 23 (Revenue Voted)-Defence Services-Navy accounted for 3.28 percent while Appropriation No. 25 (Revenue Charged)-Defence Ordnance Factories and Grant No. 27 (Capital Voted)-Capital Outlay on Defence Services recorded 0.03 percent and 29.14 percent respectively. As regards excess expenditure incurred under Grants/Appropriations operated by the Railways out of the total excess expenditure of Rs. 3,052.79 crore (before misclassification), about 93.73 percent i.e. Rs. 2,861.48 crore was incurred under five Grants only i.e. (i) Grant No. 6 (Revenue Voted)- Working Expenses-Repairs and Maintenance of Carriages and Wagons; (ii) Grant No. 8 (Revenue Voted)-Working Expenses Operating Expenses-Rolling Stock and Equipment; (ii) Grant No. 10-Working Expenses-operation Expenses-Fuel; (iv) Grant No. 12 Miscellaneous Working Expenses; and (v) Grant No. 13 Working Expenses-Provident fund, Pension and Other Retirement Benefits. The Committee wish to caution that expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of the budget does not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The unabated large excess expenditure by these defaulting Ministries/ Departments is axiomatic of the fact that they miserably failed to track the pace of expenditure vis-à-vis the grants approved by Parliament. Deplorably, such a trend also indicates that the defaulting Ministries/Departments have not accorded due importance to the guiding principles of budgeting and abdicated their responsibilities. The Committee urge upon the defaulting Ministries/Departments to learn from the experience of the Ministries/Departments which did not incur excess expenditure. Taking note of the persisting trend of excess expenditure and considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee recommend that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling authorities by issuing suitable and periodic instructions to ensure that no excess expenditure takes place in future.

[Sl. No 2; Appendix-II, Para No.2 of 64th Report of PAC (15th Lok Sabha)]

Action Taken by the Ministry of Finance

The Public Accounts Committee (PAC) recommended that Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling Authorities by issuing suitable and periodic instructions to ensure that no excess expenditure takes place in future.

- 2. The Ministry of Finance circulates among the Ministries/Departments, various Government instructions (copies enclosed) to be undertaken to formulate Budget, ensure smooth pace of expenditure throughout the year, avoid exceeding the budgetary limit, etc. in one place. While seeking proposals for Supplementary Demands for Grants also, instructions are issued to make realistic projections so that neither there is an occasion for huge surrender of budget provisions nor there are huge excesses. Compliance to these instructions is closely monitored.
- 3. Discussions are held with the Financial Advisers of various Ministries/Departments so that a micro review is undertaken at the apex level of Ministry of Finance for estimating a realistic budget requirement by the Ministries/Departments. During the discussions, review of expenditure is done scheme-wise in respect of Ministries/Departments so that realistic budget is framed and approved by the Parliament. Ministry of Finance also takes an opportunity to assess realistic requirement of funds for the year during the three batches of Supplementary Demands for Grants.
- 4. Ministry of Finance has taken steps for precisely estimating the expenditure and budget accordingly so that the instance of excess are avoided. Finance Secretary had convened a meeting of Financial Advisers of Ministries/Departments where excess had taken place in the past to ascertain the reasons for excess expenditure over Voted Grants and Charged Appropriations. Measures to be taken up to avoid its recurrence in future were also discussed. Finance Secretary directed that excess expenditure on account of inaccurate estimates needs to be avoided. Measures such as tighter payment control by disbursing officers, and speedy reconciliation of accounts with field units were emphasized.
- 5. Instructions have been issued from time to time and periodic discussions are held with the Financial Advisers and Budget Controlling Authorities to ensure that no excess expenditure takes place in future.
- 6. The Office of the Principal Director of Audit, Economic & Service Ministries has intimated that they have further no comments to offer.
- 7. This Note has been vetted by Audit *vide* their I.D. No. A.M.G.-V/VV/ATN/ 2013-14/136-138 dated 10th July, 2013

Sd/-(Rajat Bhargava) Joint Secretary (Budget)

Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi - 110001

[O.M. No. F.7(2)-B(SD)/2012, dated the August, 2013.]

F.No. 7(5)/E-Coord/2004 Government of India Ministry of Finance Department of Expenditure

New Delhi, the 24th September, 2004

OFFICE MEMORANDUM

Subject: Guidelines on expenditure management — Fiscal Prudence and Austerity.

In supersession of this Department's O.Ms, dated 17/6/1996, 20/8/1998, 5/8/1999, 24/9/2000 and 10/10/2001 on the subject cited above, the following austerity measures shall take effect from October 1, 2004:

- (i) All on-going programmes and schemes, both Plan and Non-Plan, should be carefully reviewed, scrutinized and evaluated to determine their continued relevance. This exercise should be taken up immediately and completed before the end of this calendar year.
- (ii) Deviations of expenditure from the prescribed budgetary ceilings should not be allowed. FAs should personally ensure that unauthorized expenditure above the appropriations is not incurred in any circumstances.
- (iii) It should be ensured that all profit-making PSEs declare a minimum dividend on equity of 20% or a minimum dividend pay out of 20% of post-tax profits, whichever is higher. The minimum dividend pay out in respect of Oil, Petroleum, Chemical and other infrastructure sectors should be 30% of post-tax profits.
- (iv) All profit making companies must also consider issuing bonus shares to the Government.
- (v) All profit making joint venture companies should be asked to make concerted efforts to give a dividend of 20% on Government equity holding.
- (vi) Other non-tax receipts should be revised so that atleast the cost of the services is recovered.
- (vii) Budget formulation should lay greater emphasis on explicit recognition of the revenue constraints and a realistic projection of the budgetary allocations required for various projects/schemes and there must be rigid adherence to budgetary ceilings. All procedures laid down for incurring both Plan and Non-Plan expenditure on schemes should be followed scrupulously. In view of the severe constraints on resources, additional funds to any Ministry or Department shall not be provided at the revised estimate stage, except in rare and exceptional circumstances.
- (viii) No fresh financial commitments should be made on items which are not provided for in the budget approved by Parliament.

- (ix) There have been cases of Ministries, releasing funds to autonomous bodies year after year, despite the fact that there are substantial balances with them remaining unutilised and kept in deposit with the banks. The Ministries should complete a detailed review of all such cases by 31.10.2004 and, pending such a review, the Ministries are advised not to release funds in such cases. The responsibility for regulating release of funds in these cases will rest with the Financial Advisers (FAs).
- (x) Most autonomous bodies are given 100% deficit grants. These shall be reduced in a graded manner by 5% in successive years *i.e.* to 95% in the first year, 90% in the second year and so on, in respect of such bodies which have the potential of raising resources.
- (xi) Timely repayment of loans provided by the Government to the PSUs and payment of fees/charges on Government Guarantees should also be monitored by the FAs.
- (xii) There shall be a mandatory 10% cut in the budgetary allocation—for non-plan, non-salary expenditure, including OTA/honorarium. No re-appropriation of funds to augment these heads of expenditure would be allowed. Austerity must be reflected in furnishing of office/offices at residences. The expenditure limit prescribed for these purposes shall be strictly enforced.
- (xiii) Utmost economy should be exercised in use of staff cars and other official vehicles. In accordance with the ceiling prescribed at Sl. No. (xii), there shall be a 10% cut in the consumption and allocation of funds for expenditure on POL and travel.
- (xiv) Foreign travel should be restricted to unavoidable official engagements. There shall be a ban on foreign travel for Study Tours, Seminars, Workshops, etc. funded by the Govt. of India except for annual and other formal meetings of bilateral/multilateral bodies *viz*. IMF, World Bank, WHO, ILO, Joint Commissions, etc. Size of official delegations, where foreign travel is unavoidable, shall be restricted to the bare minimum.
- (xv) The rate of per diem allowance for travel abroad to all countries and for all categories, officials/ non-officials belonging to Government, autonomous institutions and PSUs shall continue to be depressed by 25% as at present.
- (xvi) Utmost austerity will be observed in organizing conferences/seminars/ workshops. All grants being given for such purposes would be reviewed by Department of Expenditure.
- (xvii) Ban on creation of Plan and Non-Plan posts will continue. Any unavoidable proposals for the creation of plan posts including Groups 'B', 'C' and 'D' posts—shall continue to be referred to the Ministry of Finance (Department of Expenditure) for approval.

- (xviii) Every Ministry/Department shall undertake a review of all the posts which are lying vacant in the Ministry/Department and in the Attached and Subordinate Offices, in consultation with the Ministry of Finance (Department of Expenditure). FAs will ensure that the review is completed in a time bound manner (and, in any event, not later than 31.10.2004) and full details of vacant posts in their respective Ministries etc., are available. Till the review is completed, no vacant posts shall be filled up except with the approval of the Ministry of Finance (Department of Expenditure).
- (xix) Implementation of existing instructions concerning abolition of posts should be ensured.
- (xx) Purchase of new vehicles is banned until further orders, Exceptions will be allowed only for meeting the operational requirements of Defence, Central Para-Military Forces, etc. New vehicles shall not be purchased even in replacement of condemned vehicles. Hiring of private vehicles from outside shall be limited to the number of vehicles condemned.
- 2. Secretaries to the Government of India and Financial Advisers are requested to ensure strict compliance of the above instructions.

Sd/-Secretary to the Government of India

To

- 1. All Secretaries to the Government of India (By Name)
- 2. All FAs (By Name)
- 3. All Heads of Public Sector Enterprises

No. F. 7(6)-B(R)/2001 Government of India Ministry of Finance Department of Economic Affairs (Budget Division)

Dated 20th July, 2001

OFFICE MEMORANDUM

Subject: Sixteenth Report of the Public Accounts Committee (13th Lok Sabha) Union Government Appropriation Accounts (Civil) — 1996-97 — Measures for minimising "unspent balances".

The undersigned is directed to invite a reference to the observations and recommendations made by the Public Accounts Committee in para 13.1 of their above mentioned Report and to say that the Public Accounts Committee while taking adverse note of the whopping saving of Rs. 44231.22 crore in the grants pertaining to civil Ministries/Departments for the year 1996-97 has noted that out of the above savings, Rs. 29466.03 crore was on account of less drawal of 31 days Treasury Bills. Excluding these Treasury Bills savings, the effective saving of Rs. 34765.33 crore constituted more than two times the supplementary grants of Rs. 7326.86 crore and 3.5 per cent of the total provision of Rs. 420902.71 crore. The Committee has further observed that there was aggregate saving under both Revenue and Capital Sections amounting to Rs. 11266.16 crore in the Voted portion and Rs. 32965.06 crore in the Charged portion.

- 2. Taking serious view of this state of affairs, the Public Accounts Committee has observed that this indicates the lack of earnestness on the part of Ministries/Departments concerned reflecting on the injudicious formation of budget estimates/ utilisation of funds, where such savings could have been significantly reduced, if not avoided altogether, by making realistic budgetary projections by the concerned Ministries/Departments.
- 3. In order, therefore, to avoid this recurring malady, all Ministries/Departments are advised that existing mechanism of review, monitoring and control should be so geared as to make a more careful formulation of plan/schemes having regard to ground realities and achievable targets and also to make realistic assessment of funds. The monitoring mechanism to oversee flow of expenditure under various schemes should also be lightened in such a way as to keep a monthly watch over flow of expenditure. In case there is likelihood of any savings, corrective action should be taken immediately in surrender the saving well in advance as required under Rule 69 of General Financial Rules.

Sd/(D. Swarup)
Joint Secretary to the Government of India

To,

- 1. All Ministries/Departments as per standard mailing list.
- 2. All Secretaries to the Government of India.
- 3. All Financial Advisers of Ministries/Departments.

F.No. 7(I)/B(D)/2006 Ministry of Finance Department of Economic Affairs (Budget Division)

New Delhi, 31st July, 2006

OFFICE MEMORANDUM

Subject: Public Accounts Committee (14th Lok Sabha) — Recommendation in Para No. 14 contained in Report No. 17 — Large-scale Unspent provisions—regarding.

The undersigned is directed to refer to this Department's OM No. 7(6)-B(R)/2001 dated 20th July, 2001 issued in the context of the Public Accounts Committee (13th Lok Sabha) in para 13.1 in their 16th Report, taking adverse note of the large scale unspent provisions of Rs. 44,231.22 crore in the Grants/Appropriations operated by the Civil Ministries/Departments during the year 1996-97 and recommendation thereon (copy enclosed). Further to that Report the PAC of 14th Lok Sabha has *inter alia* recommended in para 14 of 17th Report that the Ministry of Finance, being the nodal Ministry should impress upon all the Ministries/Departments to make a thorough study of the cases where large scale (Rs. 100 crore or more) unspent provisions have occurred and lay down appropriate guidelines for being followed by them in this regard.

- 2. In this context, attention is invited to Department of Expenditure's OM No. F.No. 5(6)/L&C/2006 dated 1st June 2006 regarding updated Scheme of 'Integrated Financial Adviser'. Para 9(i) of the above mentioned OM enjoins upon Financial Advisors with the assistance of CCAs/CAs the responsibility of bringing in more analytical inputs into the budget formulation process to ensure better *inter se* programme/prioritization and allocation within budget ceilings based on expenditure profiles of each programme, assessment of outcomes and current status of projects. Such analysis is envisaged to ensure a more realistic and efficient deployment of resources, reduce the reliance on supplementaries and help significantly control injudicious formulation of budget estimates/utilization of funds where 'large savings' unspent provisions can be reduced if not altogether avoided. Further in order to efficiently re-deploy the savings anticipated to occur in the financial year, the Financial Advisers are required to comply with the provisions in Rule 56 of the General Financial Rules 2005 for surrendering the savings to Government in time as per the dates prescribed by the Ministry of Finance.
- 3. It is expected that earlier instructions of this Ministry on the need for the individual Departments to put in place effective mechanism for realistically assessing "their requirement of funds in a way that would ward off the occurrence of unwarranted surrender of savings at a later date, may have been implemented by Departments/ Ministries concerned. The Public Accounts Committee" (PAC) in Para 14 of the 17th Report relating to Union Government Appropriation Accounts (Civil) 1996-97

has observed that "large scale unspent provisions under Grants/Appropriations by the Civil Ministries/Departments have become an almost recurring feature and the position is still to improve. The Committee are inclined to conclude that the concerned Ministries/Departments have not made any serious attempts to apply effective corrective measures in accordance with the Committee's recommendations". Therefore, in compliance with the recommendation made by the PAC in this regard, the Financial Advisers are requested to carry out a thorough study of the cases/schemes where large-scale unspent provisions have occurred and take the following appropriate action so as to avoid recurrence of large-scale unspent provisions in their respective Demands for Grants:

- Budget Estimates and Revised Estimates shall be prepared with reference to the measurable/monitorable commitments made in the Outcome Budget and fiscal discipline enforced in implementation of programmes/projects to ensure 'value for money';
- (ii) Ministries/Departments may review the expenditure profile of each major schemes/programmes at regular intervals and apply the result of such analysis at the time of initial budget formulation so that a more realistic estimation of expenditure is made;
- (iii) Ministries/Departments may, after carrying out such review, intimate this Ministry at the time of finalization of Revised Estimates of the current year the possible savings in their Grant for re-deployment of resources to other priority sectors;
- (iv) In case any savings are identified even after finalization of Revised Estimates of the year, surrender of such savings may be intimated to this Ministry immediately;
- 4. All Ministries/Departments are requested to note the above instructions for strict compliance.

Sd/-(L.M. Vas) Joint Secretary (Budget)

To

- 1. All the Ministries/Departments (as per the standard list).
- 2. All Secretaries to the Government of India.
- 3. Financial Advisers of the all Ministries/Departments.

Copy also to:

- (i) All Under Secretaries/Deputy Directors in the Budget Division.
- (ii) All Section Officers in Budget Division.

F.No. 21(1)/-PD/2005 Government of India Ministry of Finance Department of Economic Affairs (Budget Division)

> Room No. 168A, North Block, New Delhi, dated December 27, 2006

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.

The undersigned is directed to refer to Office Memorandum of even number dated January 10, 2006 regarding introduction of exchequer control based expenditure with effect from April 1, 2006.

- 2. Based on the working of the scheme, it has been decided to expand and modify the Scheme as detailed below.
- 3. The Modified Cash Management System seeks to achieve, *inter alia*, the following objectives—
 - (i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds.
 - (ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year.
 - (iii) Reduce tendency of parking of funds.
 - (iv) Effectively monitor the expenditure pattern.
 - Better planning of Indicative Market Borrowing Calendar of the Central Government.
- 4. The Scheme shall apply in respect of 23 Demand for Grants listed in Annex. I, including 9 to which the Scheme is being extended with effect from financial year 2007-08.
- 5. Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/she may nominate a nodal officer for the purpose.
- 6. In respect of each Demand for Grant, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) [MEP] would be worked out and included as an annex. to the Detailed Demand for Grant in respect of the said Demand for Grant. Suggested format is at Annexure II.

- 7. MEP would form the basis of Quarterly Expenditure Allocations (QEA). The Department/Ministries concerned may not issue cheques beyond the Quarterly Expenditure Allocation (which would be equal to the sum of provisions under Monthly Expenditure Plan), without prior consent of Ministry of Finance (Cash Management Cell, Budget Division).
 - 8. The MEP may be finalized taking into account the following—
 - (a) MEP for the month of March may not exceed 15 per cent of the budgeted provision (Budget Estimate);
 - (b) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33 per cent of the budgeted provision; and
 - (c) The extant guidelines of Ministry of Finance, Department of Expenditure, including D.O. No. 7(3)/2006/E. Coord., dated December 21, 2006.
- 9. The exchequer control would apply cumulatively at the Demand for Grants level only, *i.e. inter se* variations between months within a quarter, between plan and non-plan and between schemes would be permissible, subject to statutory restrictions and extant guidelines.
- 10. Savings, if any, incurred under the Quarterly Expenditure Allocations would not be available for automatic carry forward to the next quarter. The Department/ Ministry may, however, approach Ministry of Finance for revalidation of such savings through modification in the Monthly Expenditure Plan and thereby Quarterly Expenditure Allocation. Spill over in respect of Monthly Expenditure Plan, not inconsistent with Quarterly Expenditure Allocation would not require prior revalidation from Ministry of Finance but may be included in the quarterly modification.
- 11. Ministry of Finance would consider such requests for revalidation within a period of 15 days of receipt of such request, failing which the request for revalidation would be deemed to have been granted.
- 12. The Monthly Expenditure Plan and Quarterly Expenditure Allocations pertaining to the 4th quarter of the financial year would be subsumed in the finalization of Revised Estimate for the financial year.
- 13. The Monthly Expenditure Plan and Quarterly Expenditure Allocations may be made in gross terms.
- 14. In addition to the above, it is advised that even in respect of Demand for Grants not covered by the modified exchequer management system, the expenditure in the last quarter of the financial year may not exceed 33 per cent of the Budget allocation for the Demand for Grants. However, in the event of Revised Estimates being fixed lower than the Budget Estimate, actual expenditure may be kept within the Revised Estimate.

It is clarified that the above provision shall apply in the current financial year as well.

- 15. This Office Memorandum supersedes the Office Memorandum of even number dated January 10, 2006.
 - 16. Receipt of this Office Memorandum may kindly be acknowledged.

Sd/-(V.S. Chauhan) OSD (Budget) E mail: phauhan@nic.in

To

- 1. All Financial Advisors.
- 2. Principal Director, O/o Comptroller and Auditor General of India.
- 3. Joint Controller General of Accounts.
- 4. All Directors/OSD/ABO/US/DD/Section Officers in Budget Division.
- 5. NIC, Ministry of Finance.

ANNEXURE I

Sl.No.	Demand No.	Name of the Ministry/Department			
1.	1	Department of Agriculture and Cooperation			
2.	2	Department of Agricultural Research and Education			
3.	8	Department of Fertilizers			
4.	11	Department of Commerce			
5.	14	Department of Telecommunications			
6.	18	Department of Food and Public Distribution			
7.	31	Ministry of External Affairs			
8.	32	Department of Economic Affairs			
9.	41	Indian Audit and Accounts Department			
10.	42	Department of Revenue			
11.	43	Direct Taxes			
12.	44	Indirect Taxes			
13.	47	Department of Health & Family Welfare			
14.	57	Department of School Education and Literacy			
15.	58	Department of Higher Education			
16.	68	Ministry of Panchayati Raj			
17.	71	Ministry of Petroleum and Natural Gas			
18.	73	Ministry of Power			
19.	79	Department of Rural Development			
20.	86	Department of Road Transport and Highways			
21.	92	Ministry of Textiles			
22.	100	Department of Urban Development			
23.	104	Ministry of Women & Child Development			

ANNEXURE II

Financial Year

Month	Plan	Non-Plan	Total	Cumulative - Total
April				
May				
June				
July				
August				
September				
October				
November				
December				
January				
February				
March				
Total				

F. No. 7(3)/E. Coord./2006 Ministry of Finance Department of Expenditure Policy and Coordination Wing

New Delhi, the 8th August, 2006.

OFFICE MEMORANDUM

Subject: Expenditure Management—ensuring even flow of expenditure and observance of conditions for release of funds.

Attention is invited to paragraphs 14-16 of this Department's OM No. F. No. 7(2)/E. Coord./2005 dated November 23, 2005 and Paragraph 4 of the OM No. 7(3)/ E. Coord./2006 dated July 22, 2006 regarding observance of discipline in release of funds.

After a review of pace of expenditure, it has been decided to implement the above as follows:—

- (a) As already prescribed, no further releases be made until all the utilization certificates, which have fallen due to the concerned Ministry/Department, have been received.
- (b) The existing guidelines providing for releases of funds to States under certain schemes in two instalments may be reviewed immediately. The second instalment amount could be further sub-divided according to the seasonally of the programme, and, of course, subject to the furnishing of utilization certification.
- (c) The unspect balances available with the States and implementing agencies must be taken into account before further releases are made.
- (d) No further transfers be made to a Reserve Fund until unspent balances in the fund have been utilized.
- (e) The sanction for payment must clearly specify either that the payee has no utilization certificates as due for rendition under the Rules under any scheme of the Ministry/Department, or that the payment has been authorized by D/o Expenditure.
- (f) For any deviation from the above, the case should be referred to the D/o Expenditure.
- (g) The Chief Controller of Accounts must ensure compliance to the above as part of pre-payment scrutiny.

(h) A report on cases of deviations may be included in the quarterly report to be sent by the Financial Advisers, as contemplated in paragraph 6 of the OM No. 7(3)/E. Coord./2006 dated July 22, 2006.

Sd/(Dr. S.C. Pandey)
Officer on Special Duty
(Policy and Co-ordination)
23093457

To,

All Financial Advisers
All Chief Controllers of Accounts/Controllers of Accounts

Copy for information to:—

PS to Finance Minister/Finance Secretary/Controller General of Accounts

F. No. 7(1)/E. Coord./2012 Government of India Ministry of Finance Department of Expenditure

New Delhi, the 31st May, 2012

OFFICE MEMORANDUM

Subject: Expenditure Management—Economy Measures and Rationalization of Expenditure.

Background

With a view to containing non-developmental expenditure and thereby releasing additional resource for meeting the objectives of the priority schemes, Ministry of Finance has been issuing guidelines on austerity measures in the Government from time to time.

2. Economy Measures

In the context of the current fiscal situation where there is a tremendous pressure on Government's resources, there is an urgent need for rationalization of expenditure and optimization of available resources with a view to improve the macro-economic environment. With this objective, the following measures for fiscal prudence and economy will come into force with immediate effect:—

2.1 Cut in Non-Plan expenditure

For the year 2012-2013, every Ministry/Department shall effect a mandatory 10% cut in non-Plan expenditure excluding interest payment, repayment of debt, Defence capital, salaries, pension and the Finance Commission grants to the States. No re-appropriation of funds to augment the non-Plan heads of expenditure on which cuts have been imposed, shall be allowed during the current fiscal year.

2.2 Seminars and Conferences

- (i) Utmost economy shall be observed in organizing conferences/seminars/ workshops. Only such conferences, workshops, seminars, etc. which are absolutely essential, should be held and even there a 10% cut on budgetary allocations for seminars/conferences shall be effected.
- (ii) Holding of exhibitions/seminars/conferences abroad is strongly discouraged except in the case of exhibitions for trade promotion.
- (iii) There will be a ban on holding of meetings and conferences at five star hotels.

2.3 Purchase of vehicles

Purchase of vehicles is banned until further orders, including against condemned vehicles.

2.4 Foreign Travel

- (i) It would be the responsibility of the Secretary of each Ministry/Department to ensure that foreign travel is restricted to most necessary and unavoidable official engagements based on functional necessity and extant instructions, including on the number of visits, are strictly followed.
- (ii) Where travel is unavoidable, it will be ensured that officers of the appropriate level dealing with the subject are sponsored instead of those at higher levels. The size of the delegation and the duration of visit will be kept to the absolute minimum.
- (iii) Proposals for participation in study tours, workshops/conferences/ seminars/presentation of papers abroad at Government cost will not be entertained except those that are fully funded by sponsoring agencies.
- (iv) Foreign visits should be so regulated as to ensure that each Ministry remains within the allocated budget (after 10% cut) for the same. Reappropriation proposals on this account would not be approved.

2.5 Creation of Posts

There will be a total ban on creation of Plan and Non-Plan posts.

- 3. Observance of discipline in fiscal transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/State/Local level.
- 3.1 No amount shall be released to any entity (including State Government), which has defaulted in furnishing Utilisation Certificates for grants-in-aid released by the Central Government without prior approval of the Ministry of Finance.
- 3.2 Ministries/Departments shall not transfer funds under any Plan schemes in relaxation of conditionalities attached to such transfers (such as matching funding).
- 3.3 The State Governments are required to furnish monthly returns of Plan expenditure—Central, Centrally Sponsored or State Plan—to respective Ministries/Departments along with a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. This requirement may be scrupulously enforced.
 - 3.4 The following specific steps may be adopted:—
 - (a) The unspent balances available with the States and implementation agencies must be taken into account before further releases are made.
 - (b) The sanction for payment must clearly specify either that the payee has no utilization certifications as 'due for rendition' under the Rules under the scheme in question or that the payment has been authorized by Department of Expenditure.
 - (c) For any deviation from the above, the case should be referred to the Department of Expenditure.
 - (d) The Chief Controller of Accounts must ensure compliance with the above as part of pre-payment scrutiny.

4. Balanced Pace of Expenditure

- 4.1 Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year. Besides, the stipulation that during the month of March the expenditure should be limited to 15% of the Budget Estimates, is reiterated, Ministries/Departments which are covered by the Monthly Expenditure Plan (MEP) may ensure that the MEP is followed strictly.
- 4.2 It is also considered desirable that in the last month of the year payments may be made only for the goods and services actually procured and for reimbursement of expenditure already incurred. Hence, no amount should be released in advance (in the last month) with the exception of the following:—
 - Advance payments to contractors under terms of duly executed contracts so that Government would not renege on its legal or contractual obligations.
 - (ii) Any loans or advances to Government servants etc. or private individuals as a measure of relief and rehabilitation as per service conditions or on compassionate grounds.
 - (iii) Any other exceptional case with the approval of the Financial Advisor. However, a list of such cases may be sent by the FA to the Department of Expenditure by 30th April of the following year for Information.
- 4.3 Rush of expenditure on procurement should be avoided during the last quarter of the fiscal year and, in particular, the last month of the year so as to ensure that all procedures are complied with and there is no infructuous or wasteful expenditure. FA's are advised to specially monitor this aspect during their reviews.
- 5. No fresh financial commitments should be made on items which are not provided for in the budget approved by Parliament.

6. Compliance

Secretaries of the Ministries/Departments being the Chief Accounting Authorities as per Rule 64 of GFR shall be fully charged with the responsibility of ensuring compliance of the measures outlined above. Financial Advisors shall assist the respective Departments in securing compliance with these measures and also submit an overall report to the Minister-in-Charge and to the Ministry of Finance on a quarterly basis regarding various actions taken on these measures/guidelines.

Sd/(Sumit Bose)
Secretary (Expenditure)

All Secretaries to the Government of India

Copy to:-

- 1. Cabinet Secretary
- 2. Principal Secretary to the Prime Minister
- 3. Secretary, Planning Commission
- 4. All the Financial Advisors



सचिव भारत सरकार वित्त मंत्रालय व्यय विभाग Secretary Government of India Ministry of Finance Department of Expenditure

D.O. No. F.4.2(40)-B(CDN)/2013

13th December, 2013

Dear Shri Srinivasan,

The Pre-Budget meetings were held between October to December, 2013 to decide the RE 2013-14 (Plan and Non-Plan) and BE 2013-14 (Non-Plan). While the same shall be conveyed to you shortly, you are fully aware of the tentative figures approved as ceilings.

- 2. I am writing this letter to you with the request to strictly adhere to the RE ceilings for the current year in respect of all the Demands under your charge. Under no circumstances should the ceiling be breached. It needs to be ensured that the expenditure is contained within the RE level.
- 3. You may recall the meeting chaired by FM on 17th September, 2013. It was emphasized that Financial Advisers would need to guard against any excessive expenditure in the 3rd and 4th quarters of the financial year. It is, therefore, requested that you may closely monitor the expenditure towards the end of December, 2013 and March, 2013, and there should not be any rush of expenditure. The Department of Economic Affairs have also issued instructions *vide* O.M. No. F. 21(1)-PD/2005 dated 5th December, 2012 relating to 33% and 15% expenditure ceilings in the last quarter and last month respectively of the financial year. These instructions may also be adhered to strictly.
- 4. In case any further clarification is required, you may instruct your officials to contract Budget Division, DEA.

Yours sincerely,

Sd/-

(Ratan P. Watal)

To,

All USs/DDs/SOs in Budget Division, DEA.

Action Taken by the Department of Commerce

Para No. 2 relates to various Ministry like Commerce and Industry/Defence/ External Affairs/Petroleum and Natural Gas etc. So far as Department of Commerce is concerned, the excess Expenditure of Rs. 6,56,75,990 against the Total Grant of Rs. 682,99,00,000. The excess Expenditure was incurred due to (a) booking of expenditure (i) on projects/schemes for the benefit of North-Eastern Region and Sikkim, (ii) by the Ministry of Urban Development under the ongoing schemes; and (b) excessive expenditure incurred by some Cheque Drawing and Disbursing Officers. On the advice of Ministry of Finance, Department of Economic Affairs *vide* their D.O. No. 7(2)-B (SD)/2012, dated 5th February, 2013, the excess Grants of Rs. 6,56,75,990 has been regularised by Parliament and assented to by the President of India on 22nd March, 2013 (Annexure I) enclosed. The same has been intimated to Lok Sabha Secretariat, Parliament House on 14 June, 2013 *vide* this Department O.M. No. G. 20008/10/2011-B&A copy enclosed (Annexure II).

It may be mentioned that Expenditure against the Budget is being monitored on a monthly basis with senior officers.

Audit Comments

No comments.

Sd/-AS&FA

The above ATN has been vetted by the Office of the Principal Director of Audit, Economic and Service Ministries, New Delhi *vide* their U.O. No. AMG-V/VV/ATN/2011-12/177-179, dated 29 August, 2013.

[Department of Commerce OM No. G. 20008/10/2011-B&A (pt.), dated 13.09.2013]

Action Taken by the Ministry of External Affairs

The Ministry had taken all necessary steps to try and avoid excess expenditure. However, due to reasons already explained in the Excess Note 2010-11, it was not possible to avoid excess expenditure. Clear Instructions are issued to all the spending units of Ministry at RE stage each year to surrender any identifiable excess funds forthwith. Instructions are issued to spend the funds retained in full and to avoid incurring excess expenditure. The instruction of the Hon'ble Committee will be circulated to further sensitize these units to strictly adhere to the budgetary limits on spending. Close monitoring of expenditure on daily basis is being done in the last quarter of the financial year to ensure that expenditure remains within the budgetary limits. Tools of IT and e-governance are also being used in accounting and monitoring the pace of expenditure. Expenditure of the 180 Missions/Posts in particular is constantly monitored through implementation of Integrated Mission Accounting Software (I-MAS), accounts of which are rendered monthly by these Missions/Posts.

Sd/-(Kusumjit Sidhu) Additional Secretary (Financial Advisor) Ministry of External Affairs

No. Q/Bud./125/02/2012

Action Taken by the Ministry of Petroleum and Natural Gas

Noted.

(The above mentioned ATN has been examined and vetted by the office of the Principal Director of Audit, Economic and Service Ministries *vide* their U.O. letter No. AMG-VI/App. A/C/ATN/2013-14/11-13 dated 30.04.2013).

Sd/-

Additional Secretary and Financial Advisor [Ministry of P&NG OM No. G-24011/1/2010 Fin. I dated 31.10.2013]

Action Taken by the Ministry of Road Transport and Highways

The Excess expenditure of Rs. 15,000 was erroneously booked by BRDB under Revenue Charged due to urgency in implementing court order against Court Case No. WP(C) 787 of 2010 filed by Ravinder *Vs.* UoI and others. Suitable instructions have been issued to all concerned to ensure no excess expenditure take place in future.

Sd/-Addl. Secretary and Financial Advisor Ministry of Road Transport and Highways

Action Taken by the Ministry of Urban Development

Observation of Hon'ble PAC is accepted. Concerted efforts to avoid the chances of excess expenditure over voted grants and appropriation are being made by issue of Instructions to all concerned to strengthen the monitoring of expenditure to keep the expenditure within the budgeted allocation and no excess expenditure may occur.

The explanatory note with detailed reasons and measures to contain the expenditure within the budgeted grants was sent to the Principal Directorate of Audit, Economic and Service Ministries *vide* Letter No. G-23012/4/2011-Bt. (UD) dated 05.10.2011 which has been duly vetted by the Audit *vide* their UO No. AMG- 1/VV/ATN/2011-12/544-546 dated 19.12.2011.

The contents of the Action Taken Note on the recommendations of PAC were sent to the Principal Director of Audit, Economic and Service Ministries *vide* letter No. G-23012/04/2011-Bt. (UD) dated 11th April, 2013 for vetting. The Principal Director Audit *vide* their UO No. AMG/V/VV/ATN/2013-14/114-116 dated 26th June, 2013 has stated that the Action Taken Note has been examined in Audit and the Audit has no comments to offer thereon.

Sd/(Naresh Salecha)
Joint Secretary and Financial Adviser

Action Taken by the Ministry of Defence (Grant No. 21)

In this paragraph, the Committee have observed that out of the total excess expenditure of Rs.11,042.87 crore (before misclassification) incurred during the 2010-11 fiscal, the Civil Sector, Defence Services, Postal Services and Railways accounted for 30.65 per cent, 39.39 per cent, 3.32 per cent and 27.64 per cent respectively. In the Civil Sector, as much as 98.59 per cent (3,336.31 crore) of the total excess expenditure was incurred under Grant No. 21 (Revenue Voted)—Defence Pensions alone. The Committee have cautioned that expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of the budget does not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The committee have urged upon the defaulting Ministries/Departments to learn from the experience of the Ministries/Departments which did not incur excess expenditure. Taking note of the persisting trend of excess expenditure and considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee have recommended that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling authorities by issuing suitable and periodic instructions to ensure that no excess expenditure takes place in future.

2. In this regard, it is submitted that under the voted portion of Revenue Section under Gr.No.-21—Defence Pensions for the Financial Year 2010-11, an amount of Rs. 37,646.75 crs. was projected to Ministry of Finance, however, due to financial constraint an amount of Rs. 33,999.75 crs. 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 as shown in the following table:—

(Rupees in crore)

Revenue Section 2010-11	Amount Projected	Final Grant (Approved)	Actual Expenditure	Excess	% age
Voted	37646.745	33,999.7500	37,336.0573	+ 3,336.3073	9.81%

- 3. As may be seen in the above table, the actual expenditure of Rs. 37,336.0573 crs. incurred under the voted portion of the Grant, was in line with the RE projection of Rs. 37,646.7450 crs. submitted by this Ministry to Ministry of Finance. Further, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of Budget, which has resulted into excess expenditure.
- 4. The excess expenditure of Rs. 3336.31 crs. under voted portion in r/o Grant No.-21—Defence Pensions has occurred mainly due to substantial improvement in pension in respect of Personnel Below Officer Rank (PBOR) discharged prior to 01.01.2006; booking of pending Pension scrolls received from banks to clear amount under suspense and more balances of Earned Leave (EL) at the credit of retirees and encashment of Earned Leave (EL) and also payment of 10 days EL provided during Leave Travel Concession (LTC). 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 laying under RBI suspense to reflect the true picture of cash flow from the Govt. account.

- 5. As a measure of control, the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget with utmost caution and accuracy while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure. In this regard, instructions were issued *vide* 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.
- 6. 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 informed about various measures initiated to promote e-governance model and use of IT.
- 7. Also, as per the directions of Ministry of Finance, to Review of 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 Finance *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 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.
 - PCDA(P) has taken up with banks to provide pension payment scrolls on electronic format.
 - 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 lakhs pensioners have been computerized and the remaining 8 lakhs pensioners is in the process of computerization.
 - Apart from "Project Sangam", a new web based application for "Pension Accounting System" has also been developed, which is under trial running

process. The project once 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.

8. Any instructions issued by Ministry of Finance in this regard would certainly be followed by this Ministry.

Sd/-(Rajnish Kumar) JS & Addl. FA (RK)

Action Taken by the Ministry of Defence

In light of the recommendations of the Committee, three Committees are being constituted in the Ministry of Defence to make an in-depth examination of the issues and identify weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same. These Committees will comprise representatives from Defence Finance Division, Budget Holders/ Financial Planning Directorates of the services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. Further, any instructions issued by Ministry of Finance to curb excess expenditure in future would be complied with by this Ministry in letter and spirit.

Sd/(Veena Prasad)
Joint Secretary & Addl. FA (VP)
[MoD (Fin.) ID No. 7(2)/Bud.-I/2013 dated 12-07-2013]

Action Taken by the Department of Posts

Subordinate units of the Department of Posts are instructed regularly to project realistic demands for funds. Department place request for funds which is mainly based on assessment and projections made by its subordinate units. Ministry of Finance during pre-budget discussions; re-assess the demands for funds and based on this, the fund allocation has reduced, which also is a reason for excess expenditure.

Instructions on austerity measures received from Ministry of Finance are also being circulated to all field formations and their expenditures 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.

Sd/-Joint Secretary [Ministry of Communications & IT (Department of Posts) OM No.20-5/11-BGT(PA) dt. 15.4.2013]

Action Taken by the Ministry of Railways

Of the total excess of Rs. 3,052.79 cr. incurred during 2010-11, 93.73% of the excess has occurred under five grants, *viz.* 6, 8, 10, 12 and 13. Excess under Grant No. 13 alone is 46% of the total excess incurred by Ministry of Railways. The excess under this Grant has been due to the difficulty in assessing the impact of implementation of recommendations of the 6th CPC on pension payments which continued in 2010-11 also. Under Grant No. 12, the excess was 21.5% mainly under the head 'Suspense' mainly due to clearance of heavy outstanding liabilities and more materialization of claims than anticipated. Under Grant No. 10, the excess was 13% mainly due to increase in average rate of HSD oil & electricity, higher activity of locos and higher taxes/duties than anticipated. The share of excess under Grant No. 6 & 8 relatively minor at 7.2% & 6.2%.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen Thanks".

Sd/-(V. Vaidehi) Exe. Director Finance (BC)

[Ministry of Railways' case No. 2013-BC-PAC-XV/64 dated: 27.06.2013]

Observation/Recommendation

A comparative scrutiny of the Appropriation Accounts (Railways) 2010-11 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 2010-11 revealed that there were nine cases of misclassification of expenditure i.e. (i) Rs. (-) 7,76119 under Grant No. 3 (Revenue Voted) - Working Expenses - General Superintendence and Services; (ii) Rs. (-) 2,08,05,012 under Grant No. 4 (Revenue Voted) - Working Expenses - Repairs and Maintenance of Permanent Way and Works; (iii) Rs. (-) 1,78,32,198 under Grant No. 5 (Revenue Voted) Working Expenses - Repairs and Maintenance of Motive Powers; (iv) Rs. (+) 17,30,273 under Grant No. 6 (Revenue Voted) - Working Expenses-Repairs and Maintenance of Carriages and Wagons; (v) Rs. (-) 7,40,043 under Grant No. 7 (Revenue Voted) Working Expenses - Repairs and Maintenance of Plant and Equipment; (vi) Rs. (-) 5,53,97,530 under Grant No. 8 (Revenue Voted) Working Expenses - Operating Expenses-Rolling Stock and Equipment; (vii) Rs. (+) 16,71,49,932 under Grant No. 10 (Revenue Voted) working Expenses-Operating Expenses-Fuel; (viii) Rs. (-) 55,63,698 under Grant No. 11 (Revenue Voted) Working Expenses-Staff Welfare and Amenities; and (ix) Rs. (-) 290,55,043 under Grant No. 12 (Revenue Voted) Miscellaneous Working Expenses. Taking into account the effect of these nine cases of misclassification, the actual excess expenditure by the Ministry of Railways during the 2010-11 fiscal works out to Rs. 3056,85,87,626 instead of Rs. 3052,78,77,064 as indicated in the Indian Railways Appropriation Accounts (2010-11). Accordingly, the total amount of actual excess expenditure incurred during the financial year 2010-11 which has to be regularized by Parliament under Article 115 (1) (b) of the Constitution is of the order of Rs. 11,046.94 crore.

> [Sl. No. 3; Appendix-II, Para No. 3 of 64th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Ministry of Railways

The excess expenditure of Rs. 3056.86 cr. incurred by Ministry of Railways during 2010-11 has been regularized by Parliament in its budget session, 2013.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen Thanks".

Sd/-(V. Vaidehi) Exe. Director Finance (BC)

[Ministry of Railways' case No. 2013-BC-PAC-XV/64 dated: 27.06.2013]

Observation/Recommendation

An analysis of the four Appropriation Accounts and the Explanatory Notes furnished by the defaulting Ministries/Departments shows that in seven cases the percentage of excess expenditure over the Total Grant was exceedingly high. These are 43.00 per cent in respect of Appropriation No. 21 (Revenue Charged) - Defence Pensions; 14.30 per cent in respect of Grant No. 102 (Capital Voted) - Stationary and Printing; 31.88 per cent in respect of Appropriation No. 25 (Revenue Charged) -Defence Ordnance Factories; 19.33 per cent in respect of Grant No. 12 (revenue Voted) - Miscellaneous Working Expenses; 135.17 per cent in respect or appropriation No. 3 (Revenue Charged) - Working Expenses - General Superintendence and Services; 47.07 per cent in respect of Appropriation No. 6 (Revenue Charged) - Working Expenses—Repairs and Maintenance of Carriages and Wagons; and 47.07 per cent in respect of Appropriation No. 6 (Revenue Charged) - Working Expenses—Repairs and Maintenance of Plant and Equipment. Obviously, such a huge percentage of excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in these defaulting Ministries/Departments and there has been 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, therefore, recommend that the Ministry of finance take a serious note of it and seek the explanation of the defaulting Ministries/Departments for the incidence of excess expenditure and report back to the Committee in due course.

[Sl. No. 4; Appendix-II, Para No. 4 of 64th Report of PAC (15th Lok Sabha)]

Action Taken by the Ministry of Finance

The Public Accounts Committee's (PACs) recommendations on excess expenditure, relate to 3 Grants (Other than Ministry of Railways) as under:

(Amount in Rs.)

N	lame of Grai	nt	Total Grant	Actual Expenditure	Excess Expenditure	Percentage or excess over Total Grant
1	2	2		5	6	70101 01011
1		3			6	/
21. Defenc	e Pensions	Revenue- Charged	25,00,000	35,74,960	10,74,960	43.00

1	2	3	4	5	6	7
	Defence-Ordnance Pactories	Revenue- Charged	3,65,00,000	4,81,34,961	1,16,34,961	31.88
	Stationery and Printing	Capital- Voted	13,00,000	14,85,941	1,85,941	14.30
Total			4,03,00,000	5,31,95,862	1,28,95,862,	32.00

- 2. The Committee recommended that the Ministry of Finance seek the explanation of the defaulting Ministries/Departments for the incidence of excess expenditure and report back to the Committee in due course. Accordingly, Joint Secretary (Budget), Department of Economic Affairs had sought explanation, *vide* his D.O. letter dated 09.02.2013 (copy enclosed), for the incidence of excess expenditure by the Ministry of Defence and the Ministry of Urban Development. They were directed to undertake review of the excess expenditure and submit reasons for the same besides indicating the corrective action taken by them to avoid its recurrence. They were also suggested to put in place institutional mechanism to ensure that there is no occasion for excess expenditure in future.
- 3. The replies furnished by the Ministry of Defence (Finance), Main Office dated 22.03.2013 and Ministry of Defence (Finance Division) dated 10.04.2013, and Ministry of Urban Development dated 07.05.2013 are enclosed.
- 4. The Office of the Principal Director of Audit, Economic & Service Ministries has desired that a copy of Ministry of Defence (Finance) main office letter dated 22.03.2013 may also be appended with the ATN for proper appreciation by the PAC.
- 5. This Note has been vetted by Audit *vide* their I.D. No. A.M.G. V/VV/ATN/ 2013-14/136-138 dated 10th July, 2013.

Sd/-(Rajat Bhargava) Joint Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi - 110 001. O.M. No. F 7(2)-B (SD)/2012 dated the August, 2013]

डॉ॰ रजत भार्गव, आईएएस संयुक्त सचिव



भारत सरकार वित्त मंत्रालय आर्थिक कार्य विभाग नॉर्थ ब्लॉक, नई दिल्ली-110 001

DR. RAJAT BHARGAVA, IAS Joint Secretary

Government of India Ministry of Finance Department of Economic Affairs North Block, New Delhi - 110 001 Tel.: 23093183, Fax: 23093133 E-mail: rajat.bhargava@nic.in

February 09, 2013

D.O. F. No. 7(2)-B(SD)2012

Dear Madam,

Please refer to Sixty-fourth Report (15th Lok Sabha) on "Excess over Voted Grants and Charged Appropriations (2010-11)". Excess expenditure has occurred in Demand Nos. 21-Defence Pensions & 25 Defence Ordnance Factories for the year 2010-11.

- 2. The Public Accounts Committee (PAC) in Paragraph 4 of the above Report have commented upon that "percentage of Excess expenditure over the Total Grant was exceedingly high. These were 43.00 per cent in respect of Appropriation No. 21 (Revenue Charged)—Defence Pensions; and 31.88 per cent in respect of Appropriation No. 25 (Revenue Charged)—Defence Ordnance Factories. Obviously, such a huge percentage of excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in the defaulting Ministry and there has been 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".
- 3. Ministry of Finance issues Budget Circular every year bringing out various Government instructions and also steps to be undertaken to formulate the Budget. While seeking proposals for Supplementary Demands for Grants also, instructions are issued to make realistic projections, so that neither there is an occasion for huge surrender of Budget provisions nor there are huge excesses. The Budget circular is followed up by meetings with the Financial Advisers of various Ministries/ Departments, so that a micro review is undertaken at the apex level of Ministry of Finance for realistic Budget requirement. However, the above position indicates that there is still some room for better projection of budget estimates. The contributory reasons for excess expenditure corroborate this fact.
- 4. Ministry of Defence may undertake a review of the above excess and submit the reason for excess and also indicate the corrective action taken to avoid recurrence.

It is suggested that institutional mechanism may be put in place so that there is no occasion of excess expenditure in future. I would request you to kindly give this matter your immediate and personal attention and intimate this Ministry of the outcome to enable finalization of the ATN on the PAC's paragraph by this Ministry.

warm regards,

Yours sincerely, Sd/-(Rajat Bhargava)

Encl.: As above.

Smt. Priti Mohanti Financial Advisor (Defence Services), Ministry of Defence (Finance Division), Room No. 140, South Block, New Delhi - 110 011. [Telefax. 2301 6629, Mobile 9999897467, Telefax. 2301 6654] डॉ॰ रजत भार्गव, आईएएस संयुक्त सचिव



भारत सरकार वित्त मंत्रालय आर्थिक कार्य विभाग नॉर्थ ब्लाक, नई दिल्ली-110001

Dr. Rajat Bhargava, IAS Joint Secretary

> Government of India Ministry of Finance Department of Economic Affairs North Block, New Delhi - 110 001 Tel.: 23093183, Fax: 23093133 E-mail: rajat.bhargava@nic.in

New Delhi, Dated: February 09, 2013

D.O. No. 7(2)-B(SD)2012

Dear Nareshji,

Please refer to Sixty-fourth Report (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriation (2010-2011)". Excess expenditure has occurred in Demand No. 102-Stationery and Printing for the year 2010-11.

- 2. The Public Accounts Committee (PAC) in Paragraph 4 of the above Report have commented upon that "percentage of excess expenditure over the Total Grant was exceedingly high. This was 14.30 per cent in respect of Grant No. 102 (Capital Voted)—Stationery and Printing. Obviously, such a huge percentage of excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in the defaulting Ministry and there has been abysmal failure on the part of the budget controlling authorities and Financial Adviser in budget formulation, monitoring and in submission of revised estimates in time".
- 3. Ministry of Finance issues Budget Circular every year bringing out various Government instructions and also steps to be undertaken to formulate the Budget. While seeking proposals for Supplementary Demands for Grants also, instructions are issued to make realistic projections, so that neither there is an occasion for huge surrender of Budget provisions nor there are huge excesses. The Budget circular is followed up by meetings with the Financial Advisers of various Ministries/ Departments, so that a micro review is undertaken at the apex level of Ministry of Finance for realistic Budget requirement. However, the above position indicates that there is still some room for better projection of budget estimates. The contributory reasons for excess expenditure corroborate this fact.
- 4. Ministry of Urban Development may undertake a review of the above excess and submit the reason for excess and also indicate the corrective action taken to avoid recurrence. It is suggested that institutional mechanism may be put in place so that there is no occasion of excess expenditure in future. I would request you to

kindly give this matter your immediate and personal attention and intimate this Ministry of the outcome to enable finalization of the ATN on the PAC's paragraph by this Ministry.

Regards,

Yours sincerely,
Sd/(Dr. Rajat Bhargava)

Sh. Naresh Salecha, Joint Secretary & Financial Adviser, Ministry of Urban Development, Room No. 141-C, Nirman Bhawan, Dr. Maulana Azad Road, New Delhi - 110 011. [Tel No. 23062792, Telefax. 23062899] Rajnish Kumar JS & Addl. FA (RK)



सं॰ No. 7(2)/Bud.I/2013 भारत सरकार रक्षा मंत्रालय (वित्त प्रभाग) नई दिल्ली-110 011

Government of India Ministry of Defence (Finance Divn.) New Delhi - 110 011 दिनांक/Dated 10.04.2013

Dear Shri Rajat,

This is with reference to your D.O. No. 7(2)-B(SD) 2012 dated February 09, 2013 regarding Paragraph 4 of the Sixty-fourth Report of PAC (15th Lok Sabha) wherein it has been *inter alia* brought out that an excess expenditure to the tune of 31.88% over and above the allocation (Charged) approved by Parliament during 2010-11 in respect of Grant No. 25 - Defence Ordnance Factories.

- 2. In this connection, I would state that during 2011 the charged allocation for Ordnance Factories under Grant No. 25 was Rs. 1.50 Cr. in BE and subsequently supplementary allocations were made to the tune of Rs. 1.15 Cr. in August, 2010 and Rs. 1.00 Cr. in March, 2011. Against the total charged allocation of Rs. 3.65 Cr., the expenditure incurred was Rs. 4.81 Cr. resulting in excess of Rs. 1.16 Cr. The excess expenditure was incurred due to settlement of more court cases than anticipated. The excess expenditure has since been regularized *vide* Appropriation Bill (No. 2) 2013 passed by Parliament and assented to by President on March 22, 2013 published in Gazette of India on March 23, 2013 as Act No. 1 of 2013.
- 3. I would also bring out here that budgetary projections for Charged expenditure are made on the basis of anticipation of court cases to be settled in a particular financial year and thus over projection or under projection has some times remained the fact. It may also be appreciated that in case Court Orders are received towards the end of Financial Year involving payment and beyond supplementary, payment has to be released to avoid contempt of Court.
- 4. However, instructions already exist to formulate the Budget estimates on most realistic basis and the necessity to keep the expenditure under constant review by monitoring it regularly in an effective manner 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 by this Ministry from time to time to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in vigilant/stricter manner apart from projecting the demands on factual

basis and to the barest minimum 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. I would like to enclose copies of such instructions issued since 2010.

6. You would appreciate that 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 further 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.

With warm regards.

Yours Sincerely, Sd/-(Rajnish Kumar)

Encl.: As above.

Dr. Rajat Bhargava, IAS Joint Secretary, Deptt. of Economic Affairs, North Block, New Delhi.

Ministry of Defence (Finance) Main Office

Subject: Public Accounts Committee in Paragraph 4 of Sixty-Fourth Report (15th Lok Sabha) on "Excesses over voted Grants and Charged Appropriations (2010-11)".

The undersigned is directed to refer Ministry of Finance, Department of Economic Affairs UO No. 7(2)-B(SD) 2012 dt. 13th March, 2013 on the above subject.

In this regard, it is mentioned that the Actual Position under the Charged Portion of Revenue Section under Grant No. 21—Defence Pensions in the Financial Year 2010-11 is as under:

Demand No. 21—Defence Pensions for the year 2010-11

(Rupees in thousand)

Revenue Section	Final Grant	Actual Expenditure	Excess	%age
Charged	25,00	35,75	+10,75	43%

The reasons for excess expenditure under the Charge Section of the Grant have already been furnished in the Explanatory Note and forwarded to Monitoring Cell, Ministry of Finance *vide* MoD (Fin.) 2(6)/MO/2010/1424 dt. 31/10/2011 after the same was vetted by DGA DS. The reasons mentioned in the Explanatory Note is "The excess amount of Rs. 10,75 thousand has been incurred, mainly due to implementation of Court decree which is an obligatory expenditure and cannot be predicted in advance".

Moreover, as per the advice of Ministry of Finance, instructions have been issued by Ministry of Defence (Fin.) from time to time, that utmost caution and accuracy be adopted while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure. In this regard, instructions were issued *vide* 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 (copies enclosed). 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 (copy enclosed) wherein it was advised 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.

O/o the CGDA *vide* their letter No. A/B/I/0107/AA-DP/10-11 dt. 6/6/2012 (copy enclosed) informed about measures initiated to promote e-governance model and use of IT.

Further, as per the direction of Ministry of Finance, to Review of 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 on Review of the existing arrangement of Reporting and Accounting of Defence Pensions and various measures to improve the system has been suggested by O/o the CGDA. The report was forwarded to Ministry of Finance *vide* this Office ID No. 28(8)/REBE/MO/2009/187 dt. 19/6/2012. However, a copy of the same is again forwarded herewith for reference.

This issues with the approval of J.S. & Addl. FA(RK).

Sd/-

(T. Henry Franklin) Dy. Financial Adviser (E/MO) Tel: 23015539/2404

Encl. As above

Shri V. Prakash, Deputy Director (Budget) Ministry of Finance, Department of Economic Affairs North Block, New Delhi-110001

[MoD (Fin) ID No. 2(6)/MO/2010/1651 dated: 22/03/2013].

नरेश सालेचा संयुक्त सचिव एवम वित्तीय सलाहकार Naresh Salecha Joint Secretary & Financial Advisor

Tel: (011) 23062792 Fax: (011) 23062899 E-mail: jsfa_ud@nic.in

D.O. No.G-23012/4/2011-Bt.(UD)



भारत सरकार शहरी विकास मंत्रालय निर्माण भवन, नई दिल्ली–110 011 GOVERNMENT OF INDIA

MINISTRY OF URBAN DEVELOPMENT NIRMAN BHAVAN, NEW DELHI-110 011

Dated the 7th May, 2013

Dear Rajat Ji,

Kindly refer to your D.O. No. 7(2)-B-(SD)2012 dated 9th February 2013 regarding Excesses over Voted Grants and Charged Appropriations 2010-11 as contained in Sixty fourth Report (15th Lok Sabha) of the PAC.

- 2. It is a fact that 14.30% of excess expenditure over the voted grant has taken place under Capital Section of Demand No. 102—Stationery and Printing during the year 2010-11. However, it is submitted that under the grant B.E. Provision of Rs. 13.00 Lakh was meant for Motor Vehicles (Rs. 3.00 Lakh) and for Machinery & Equipment (Rs. 10.00 Lakh). A sum of Rs. 8.05 Lakh only was incurred for procurement of machines and equipment for the Government of India presses during the year 2010-11. Incidentally, the Directorate of Printing had placed supply order of Rs. 6.81 lakh for different items for use in Government of India Presses on DGS&D rate contract during 2009-10. The CCA, Department of Supply raised the said debit of Rs. 6.81 lakh in the year 2010-11. Thus, the total expenditure during the year 2010-11 has resulted to Rs. 14.86 lakh (An excess of Rs. 1.86 Lakh over BE of Rs. 13.00 lakh). It may thus be seen that the excess expenditure has occurred due to delayed raise of debit by CCA, Supply. Had the CCA (Supply) raised the debit in the year 2009-10 for the supply order of 2009-10 there would not have been any excess in the grant. The Ministry has also initiated the remedial action by issue of instructions to all concerned to strengthen the monitoring of expenditure to keep the expenditure within the budgeted all coation and no excess expenditure over the grant or appropriation is allowed to occur. (Copy Enclosed) As regards preparation of Budget Estimates/Supplementary Demands on realistic basic one day work workship each on two occasions was organized to sensitize the programme divisions for improved performance in projections of the estimates.
- 3. Further, to strengthen the institutional mechanism accounting organization of the Ministry as well as the implementing divisions has been issued instructions to strengthen the Monitoring of Expenditure to keep the expenditure well within the

budgeted allocations and no excess over the grant/appropriation may be allowed to occur. Secretary (UD) is taking review meetings every month on the progress of expenditure.

4. It may further be stated that note on excesses with detailed reasons therein duly vetted by Audit has already been sent to PAC Branch, Ministry of Finance. Further, the Parliament has granted Excess Grant and the Presidential assent thereto has also been accorded on 22nd March, 2013.

With regards.

Yours sincerely, Sd/-(Naresh Salecha)

Dr. Rajat Bhargava, Joint Secretary, Ministry of Finance, Department of Economic Affairs, North Block, New Delhi.

Action Taken by the Ministry of Urban Development

The excess expenditure over the budgeted grant occurred due to clearing outstanding claims of the previous year. The explanatory note containing the reasons for excess was sent to the Principal Directorate of Audit, Economic & Service Ministries *vide* letter No. G-23012/1/2011-Bt.(UD) dated 02.09.2011 which has been duly vetted by the Audit *vide* their UO No. AMG-1/VV/ATN/2011-12/480-482 dated 16.11.2011.

The excess demand statement has been sent to the Ministry of Finance for regularisation of the excess expenditure during the Budget Session *vide* this Ministry's letter No. G-23012/1/2012-Bt.(UD) dated 11.02.2013.

The contents of the Action Taken Note on the Recommendations of PAC were sent to the Principal Director of Audit, Economic & Service Ministries *vide* letter No. G-23012/04/2011-Bt. (UD) dated 11th April, 2013 for vetting. The Principal Director Audit *vide* their U.O. No. AMG-V/VV/ATN/2013-14/114-116 dated 26th June, 2013 has stated that the Action Taken Note has been examined in Audit and the Audit has no comments to offer thereon.

Sd/-(Naresh Salecha) Joint Secretary and Financial Adviser

Action Taken by the Ministry of Defence (Grant No. 21)

In this paragraph, the Committee have observed that analysis of the four Appropriation Accounts and Explanatory Notes furnished by the defaulting Ministries/Departments shows that in 7 cases the percentage of excess expenditure over the Total Grant was exceedingly high. This is 43% in respect of Appropriation No. 21 (Revenue Charged) — Defence Pension. The Committee have observed that such a huge percentage of excess expenditure shows that the entire budgetary process has gone away and have therefore recommend that the Ministry of Finance take a serious note of it and seek the explanation from the defaulting Ministries/Departments for the incidence of excess expenditure and report back to the Committee in due course.

2. In this regard, the actual position under the Revenue Section—Charge Portion under Grant No.—21-Defence Pensions for the Financial Year 2010-11 is as under:

(Rupees in crore)

Revenue Section	Final Grant	Actual Expenditure	Excess	%age
Charged	0.25	0.3575	+0.10,75	43%

- 3. Under the charge portion of Revenue Section, the excess expenditure of Rs. 10.75 lakh under Grant No.—21-Defence Pensions occurred mainly due to implementation of Court Decrees which is an obligatory expenditure and cannot be predicted in advance and cannot be stopped for want of funds.
- 4. However, as a measure of control, the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget with

utmost caution and accuracy while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure. In this regard, instructions were issued *vide* 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 December, 2011.

5. 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 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. Necessary monitoring and follow up action in this regard would be ensured. O/o the CGDA *vide* their letter No. A/B/I/0107/DD-DP/10-11 dt. 6/6/2012 informed about various measures initiated to promote e-governance model and use of IT. A detailed explanation in this regard has already been furnished to Ministry of Finance *vide* Ministry of Defence ID No. 2(6)/MO/2010/1651 dt. 22.03.2013

Sd/-(Rajnish Kumar) JS & Addl. FA (RK)

MOST IMMEDIATE PAC MATTER

Ministry of Defence (Financial) Main Office

Subject: Public Accounts Committee in Paragraph 4 of Sixty-Fourth Report (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2010-2011)".

The undersigned is directed to refer Ministry of Finance, Department of Economic Affairs UO No. 7(2)-B(SD) 2012 dt. 13th March, 2013 on the above subject.

In this regard, it is mentioned that the Actual Position under the Charged Portion of Revenue Section under Grant No. 21—Defence Pensions in the Financial Year 2010-11 is as under:

Demand No. 21—Defence Pensions for the year 2010-11

(Rupees in thousand)

Revenue Section	Final Grant	Actual Expenditure	Excess	%age
Charged	25.00	35.75	+10.75	43%

The reasons for excess expenditure under the Charge Section of the Grant have already been furnished in the Explanatory Note and forwarded to Monitoring Cell, Ministry of Finance *vide* MoD(Fin) 2(6)/MO/2010/1424 dt. 31/10/2011 after the same was vetted by DGA DS. The reasons mentioned in the Explanatory Note is "The excess amount of Rs. 10.75 thousand has been incurred, mainly due to implementation of Court decree which is an obligatory expenditure and cannot be predicted in advance."

Moreover, as per the advice of Ministry of Finance, instructions have been issued by Ministry of Defence (Fin.) from time to time, that utmost caution and accuracy be adopted while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure. In this regard, instructions were issued vide MoD(Fin.) ID No. 2(6)/MO/2010-11/911 dt. 11/7/2011, MoD(Fin) ID No. No. 2(6)/MO/2010/1617 dt. 9th Dec 2011 (copies enclosed). Subsequently, instructions were also issued to PCDA(P) Allahabad and O/o the CGDA, New Delhi *vice* ID No. 2(6)/MO/2011 dt. 12/7/2012 (copy enclosed) wherein it was advised to adopt e-governance model to utilize the information technology/tools so as to establish a centralized date 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.

O/o the CGDA *vide* their letter No. A/B/I/0107/AA-DP/10-11 dt. 6/6/2012 (copy enclosed) informed about various measures initiated to promote e-governance model and use of IT.

Further, as per the direction of Ministry of Finance, to Review of 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 on Review of the existing arrangement of Reporting and Accounting of Defence Pensions and various measures to improve the system has been suggested by O/o the CGDA. The report was forwarded to Ministry of Finance *vide* this Office ID No. 2(8)/REBE/MO/2009/187 dt. 19/6/2012. However, a copy of the same is again forwarded herewith for reference.

This issues with the approval of J.S. & Addl. FA(RK).

Sd/-

(T. Henry Franklin) Dy. Financial Adviser (E/MO) Tel: 2301-5539/2404

Encl. As above
Shri V. Prakash,
Deputy Director (Budget)
Ministry of Finance,
Department of Economic Affairs
North Block, New Delhi-01

[MoD (Fin.) ID No. 2(6)/MO/2010/1651

dated: 22.03.2013]

Action Taken by the Ministry of Defence

The Committee has desired that Ministry of Finance reports back to the Committee along with the explanation of the defaulting Ministries for the incidence of excess expenditure. The detailed explanations with regard to the excess expenditure under Appropriation No. 25 mentioned in above paragraph have already been furnished to the Ministry of Finance *vide* U.O. No. 7(2)/Bud-I/2013 dated 10.04.2013 (Copy enclosed).

Sd/-(Veena Prasad)

Joint Secretary & Addl. FA (VP)

[MoD (Fin.) ID No. 7(2)/Bud-I/2013 dated: 12.07.2013]

Rajnish Kumar JS & Addl. F.A. (R.K.)



सं॰/No. 7(2)/Bud-I/2013 भारत सरकार रक्षा मंत्रालय (वित्त प्रभाग) नई दिल्ली-110001

GOVERNMENT OF INDIA MINISTRY OF DEFENCE (FINANCE DIVN.) NEW DELHI-110001

दिनांक/Dated 10.04.2013

Dear Shri Rajat,

This is with reference to your D.O. No. 7(2)-B(SD)2012 dated February 09, 2013 regarding Paragraph 4 of the Sixty-fourth Report of PAC (15th Lok Sabha) wherein it has been *inter alia* brought out that an excess expenditure to the tune of 31.88% over and above the allocation (Charged) approved by Parliament during 2010-11 in respect of Grant No 25—Defence Ordnance Factories.

- 2. In this connection, I would state that during 2011 the charged allocation for Ordnance Factories under Grant No 25 was Rs 1.50 cr. in BE and subsequently supplementary allocations were made to the tune of Rs. 1.15 cr. in August, 2010 and Rs. 1.00 cr. in March, 2011. Against the total charged allocation of Rs. 3.65 cr., the expenditure incurred was Rs. 4.81 cr. resulting in excess of Rs. 1.16 cr. The excess expenditure was incurred due to settlement of more court cases than anticipated. The excess expenditure has since been regularised *vide* Appropriation Bill (No. 2), 2013 passed by Parliament and assented to by President on March 22, 2013 published in the Gazette of India on March 23, 2013 as Act No. 1 of 2013.
- 3. I would also bring out here that budgetary projections for Charged Expenditure are made on the basis of anticipation of court cases to be settled in a particular financial year and thus over projection or under projection has some times remained the fact. It may also be appreciated that in case Court Orders are received towards the end of Financial Year involving payment and beyond supplementary, payment has to be released to avoid contempt of Court.
- 4. However, instructions already exist to formulate the Budget estimates on most realistic basis and the necessity to keep the expenditure under constant review by monitoring it regularly in an effective manner 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 by this Ministry from time to time to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in vigilant/stricter manner apart from projecting the demands on factual

basis and to the barest minimum 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. I would like to enclose copies of such instructions issued since 2010.

6. You would appreciate that 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 further 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.

With warm regards.

Yours sincerely, Sd/-(Rajnish Kumar)

Encl: As above.

Dr. Rajat Bhargava, IAS Joint Secretary, Deptt. of Economic Affairs North Block, New Delhi.

Action Taken by the Ministry of Railways

Under Grant No. 12, there was an excess of Rs, 648.44 cr. which is 19.33% of the total sanctioned grant. This excess mainly under the head 'Suspense' was incurred mainly due to clearance of heavy outstanding liabilities and more materialisation of claims than anticipated . As regards excess expenditure under Appropriation No.3, 6 & 7, the same was due to materialization of more decretal payments in March, 2011 than anticipated at the time of finalization of supplementary requirement at the end of February 2011. The amount involved, however, is only Rs. 0.21 cr., Rs. 0.05 and Rs. 0.01 cr. respectively. The 'Excess' has been regularized by Parliament in the Budget Session, 2013.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen Thanks".

Sd/-

(V. Vaidehi)

Exe. Director Finance (BC)

[Ministry of Railways, case No. 2013-BC-PAC-XV/64 dated: 27.06.2013]

Observation/Recommendation

The Committee find that the Ministry of Defence incurred an excess expenditure of Rs. 3,336.31 crore under Revenue Section (Voted) of Grant No. 21—Defence Pensions which alone accounted for 98.59 per cent of the total excess expenditure incurred in the Civil Sector. The Explanatory Note furnished by the Ministry of Defence inter alia states that the excess was mainly due to implementation of one rank one pension scheme, substantial improvement in pension in respect of Personnel Below Officer rank discharged prior to 01.01.2006, more number of retirees than expected, booking of pending pension scrolls received from banks to clear amount under suspense and encashment of Earned Leave at the credit of the retirees. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs.13.33 lakh and Rs. 8999.54 crore during the previous financial year 2008-09 and 2009-10 respectively. Such repeated incurring of huge sums of excess expenditure during the last three financial years indicates lack of reliable data and comprehensive net working and coordination amongst pension account related offices across the country. This also suggests the prevailing pension data management and accounting information systems are not in order. Surprisingly, however, as Remedial Action taken in this regard, the Ministry of Defence stated in their Explanatory Note that necessary instructions have been issued to all concerned to prepare their Budgetary; proposal on realistic basis. The Committee find that the Ministry of Defence have been giving the same stock reply over the last three financial years without any positive outcome. this clearly shows that the Ministry of Defence have not taken any concrete measures to revamp the system for correctly forecasting and factoring the pension liability into the budgetary estimations. Consequently, when the recommendations, the 6th Central Pay Commission were implemented, the flow of funds was thrown out of gear resulting in huge excess expenditure. The Committee desire that the Ministry of Defence should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the pension payment are certified and recurrence of excess expenditure is either avoided or greatly minimized on this count. The Ministry should also adopt e-governance model and utilize the information technology services/ tools to establish a centralized data base of pensioners and networking of all the banks so that the estimation of pension liability and expenditure in a particular year is correctly arrived at.

[Sl. No. 8, Appendix II, Para No. 8 of 64th Report of the Public Accounts Committee 2012-13 (15th Lok Sabha)]

Action Taken by the Ministry of Defence (Grant No. 21)

In this paragraph, the Committee have observed that Ministry of Defence incurred an excess expenditure of Rs. 3,336.31 crore under Revenue Section (Voted) of Grant No. 21—Defence Pensions which alone accounted for 98.59 per cent of the total excess expenditure incurred in the Civil Sector. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs. 13.33 lakh and Rs. 8999.54 crore during the previous financial year 2008-09 and 2009-10 respectively. Such repeated incurring of huge sums of excess expenditure during the last three financial years indicates lack of reliable data and comprehensive networking and coordination amongst pension account related offices across the country. The committee have recommended that Ministry should also adopt e-governance model and utilize the information technology services/tools so that the estimation of pension liability and expenditure in a particular year is correctly arrived at.

2. In this regard, it is submitted that under the voted portion of the Revenue Section in the financial year 2010-11, an amount of Rs. 37646.75 crs. was projected by this Ministry to Ministry of Finance, but due to financial constraint an amount of Rs. 33999.75 cr. was approved by Ministry of Finance. Hence, less funds to the tune of Rs. 3647 Cr. were approved by Ministry of Finance than projections submitted by this Ministry. The actual position under the Revenue Section—Voted Portions under Grant No. 21— Defence Pensions for the Financial Year 2010-11 is as under:

(Rs. in crore)

Revenue Section 2010-11	Amount Projected	Final Grant (Approved)	Actual Expendiutre	Excess	% age
Voted	37,646.7450	33,999.7500	37,336.0573	+3,336.3073	9.81%

3. It may be seen from the above table that the actual expenditure of Rs. 37,336.0573 Cr. incurred under the Voted Portion of the Grant, was in line with the RE projection of Rs. 37646.7450 cr. submitted by this Ministry to Ministry of Finance. As may be seen in the above table, an excess expenditure of Rs. 3,336.31 cr. was incurred over and above the approved Budget of Rs. 33,999.75 crs. during the financial year 2010-11, which is 9.81%. However, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of Budget, which resulted into excess expenditure.

- 4. Under the Voted Portion of Revenue Section, the excess expenditure of Rs. 3336.31 cr. under Grant No.—21 Defence Pensions occurred mainly due to substantial improvement in pension in respect of Personnel Below Officer Rank (PBOR) discharged prior to 01.01.2006; booking of pending Pension scrolls received from banks to clear amount under suspense and more balances of Earned Leave (EL) at the credit of retirees and encashment of Earned Leave (EL) and also payment of 10 days EL provided during Leave Travel Concession (LTC). Moreover in view of the fact that 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 laying under RBI Suspense to reflect the true picture of cash flow from the Govt. account.
- 5. As already explained above, the actual expenditure under Grant No. 21—Defence Pensions for the financial year 2010-11 was in line with the projections submitted by this Ministry to MoF at RE state. However, the excess occurred due to lack of availability of sufficient funds for payment of Defence Pension which is a committed liability and payment of which cannot be stopped from want of funds. The under mentioned table shows the amount projected by PC DA(P) Allahabad and the amount approved by Ministry of Finance over the last few years:—

(Rs. in crores)

Year wise Allocations	Amount Projected	Amount Approved	Less Amount Received	Actual Exp.	RBI Cash
2008-09	21758	20233.20	1524.80	20233	22947
2009-10	27841	26000	1841.00	34999	35820
2010-11	37647	34000	3647.00	37336	36976
2011-12	37547	34000	3547.00	37569.39	38003
2012-13	41785	39500	2285.00	39328.15	_
2013-14 BE	45304+2300* =47604	44500	3104.00	(upto 3/20 —	13)

6. As a measure of control, the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget with utmost caution and accuracy while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure. In this regard, instructions were issued *vide* 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.

- 7. 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 date 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. 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 informed about various measures initiated to promote e-governance model and use of IT.
- 8. Also, as per the directions of Min. of Finance, to Review of 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 Finance *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 bank specifically with SBI, the larget PDA.
 - 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.
 - PCDA(P) has taken up with Banks to provide Pension Payment scrolls on electronic format.
 - 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 lakhs pensioners have been computerized and the remaining 8 lakhs pensioners is in the process of computerization.
 - Apart from "Project Sangam", a new web based application for "Pension Accounting System" has also been developed, which is under trial running process. The project once 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 above measures are expected to improve budgeting and accounting of pension expenditure.

9. Also, the Grant No. 21—Defence Pensions has now been covered under Cash Management System from FY 2013-14 *vide* OM no. F. 21(1)/PD/2005-Vol-II dated 30.07.2012 issued from Ministry of Finance, Department of Economic Affairs, Budget Division (Cash Management Cell). As per the aforesaid OM, this Ministry has to prepare and send Monthly Expenditure Plan (MEP) and Quarterly Expenditure

Allocations (QEA) 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 issued *vide* this division ID No. 2(6)/MO/2012-13/702 dt. 12.09.2012 to the user department of Grant no. 21 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.

Sd/ (Rajnish Kumar) JS & Addl. FA (RK)

Ministry of Defence (Finance) Main Office

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.

A Copy of the Ministry of Finance, Department of Expenditure's OM No. 21(1)/pd/2005-Vol. II dated 30.07.2012 on the above subject is enclosed herewith for information and strict compliance. Also the requisite information may please be furnished to this Division by 7th of every month for onward transmission to Ministry of Finance within the stipulated time.

Encl. As above

Sd/-

(S.K. Jassal) Asstt. Financial Adviser (MO) Tel. Ph. No. 23014890

- 1. Jt CGDA (Accounts & Budget) -in r/o Defence Pensions
- 2. PCDA (P) Allahabad

F.No. 21(1)/PD/2005-Vol. II Ministry of Finance Department of Economic Affairs Budget Division (Cash Management Cell)

> Room No. 263-B, North Block, New Delhi, dated July 30, 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 Office Memorandum of even number dated January 10, 2006 regarding introduction of exchequer control based expenditure with effect from April 1, 2006 and November 2, 2011 further extending it to 46 Demands for Grants.

- 2. Based on the recommendation of 51st Report of the Standing Committee of Finance on Demands for Grants (2012-13) of Ministry of Finance, it has been decided that henceforth, all the Demands for Grants irrespective of whether they are covered under the Cash Management System or not, are required to prepare and send their Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) to the Cash Management Cell for better monitoring and compliance of the guidelines of the Ministry of Finance regarding the expenditure management.
- 3. The Financial Advisor would be responsible for furnishing the requisite information to the Cash Management Cell. A nodal officer may be nominated for the purpose as all the Demands for Grants are likely to be covered under the Cash Management System with in due course.
- 4. In respect of each Demands for Grants, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) (MEP) would be worked out and included as an annex to Detailed Demands for Grants in respect of the said Demands for Grants. Suggested format is at Annexure-I.
- 5. The required information relating to actual may kindly be e-mailed at cashmgtsystem-dea@nic.in every month. It may also be ensured that this information is sent to this Ministry in the enclosed proforma by 15th of every month.

6. The guidelines mentioned in the OM of even No. dated December 27, 2006 would remain unchanged and may be followed in preparation of the MEP & QEA (Annexure-II).

Sd/(Pankaj Sharma)
Deputy Secretary to the Government of India

To,

- 1. All Financial Advisors.
- 2. Principal Director, O/o Comptroller and Auditor General of India.
- 3. Joint Controller General of Accounts.
- 4. All Directors/OSD/ABO/US/DD/Section Officers in Budget Division.
- 5. NIC, Ministry of Finance.

F.No. 21(1)-PD/2005 Government of India Ministry of Finance Department of Economic Affairs (Budget Division)

> Room No. 168A, North Block, New Delhi dated December 27, 2006

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.

OFFICE MEMORANDUM

The undersigned is directed to refer to Office Memorandum of even number dated January 10, 2006 regarding introduction of exchequer control based expenditure with effect from April 1, 2006.

- 2. Based on the working of the scheme, it has been decided to expand and modify the Scheme as detailed below.
- 3. The Modified Cash Management System seeks to achieve, *inter alia*, the following objectives—
 - (i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds.
 - (ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year.
 - (iii) Reduce tendency of parking of funds.
 - (iv) Effectively monitor the expenditure pattern.
 - Better planning of Indicative Market Borrowing Calendar of the Central Government.
- 4. The Scheme shall apply in respect of 23 Demands for Grants listed in Annexure-I, including 9 to which the Scheme is being extended with effect from financial year 2007-08.
- 5. Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/she may nominate a nodal officer for the purpose.
- 6. In respect of each Demand for Grant, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) [MEP] would be worked out and included as an annex to the Detailed Demand for Grant in respect of the said Demand for Grant. Suggested format is at Annexure-II.

- 7. MEP would form the basis of Quarterly Expenditure Allocations [QEA]. The Department/Ministries concerned may not issue cheques beyond the Quarterly Expenditure Allocation [which would be equal to the sum of provisions under Monthly Expenditure Plan], without prior consent of Ministry of Finance [Cash Management Cell, Budget Division].
 - 8. The MEP may be finalized taking into account the following—
 - (a) MEP for the month of March may not exceed 15 per cent of the budgeted provision [Budget Estimate];
 - (b) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33 per cent of the budgeted provision; and
 - (c) The extant guidelines for Ministry of Finance, Department of Expenditure, including D.O. No. 7(3)/2006/E.Coord, dated December 21, 2006.
- 9. The exchequer control would apply cumulatively at the Demand for Grants level only, *i.e. inter se* variations between months within a quarter, between plan and non-plan and between schemes would be permissible, subject to statutory restrictions and extant guidelines.
- 10. Savings, if any, incurred under the Quarterly Expenditure Allocations would not be available for automatic carry forward to the next quarter. The Department/ Ministry may, however, approach Ministry of Finance for revalidation of such savings through modification in the Monthly Expenditure Plan and thereby Quarterly Expenditure Allocation. Spill over in respect of Monthly Expenditure Plan, not inconsistent with Quarterly Expenditure Allocation would not require prior revalidation from Ministry of Finance but may be included in the quarterly modification.
- 11. Ministry of Finance would consider such requests for revalidation within a period of 15 days of receipt of such request, failing which the request for revalidation would be deemed to have been granted.
- 12. The Monthly Expenditure Plan and Quarterly Expenditure Allocations pertaining to the 4th quarter of the financial year would be subsumed in the finalization of Revised Estimate for the financial year.
- 13. The Monthly Expenditure Plan and Quarterly Expenditure Allocations may be made in gross terms.
- 14. In addition to the above, it is advised that even in respect of Demand for Grants not covered by the modified exchequer management system, the expenditure in the last quarter of the financial year may not exceed 33 per cent of the Budget allocation for the Demand for Grants. However, in the event of Revised Estimates being fixed lower than the Budget Estimate, actual expenditure may be kept within the Revised Estimate. It is clarified that the above provision shall apply in the current financial year as well.

- 15. This Office Memorandum supersedes the Office Memorandum of even number dated January $10,\,2006.$
 - 16. Receipt of this Office Memorandum may kindly be acknowledged.

Sd/-

(V.S. Chauhan) OSD (Budget) E mail:chauhan@nic.in

To,

- All Financial Advisors.
 Principal Director, O/o Comptroller and Auditor General of India.
 Joint Controller General of Accounts.
 All Directors/OSD/ABO/US/DD/Section Officers in Budget Division.
- 5. NIC, Ministry of Finance.

FAX/SPEED POST No. A/II/3795/Vol-LX Office of the PCDA(P) Allahabad, Dated 25.02.2013

To,

Shri S.K. Jassal AFA (MO) Min. of Defence (MO) New Delhi-110 010

Subject: Cash Management System in Central Govt.—Modified exchequer control based expenditure management and restriction on expenditure during the last quarter of the financial year—Regarding.

Reference: Hqrs. Office letter No. A/B/I9130/Mont-Corr/2012-13 Dt. 21.02.2013

Kindly refer to the Hqrs. office letter cited under reference wherein Monthly Expenditure Plan and Quarterly Expenditure Allocation of BE 2013-14 in respect of Demand No.-21 'Defence Pension' has been called for. The required information, as desired, in the Hqrs. Office letter *ibid* is enclosed as an Annexure-I to this letter. In this connection it is mentioned that the payment of Pension to the Defence Pensioners is an obligatory expenditure and actual cash management is not feasible in case of Defence Pension.

Addl. CDA(P) has seen.

Sd/-(P.N. CHOPRA) ACDA

Copy to:-

The Jt. CGDA (A/cs & Bud.)

O/o the CGDA a copy of the Annexure I Ulan Batar Road; Palam, is enclosed for information. Delhi Cantt.-110 010

> Sd/-(P.N. CHOPRA) ACDA

ANNEXURE I

DEMAND NO. 21— DEFENCE PENSION 2013-2014

Name of the Ministry/Department: Ministry of Defence, Defence Accounts Department O/o the PCDA(P) Allahabad

Cash Management System in Central Government

															(Rs. in crore)
	Apr13	Apr13 May-13		Q.E.AI	Jul13	Aug13	Sept13	Q.E.A II	Oct13	Nov13	Dec13	Jun13 Q.E.Al Jul13 Aug13 Sept13 Q.E.A.II Oct13 Nov13 Dec13 Q.E.A.III Jan14 Feb14 Mar14 Q.E.A.IV	4 Feb14	Mar14	Q.E.A.IV
Monthly Expenditure Projection	anditure Pro	jection													
Plan															
Non-Plan	Non-Plan 4200 3600	3600	3600	11400	3600	3600	3600	10800	3600	4100	3650	3600 11400 3600 3600 3600 10800 3600 4100 3650 11350 3650 3650 3650 10950	3650	3650	10950
Total															

Observation/Recommendation

The Committee note with concern that huge quantum of excess expenditure to the tune of Rs. 2,864.02 crore, Rs. 138.85 crore and Rs. 1,235.32 crore had been incurred under Revenue Section (Voted) of Grant No. 22—Defence Services — Army and Grant No. 23 — Defence Services — Navy and Grant No. 27 — Capital Outlay on Defence Services respectively during the financial year 2010-11. In respect of Grant No. 22, the main contributory reasons, according to the Ministry of Defence, were higher sanction of DA than anticipated, accretion of two new formations, additional expenditure on disaster relief operation, increase in purchase rate and demand of hay, exchange rate variation, supply of stores ex DGOF more than budgeted amount, procurement of ammunition and devices and contractual obligations. As regards the Grant No. 23, the main contributory reasons adduced were certain unforeseen obligatory payments, increase in Temporary Duty, Permanent Duty, Contractual Foreign Travel of Service and Civilian personnel as per their entitlements, enhanced deployments for coastal security/anti-piracy and additional deployment of ships and aircrafts to Libya at short notice, payment of liabilities for maintenance dredging for operational requirements and additional expenditure on account of urgent repairs for operational marine assets/buildings and contractual payments for pilots training in USA. With regard to the Grant No. 27, the main contributory reasons were more fructification of land acquisition cases than anticipated at MA stage, enhanced deliveries of Instant Fire Detection and Suppression System than anticipated at MA stage and initial advance for TATRA for mounting Mobile Mast, enhanced deliveries/ payments in environmental control for BMP-II, modernization of safety and security in Ammunition Report and in other miscellaneous schemes like SHAKTI and SUJAV etc. and maturity of high value cases during this period, booking of expenditure with respect to committeed liabilities, enhanced deliveries/payments in MBWT wagons, higher progress and expenditure than anticipated under projects towards the close of financial year, exchange rate variation in respect of foreign payments and booking of letter of credit on account of foreign payments, certain unforeseen payments including taxes, booking of expenditure with respect to committed shippard payments, revised requirement of funds towards schemes contracted with HAL and increased requirements due to committed liabilities and adjustments due to enhanced rate of exchange and greater progress under certain other works than anticipated. The Committee do not consider these reasons compelling for incurring excess expenditure as many of these could have been anticipated well in advance and factored into at the time of finalization of the Grants through the three stages of Supplementary Grants. In this regard, the Committee's examination has revealed that the Ministry of Defence have continuously been incurring huge sums of excess expenditure under the Grant No. 22 (Revenue Voted) — Defence Services — Army since the 2006-07 fiscal. To elucidate, excess expenditure of Rs. 667.17 crore in 2006-07, Rs. 71.19 crore in 2007-08, Rs. 13.33 lakh in 2008-09, Rs. 2,464.11 crore in 2009-10, Rs. 2,864.02 crore in 2010-11 were incurred under this Grant. Similarly, excess expenditure of Rs. 150.51 crore in 2009-10, and Rs. 138.85 crore in 2010-11 was incurred under the Grant No. 23 (Revenue Voted) — Defence Services — Navy. Surprisingly as a remedial measure, the Ministry have merely re-circulated their old instructions for containing

excess expenditure which have proved inadequate over these years. The Committee wonder as to why a crucial Ministry like the Ministry of Defence responsible for the defence of the country would remain so insensitive for such a long priod and would continuously be founder wanting in their budgetary exercise. The Committee observe that the quantum of unauthorized excess expenditure could have been greatly reduced with proper care and attention to detail. However, this trend of recurring excess expenditure proves that the Ministry have no mechanism to check or minimize excess expenditure under the Grants operated by them. The Committee feel that to plug the loopholes and rectify the deficiencies causing excess expenditure, it is imperative for the Ministry of Defence to undergo serious introspection and devise concrete ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that recurring excess expenditure is avoided altogether. The Committee would like to be apprised of the specific additional corrective measures taken by the Ministry in this direction.

[Sl. No. 9, Appendix-II, Para No. (Part-II)-9, of the 64th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Ministry of Defence

The Ministry of Defence has undertaken internal brainstorming to identify the possible reasons for repeated instances of excess expenditure. Several areas have been identified for closer study. This will be done by three Committees set up for the purpose who will also devise alternate solutions for any weak internal controls that may exist.

Sd/-(Veena Prasad) Joint Secretary & Addl. FA (VP)

[MoD (Fin.) ID No. 7(2)/Bud.-I/2013 dated 12.07.2013.]

Observation/Recommendation

During the financial year 2010-11, the Department of Posts incurred an excess expenditure of Rs. 366.63 crore under a single Grant operated by them, *i.e.* Grant No. 13—Postal Services. Scrutiny of the Explanatory Note furnished by the Department shows that the excess expenditure was mainly due to pay and hike in Dearness Allowance, Implementation of GDS Committee Report, Modified Assured Career Progression (MACP) Scheme due to implementation of the 6th Pay Commission Report and excess payment of superannuation and retirement benefit including payment of family pension more than anticipated. The Committee have been assured that instructions have been issued to the circles/units to project the demand for fund realistically and keep the expenditure within the allotment. The Committee are, however, worried to find that the same instruction was issued by the Department when they incurred an excess expenditure of Rs. 818.13 crore during 2009-10 fiscal. Apparently, the instruction issued by the Department for containing their excess expenditure are far from effective. The Committee urge upon the Department to overhaul their prevailing expenditure review mechanism whereby a

system is evolved and enforced to provide sufficient checks and balance against any possible want on sanction and utilisation of funds under the Grant so as to maintain the requisite transparency and accountability. The Committee, therefore, desire that precise action should be taken in this regard at the earliest.

[Sl. No. 10, Appendix II, Para No. 10, of 64th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Department of Posts

It is a fact that Department of Posts has incurred excess expenditure of Rs. 818.13 crore during the year 2009-10 and Rs. 366.63 crore in 2010-11. The video conference by the Secretary (posts) with heads of circles to review expenditure of each circle on monthly basis is an effective expenditure management tool and it would help the department in controlling over the expenditure and keeping the same within budgetary allotment in future.

Department is implementing IT project through which business processes of each action of the Department is going to be computerised which will enable to make more accurate projection of demands for funds.

Sd/-Joint Secretary

[Ministry of Communications & IT (Department of Post) OM No. 20-5/11-BGT(PA) dt. 15.4.2013]

Observation/Recommendation

The Committee are concerned to note that despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in the accounts of the Ministry of Railways. During the last ten financial years, the Committee have come across fifty-eight cases of misclassification of expenditure, the details being five in 2001-02, three in 2002-03, five in 2003-04, nine in 2004-05, six in 2005-06, five in 2006-07, three in 2007-08, six in 2008-09, seven in 2009-10 and nine in 2010-11. The Committee deplore that this unabated trend of persistent misclassification of expenditure in the Railways has reached endemic proportion and they have repeatedly failed to address and eliminate such a fundamental flaw. Apparently, no tangible action has been taken by the Ministry either to fix responsibility for avoidable errors or for rectifying the terminological ambivalence leading to misclassification. The Committee take a serious view of such callous approach on the part of the Ministry of Railways, which if left unattended/unchecked, would derail the budgetary exercise. The Committee recommend that the existing budgetary mechanism in the Railways needs to be thoroughly reviewed and revamped so that necessary corrective action, wherever warranted, could be taken to overcome systemic lacunae/loopholes for progressive elimination of the misclassification syndrome. Further, responsibility be fixed for each patent misclassification so that there is greater caution and due diligence in classification of expenditure in future.

> [Sl. No. 8, Appendix II, Para No. 12 of 64th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Ministry of Railways

The observations/recommendations of the Public Accounts Committee regarding misclassification of expenditure are noted for strict compliance. In this regard, it is advised that Zonal Railways have been issued strict instructions to ensure correct classification of expenditure and that case of misclassification if any, should be rectified before the closure of the annual accounts of the year. However, due to voluminous transactions, some cases of misclassification go undetected during the internal check but they constitute a very minuscule percentage of 0.003% of total accounting transactions.

Instructions have also been issued by Railway Board that the staff responsible for committing errors regarding classification of accounts should be taken up and punitive action taken against such staff should be reported to Board. Railways are regularly holding workshops/seminars to sensitize and educate the staff to avoid misclassifications while booking expenditure. Besides, the defaulting staffs are also being counseled to be more careful in future so that serious and similar natures of misclassifications are not repeated year after year.

As a result of these measures and the ongoing computerization of accounts, it is hoped that even the present minuscule percent of errors do not take place.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted "the ATN with the remarks Seen Thanks."

Sd/-

(V. Vaidehi)

Exe. Director Finance (BC)

[Ministry of Railways' Case No. 2013-BC-PAC-XV/64 dated 27.06.2013]

Observation/Recommendation

Subject to the observations 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.

[Sl. No. 13, Appendix II, Para No. 13, of 64th Report of PAC (15th Lok Sabha)]

Action Taken by the Ministry of Finance

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government (excluding Railways) relating to 2010-2011 were submitted to Parliament in the *Budget* Session, 2013. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularising the money drawn in excess of the amounts authorised by the Parliament for the year 2010-2011, has also been passed and the corresponding Act published in the Gazette of India (Extraordinary) Part II, Section I dated March 23, 2013 as Act No. 10 of 2013 (copy enclosed), after obtaining assent of the President. In view of this, the excess amount drawn in 2010-2011 stands regularised. Action taken in this regard is, therefore, completed.

- 2. The Office of the Principal Director of Audit, Economic & Service Ministries has desired that a copy of Gazette of India (Extraordinary) Part II, Section I dated 23.03.2013 as Act No. 10 of 2013 may also be appended with ATN for proper appreciation of the PAC.
- 3. This Note has been vetted by Audit $\it vide$ their I.D. No. A.M.G.-V/VV/ATN/ 2013-14/133-135 dated 10th July, 2013.

Sd/(Rajat Bhargava)
Joint Secretary (Budget)
[Ministry of Finance, Department of Economic Affairs (Budget Division),
New Delhi-110 001 O.M. No. F.7(2)-B(SD)/2012 (Pt. II) dated August, 2013]



असाधारण

EXTRAORDINARY

भाग II — खण्ड 1

PART II — Section 1

प्राधिकार से प्रकाशित

PUBLISHED BY AUTHORITY

नई दिल्ली, शुक्रवार, मार्च 22, 2013/ चैत्र 1, 1935 (शक)

No. 13] NEW DELHI, FRIDAY, MARCH 22, 2013/CHAITRA 1, 1935 (SAKA)

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके। Separate paging is given to this Part in order that it may be filed as a separate compilation.

(Legislative Department)

New Delhi, the 23rd March, 2013/Chaitra 2, 1935 (Saka)

The following Act of Parliament received the assent of the President on the 22nd March, 2013, and is hereby published for general information:—

THE APPROPRIATION (No. 2) ACT, 2013 No.10 of 2013

[22nd March, 2013]

An Act to provide for the authorisation 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, 2011 in excess of the amounts granted for those services and for that year.

BE it enacted by Parliament in the Sixty-fourth Year of the Republic of India as follows:—

1. This Act may be called the Appropriation (No. 2) Act, 2013.

Short title.

- 2. From and out of the Consolidated Fund of India, the sums specified in column 3 of the Schedule, amounting in the aggregate to the sum of seven thousand nine hundred ninety crore, eight lakh, five thousand two hundred twenty-four rupees shall be deemed to have been authorised to be paid and applied to meet the amounts spent for defraying the charges in respect of the services specified in column 2 of the Schedule during the financial year ended on 31st day of March, 2011, in excess of the amounts granted for those services and for that year.
- 3. The sums deemed to have been authorised to be paid and applied from and out of the Consolidated Fund of India under this Act shall be deemed to have been appropriated for the services and purposes expressed in the Schedule in relation to the financial year ended on the 31st day of March, 2011.

Issue of Rs. 7990,08,05,224 out of the Consolidated Fund of India to meet certain excess expenditure for the year ended on the 31st March, 2011.

Appropriation.

THE SCHEDULE

(See sections 2 and 3)

			Excess	ess	
No. of Votes	Services and purposes		Voted portion	Charged portion	Total
			Rs.	Rs.	Rs.
11	Department of Commerce	Capital	6,56,75,990	:	6,56,75,990
13	Department of Posts	Revenue	366,63,29,167	:	366,63,29,167
21	Defence Pensions	Revenue	3336,30,72,983	10,74,960	3336,41,47,943
22	Defence Services — Army	Revenue	2864,01,52,379	:	2864,01,52,379
23	Defence Services — Navy	Revenue	138,84,60,256	:	138,84,60,256
25	Defence Ordnance Factories	Revenue	:	1,16,34,961	1,16,34,961
27	Capital Outlay on Defence Services	Capital	1235,31,94,576	:	1235,31,94,576
31	Ministry of External Affairs	Revenue	6,32,33,514	:	6,32,33,514
		Capital	26,97,65,506	:	26,97,65,506
72	Ministry of Petroleum and Natural Gas	Capital	14,000	:	14,000
80	Ministry of Road Transport and Highways	Revenue	:	15,000	15,000
101	Public Works	Revenue	7,79,95,991	:	7,79,95,991
102	Stationery and Printing	Capital	1,85,941	:	1,85,941
		Total:	7988,80,80,303	1,27,24,921	7990,08,05,224

DR. SANJAY SINGH, Additional Secretary to the Government of India.

Action Taken by the Department of Commerce

The excess of Rs. 6,56,75,990 has been regularised by Parliament and assented to by the President on 22nd March, 2013 as prescribed in Article 115(1) (b) of the Constitution of India.

Sd/-

AS&FA

The above ATN has been vetted by the Office of the Principal Director of Audit, Economic & Service Ministries, New Delhi *vide* their U.O. No. AMG-V/VV/ATN/2011-12/177-179, dated 29th August, 2013.

[Department of Commerce OM No. G. 20008/10/2011-B&A (pt.) dated 13.09.2013]

Action Taken by the Ministry of External Affairs

The Demands for excess Grants relating to 2010-11 has since been passed by the Parliament and assented to by the President of India on 22nd March, 2013 as per Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi letter No. E7(2)-B(SD)/2012 dated 23rd March 2013, thereby regularising the excess expenditure.

Sd/-(Kusumjit Sidhu) Additional Secretary (Financial Advisor) Ministry of External Affairs

No. Q/Bud/125/02/2012

Action Taken by the Ministry of Petroleum and Natural Gas

Ministry of Petroleum and Natural Gas has requested Department of Economic Affairs, Ministry of Finance *vide* letter dated 18.2.2013 for regularization of the excess expenditure of Rs. 14,000/-.

Action to be Taken by Ministry of Finance.

(The above mentioned ATN has been examined and vetted by the Office of the Principal Director of Audit, Economic and Service Ministries, *vide* their U.O. letter No. AMG-VI/App.A/c/ATN/2013-14/11-13 dated 30.04.2013).

Sd/-

Additional Secretary & Financial Advisor [Ministry of P&NG O.M. No G-24011/1/2010, Fin. 1, dated 31.10.2013.]

Action Taken by the Ministry of Road Transport and Highways

Demand for excess Grants for expenditure of the Central Government related to 2010-11 for Rs. 15,000/- in respect of Ministry of Road Transport and Highways have been passed by Lok Sabha and assented by the President of India, on March 22, 2013 as communicated *vide* Ministry of Finance, Department of Expenditure (Budget Division) letter F. 7(2)-B/(SD)/2012 dated 23.03.2013.

Sd/-

Additional Secretary & Financial Advisor Ministry of Road Transport and Highways

F.7(2)-B(SD)/2012 Ministry of Finance Department of Economic Affairs (Budget Division)

New Delhi, the March 23, 2013

Subject: Demands for Excess Grants relating to 2010-2011.

The undersigned is directed to state that the Demands for Excess Grants relating to 2010-2011 have been passed by the Lok Sabha. The connected **Appropriation Bill (No. 2), 2013** has also been passed by Parliament and assented to by the President of India on **March 22, 2013** and the Act has been published in the Gazette of India (Extraordinary) Part II, Section I, dated **March 23, 2013** as Act No. 10 of 2013.

Sd/-(V. PRAKASH) Deputy Director (Budget)

- Smt. Anita Agnihotri, Additional Secretary & Financial Adviser, Department of Commerce, Ministry of Commerce & Industry, Room No. 137, Udyog Bhawan, New Delhi-110 011.
- 2. Ms. Saroj Punhani, Joint Secretary and Financial Adviser, Department of Posts, Ministry of Communications & Information Technology, Dak Bhawan, New Delhi-110 001.
- 3. Smt. Priti Mohanti, Financial Adviser (Defence Services), (21-Defence Pensions, 22-Defence Services, Army, 23-Defence Services-Navy, 25-Defence Ordnance Factories & 27-Capital Outlay on Defence Services), Ministry of Defence (Finance), South Block, New Delhi-110 001 (5 copies).
- 4. Shri Bimal Julka, Special Secretary & Financial Adviser, Ministry of External Affairs, Room No. 162-F, South Block, New Delhi-110001.
- Dr. S.C. Khuntia, Additional Secretary & Financial Adviser, Ministry of Petroleum and Natural Gas, Room No. 208-A, Shastri Bhawan, A-Wing, Dr. Rajendra Prasad Road, New Delhi-110 001.
- Dr. (Ms.) Tuk Tuk Kumar, Additional Secretary & Financial Adviser, Ministry of Road Transport & Highways, Transport Bhawan, Sansad Marg, New Delhi-110 001.
- Shri Naresh Salecha, Joint Secretary & Financial Adviser (101-Public Works & 102-Stationery and Printing), Ministry of Urban Development, Room No. 141-C, Nirman Bhawan, Dr. Maulana Azad Road, New Delhi-110 011.
- 8. The Finance Library (Publication Section) (**10 copies**) with the request that copies of the Gazette of India (Extra ordinary) Part II, Section I

- dated **March 23, 2013** as Act No. 10 of 2013 be obtained from the Manager of Publication and supplied to Comptroller & Auditor General of India, 10, Bahadur Shah Zafar Marg, New Delhi-110 002.
- 9. The Parliament Library, Lok Sabha Secretariat, New Delhi (10 Copies).
- 10. The Lok Sabha Secretariat (PAC Branch), Parliament House Annexe, New Delhi-110 001 (**10 Copies**).
- 11. The Director General of Audit, Central Revenues (R-I), AGCR Building, New Delhi-110 002 (**10 Copies**).
- 12. The Director General of Audit, Central Expenditure, AGCR Building, New Delhi-110 002 (**10 Copies**).
- 13. The Director General of Audit, Posts & Telecom, Sham Nath Marg, Civil Lines, Delhi-54 (**10 Copies**).
- 14. The Director General of Audit, Defence Services, New Delhi-110 001 (10 Copies).
- 15. The Controller General of Accounts, Lok Nayak Bhawan, New Delhi (10 Copies).
- 16. Comptroller and Auditor General of India, 10, Bahadur Shah Zafar Marg, New Delhi-110 002 (**10 Copies**).
- 17. Finance Library, North Block, New Delhi (10 Copies).
- 18. The Ministry of Planning, Planning Commission, Yojana Bhawan, New Delhi-110 001.
- 19. Member FR/Adviser FR, Planning Commission, Yojana Bhawan, New Delhi-110 001.
- 20. Joint Secretary (PF-I), Department of Expenditure, Ministry of Finance, North Block, New Delhi.
- 21. Joint Secretary (PF-II), Department of Expenditure, Ministry of Finance, North Block, New Delhi.
- 22. Finance Secretary & Secretary (Expenditure)
- 23. Secretary (Economic Affairs)
- 24. Secretary (Revenue)
- 25. Secretary (Financial Services).
- 26. PS to JS (Budget)
- 27. Director (NMJ), Director (PK), Director (RP), Deputy Secretary (PS)
- 28. Director (OL)/DD (Hindi)
- 29. Manager (Budget Press)
- 30. All USs/Deputy Directors in Budget Division.
- 31. All Sections in Budget Division and PF-I & PF-II Divisions.

Action Taken by the Ministry of Urban Development

The excess expenditure over the budgeted grant occurred due to clearing outstanding claims of the previous year. The explanatory note containing the reasons for excess was sent to the Principal Directorate of Audit, Economic & Service Ministries *vide* letter No. G-23012/1/2011-Bt. (UD) dated 02.09.2011 which has been duly vetted by the Audit *vide* their U.O. No. AMG-1/VV/ATN/2011-12/480-482 dated 16.11.2011 and U.O. No. AMG-1/VV/ATN/2011-12/544-546 dated 19.12.2011.

The excess demand statement was sent to the Ministry of Finance for regularisation of the excess expenditure during the Budget Session *vide* this Ministry's letter No. G-23012/1/2012-Bt.(UD) dated 11.02.2013. The Parliament has passed the excess grants relating to 2010-11 and the Appropriation Bill (No. 2) of 2013 has been passed by the Parliament and assented to by the President on 22nd March, 2013.

The contents of the Action Taken Note on the Recommendations of PAC were sent to the Principal Director of Audit, Economic & Service Ministries *vide* letter No.G-23012/04/2011 -Bt. (UD) dated 6th September, 2013 for vetting. The Principal Director Audit *vide* their U.O. No. AMG-V/AA/ATN/2013-14/282-284 dated 18th October, 2013 has stated that the Action Taken Note has been examined in Audit and the Audit has no comments to offer thereon.

Sd/-(Naresh Salecha) Joint Secretary and Financial Adviser

Action Taken by the Ministry of Defence (Grant No. 21)

The Committee have recommended that the excess expenditure referred to in the proceeding paragraphs be regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India.

2. The Demand for Excess Grants for Rs. 10,74,960 under (Revenue Charge) and Rs. 3336,30,72,983 under (Revenue Voted) under Demand No. 21-Defence Pensions relating to the financial year 2010-11 have already been passed by the Lok Sabha and the connected Appropriation Bill (No. 2), 2013 has also been passed by Parliament and assented to by the President of India on March 22nd, 2013 and the Act has been published in the Gazette of India (Extra ordinary) Part II, Section I dated 23rd March, 2013 as Act No. 10 of 2013.

Sd/-(Rajnish Kumar) JS & Addl. FA (RK)

Action Taken by the Ministry of Defence

The excess expenditure during the year 2010-11 has been regularized by the Parliament as per Appropriation Bill (No. 2), 2013 and assented to by the President

of India on March 22, 2013 and the Act has been published in the Gazette of India (Extraordinary) Part I, Section I dated March 23, 2013 as Act No. 10 of 2013.

Sd/-(Veena Prasad) Joint Secretary & Addl. FA (VP)

[MoD (Fin.) ID No. 7(2)/Bud.-I/2013 dated 12.07.2013]

Action Taken by the Department of Posts

The excess expenditure incurred during the year 2009-10 & 2010-11 under the Demand No. 13 of the Department of Posts have been approved by the Parliament *vide* the connected appropriation of March, 2012 and the connected appropriation (No. 2) Bill, 2013 respectively, copies are enclosed.

Sd/-Joint Secretary [Ministry of Communications & IT (Department of Posts) OM No. 20-5/11-BGT(PA) dt. 15.04.2013]

Action Taken by the Ministry of Railways

The excess expenditure of Rs. 3056.86 crore incurred by Ministry of Railways during 2010-11 has been regularized by Parliament in its budget session, 2013.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen" Thanks".

Sd/-(V. Vaidehi) Exe. Director Finance (BC) [Ministry of Railways' Case No. 2013-BC-PAC-XV/64 dated 27.06.2013]

CHAPTER III

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

-NIL-

CHAPTER IV

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

Observation/Recommendation

The Committee note with profound concern that out of the total twenty-nine cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 10,966.95 crore was incurred in as many as twenty-three cases even after obtaining Supplementary Grants/Appropriations to the tune of Rs. 19,065,46 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these twenty-three Grants/Appropriations ranged from 0.001 per cent [Grant No. 72 Capital Voted] (Ministry of Petroleum and Natural Gas) to 2,108 per cent [Grant No. 101 (Revenue Voted)-Public Works] and in thirteen cases this percentage was more than 50 per cent. To illustrate the sector-wise details, Supplementary Grants to the tune of Rs. 9,846.90 crore, Rs. 4,523.68 crore, Rs. 2,097.95 crore and Rs. 2,596.93 crore pertaining to the Civil, Defence, Postal and Railway Sectors respectively fell short of the actual expenditure by Rs. 3,377.41 crore, Rs. 4,239.34 crore, Rs. 366.63 crore and Rs. 2,983.56 crore in that order. In respect of seven Grants/Appropriations, the quantum of excess expenditure incurred was even higher than the Supplementary Grants/Appropriations sought. The Committee deplore the tendency on the part of the defaulting Ministries/Departments in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more perplexing is that these Ministries/Departments could not realistically project their requirement of funds even after three stages of obtaining Supplementary Grants, the latest being February-March, 2011 i.e. the fag end of the financial year. This is a clear indication of bad budgeting as well as of the deeply pervading malaise in the extant budgeting method/mechanism, which has resulted in lack of proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking Parliamentary approval. It also exposes the hollow claim of the Ministries/Departments concerned that they monitor the flow of the excess expenditure. The committee, therefore, recommended that the Ministries/Department concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and that budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained. The Committee be apprised of the steps taken in this regard within three months of the presentation of the Report.

> [Sl. No. 5, Appendix II, Para No. 5 of the 64th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Ministry of External Affairs

It is submitted that many of the Ministry's developmental projects are implementated in the foreign countries which depend on the local conditions prevailing in those countries. Very often, implementation of these projects is affected by the political climate in the host country. Ministry, however, will continue to endeavour to project more realistic budget demands taking into consideration all aspects of projects under consideration and implementation.

With the implementation of the Integrated Mission Accounts Software (I-MAS) in all the Missions/Posts in a phased manner, control of expenditure has improved. Clear instructions are given to all the spending units at RE stage to stick to the RE ceiling indicated and also to surrender any savings which are foreseen. The instructions of Ministry of Finance regarding curtailment of expenditure and expenditure ceiling are also given wide circulation among the spending units.

Sd/-(Kusumjit Siddu) Additional Secretary (Financial Advisor) Ministry of External Affairs

No. Q/Bud/125/02/2012

Action Taken by the Ministry of Petroleum and Natural Gas

As may be seen from the reply given in para No. 1, this Ministry had requested for the entire sum of Rs. 101,53,14,000, but in the budget document only Rs. 101.53 crore was shown due to rounding off leaving Rs. 14,000 unadjusted.

The amount of Rs. 101.53 crore (leaving Rs. 14,000/- unadjusted) was provided to us in 3rd Supplementaries and the approval was conveyed on 18.03.2011. During the next financial year *i.e.* 2011-12, this Ministry had *vide* letter dated 7.12.2011 requested Ministry of Finance to forward the Explanatory Note to Public Accounts Committee for regularization of excess expenditure of Rs. 14,000/-.

(The above mentioned ATN has been examined and vetted by the office of the Principal Director of Audit, Economic and Service Ministries, *vide* their U.O. letter No. AMG-VI/App.A/c/ATN/2013-14/11013 dated 30.04.2013).

Sd/-Additional Secretary & Financial Advisor [Ministry of P& NG O.M. No. G-24011/1/2010 Fin. I dated 31.10.2013]

Action Taken by the Ministry of Road Transport and Highway

No supplementary grant was taken by the Ministry for this purpose. The Excess expenditure of Rs. 15,000 was erroneously booked due to urgency in implementing court order against Court Case No. WP(C) 787 of 2010 filed by Ravinder *Vs* UO. & others.

Sd/-Addl. Secretary & Financial Advisor Ministry of Road Transport & Highways

Action Taken by the Ministry of Urban Development

Instructions have already been issued to all concerned to strengthen monitoring of expenditure and to keep the expenditure well within the budgeted allocation and no excess expenditure over the grant/appropriation is allowed to occur *vide* OM No. G-23012/6/2011-Bt. (UD) dated 12.08.2011 (Annexure-I & II). Further, One Day Workshop on Awareness Building on re-appropriation and projection of Supplementary Demands for Grants was also conducted on 13.09.2011 (Annexure-III).

The contents of the Action Taken Note on the Recommendations of PAC were sent to the Principal Director of Audit, Economic & Service Ministries *vide* letter No. G-23012/04/2011-Bt.(UD) dated 11th April, 2013 for vetting. The Principal Director Audit *vide* their U.O. No. AMG-V/VV/ATN/2013-14/114-116 dated 26th June, 2013 has stated that the Action Taken Note has been examined in Audit and the Audit has no comments to offer thereon.

Sd/(Naresh Salecha)
(Joint Secretary and Financial Advisor)

No. G-23012/6/2011-Bt. (UD) Government of India Ministry of Urban Development (Budget Section)

> Nirman Bhawan, New Delhi-11 Dated the 17th August, 2011

OFFICE MEMORANDUM

Subject: Excess Expenditure over Grants/Appropriation

The undersigned is directed to state that Appropriation Account for the year ended 31.03.2011 reveals excess expenditure over the grant/appropriation in all the three demands of the Ministry (Annexure). Under Demand No. 101-Public Works and demand No. 102 Stationery and Printing, the Excess Expenditure has taken place beyond the total Grant under the Revenue Section and Capital Section respectively. This is the glaring example of breach of financial propriety and violation of the provision of the General Financial Rules. There are instances where expenditure has exceeded the grant despite the fact that the division reported the savings.

- 2. Rule 52 of General Financial Rules states that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year. The mechanism for expenditure control which *inter alia* involve Drawing & Disbursing Officer, Controlling Officer and the Pay & Accounts Officer to reconcile the expenditure on monthly basis. Thus Head of the Department and the Accounts Officer are jointly responsible for the monthly reconciliation of the accounts.
- 3. All concerned are requested to strengthen the monitoring of expenditure to keep the expenditure well with in the budgeted allocations and no excess expenditure over the grant/appropriation is allowed to occur. It is also requested to furnish the detailed and convincing reasons for savings and Excess of expenditure to the Budget Section immediately *i.e.* latest by 18th August, 2011.

Sd/-(Moti Lal) Director (Budget) Ph. No. 23062074

Encl. Annexure

To:

- 1. Joint Secretary (Admn.)
- 2. Director (Works)
- 3. Director (UD)
- 4. Director (PSP)
- 5. Director (DD)
- 6. Director (WS/LSG/UCD)
- 7. Director (UT)
- 8. Director (NURM I, II & III)
- 9. Deputy Secretary (MRTS)
- 10. Director (Coord.)

 $\label{eq:annexy} ANNEXURE$ Cases of Excess Expenditure over Grant/Appropriation (Rs. in thousand)

	(KS. III tilousand				
Major Head	Total Grant/ Appropriation	Expenditure	Excess		
Major Head 2216—	-Housing				
(i) Demand No. 100-	Department of Urban I	Development—			
2216.05.053.06	89,25,00	90,72,67	1,47,67		
2216.05.800.02	7,00,00	7,37,68	37,68		
2216.07.053.05	41,00,00	45,67,87	4,67,87		
2216.07.800.01	4,20,00	4,73,11	53,11		
2217.80.004.01	20,70,00	21,50,66	**80,66		
4216.01.700.04	10,00	13,75	** 3,75		
(ii) Demand No. 101	-Public Works—				
2059.01.051.01	15,00,00	15,03,97	3,97		
2059.01.053.03	82,25,00	84,04,02	1,79,02		
2059.01.104.01	112,00,00	117,56,16	5,56,16		
2059.60.051.02	2,50,00	3,65,70	1,15,70		
2059.60.053.02	31,20,00	31,98,19	78,19		
2059.60.053.03	47,75,00	52,31,55	3,56,55		
2059.80.001.02	365,81,56	371,74,77	**5,93,21		
2059.80.001.03	9,21,60	9,88,67	67,07		
2059.80.001.04	66,26,78	66,90,49	63,71		
4059.80.051.11	5,00,00	5,08,96	8,96		
4059.80.051.23	15,00	30,19	15,19		
4202.01.600.01	3,38,00	3,61,02	**23,02		
(iii) Demand No. 102	2-Stationery & Printing-	_			
2058.00.105.01	22,30,50	23,61,23	1,30,73		
4058.00.103.02	13,00	14,86	1,86		

^{**} Denotes the cases where funds were re-appropriated from these sub-heads and the actual expenditure is in excess of the final grant.

No. G-23 012/6/2011-Bt(UD) Government of India Ministry of Urban Development (Budget Section)

> Nirman Bhawan, New Delhi-11 Dated the 17 August, 2011

OFFICE MEMORANDUM

Subject: Excess Expenditure over Grant/Appropriation.

The undersigned is directed to state that Appropriation Account for the year ended 31.03.2011 reveals excess expenditure over the grant/appropriation in all the three demands of the Ministry (Annexure). Under Demand No. 101-Public Works and Demand No. 102-Stationery and Printing, the Excess Expenditure has taken place beyond the total Grant under the Revenue Section and Capital Section respectively. This is the glaring example of breach of financial propriety and violation of the provision of the General Financial Rules.

- 2. Rule 52 of General Financial Rules as well as para 4.2.4 of Civil Accounts Manual clearly stipulate that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year. Head of the Department and the Accounts Officer are jointly responsible for the monthly reconciliation of the accounts. Further, Note below para 4.2.4 Civil Accounts Manual empowers the Pay and Accounts officer to make the payment only on receipt of the written assurance from the grant controlling authority that the expenditure does not involve New Service/New Instrument of Service and the funds will be provided by way of re-appropriation.
- 3. It is requested to issue suitable instructions to all the Pay and Accounts offices under your control to reconcile the accounts on monthly basis and to strictly abide by the above provisions so as to alleviate the possibility of excess expenditure over grant/appropriation.

Encl: Annexure

Sd/-(Moti Lal) Director (Budget) Ph. No. 23062074

To:

The Controller of Accounts, Ministry of Urban Development, Nirman Bhawan, New Delhi.

 $\label{eq:annexy} ANNEXURE$ Cases of Excess Expenditure over grant/appropriation (Rs. in thousand)

Major Head	Total Grant/ Appropriation	Expenditure	Excess			
1	2	3	4			
Major Head 2216—Housing						
(i) Demand No. 100-	Department of Urban	Development				
2216.05.053.06	89,25,00	90,72,67	1,47,67			
2216.05.800.02	7,00,00	7,37,68	37,68			
2216.07.053.05	41,00,00	45,67,87	4,67,87			
2216.07.800.01	4,20,00	4,73,11	53,11			
2217.80.004.01	20,70,00	21,50,66	**80,66			
4216.01.700.04	10,00	13,75	**3,75			
(ii) Demand No. 101-Public Works						
2059.01.051.01	15,00,00	15,03,97	3,97			
2059.01.053.03	82,25,00	84,04,02	1,79,02			
2059.01.104.01	112,00,00	117,56,16	5,56,16			
2059.60.051.02	2,50,00	3,65,70	1,15,70			
2059.60.053.02	31,20,00	31,98,19	78,19			
2059.60.053.03	47,75,00	52,31,55	3,56,55			
2059.80.001.02	365,81,56	371,74,77	**5,93,21			
2059.80.001.03	9,21,60	9,88,67	67,07			
2059.80.001.04	66,26,78	66,90,49	63,71			
4059.80.051.11	5,00,00	5,08,96	8,96			
4059.80.051.23	15,00	30,19	15,19			
4202.01.600.01	3,38,00	3,61,02	**23,02			
(iii) Demand No. 102	—Stationery and Printi	ng				
2058.00.105.01	22,30,50	23,61,23	1,30,73			
4058.00.103.02	13,00	14,86	1,86			

^{**} Denotes the cases where funds were re-appropriated from these sub-heads and the actual expenditure is in excess of the final grant.

MOST IMMEDIATE

No. G2017/5/2011-Bt.(UD) Government of India Ministry of Urban Development (Budget Section)

New Delhi, 06 September, 2011

Subject: One day workshop on awareness Building on re-appropriation and projection of supplementary Demand for Grants on 13th Sept., 2011 organised by Ministry of Urban Development.

It has been decided to hold one day workshop on awareness Building on re-appropriation and projection of supplementary Demand for Grants on 13.09.2011 from 9.30 A.M. onwards in Conference Room No. 101, A Wing, Nirman Bhawan, New Delhi.

Officers/staff members of the concerned programme divisions associated with preparation of re-appropriation and projection of supplementary Demand for Grants (one each from every section/division) are invited to take part in the day-long session.

Sd/-(Moti Lal) Director (Budget) Tel. 23062074/2867

To.

All Sections in the Ministry of Urban Development/Ministry of Housing and Urban Poverty Alleviation.

Copy with the request that officials involved for re-appropriation/projection of supplementary etc. may be directed to attend the workshop:

Joint Secretary (Admn.)/OSD (MRTS)/Director (UD)/Director (Works)/Director (UT)/Director (DD)/Director (WS/LSG)/Director (UIDSSMT)/Deputy Secretary (JNNURM)/Director (PSP)/Deputy Secretary (JNNURM), Ministry of Urban Development.

Joint Secretary (Admn. and Coord.)/Director (Ray and HUDCO), Director (JNNURM)/Director (Housing)/Deputy Secretary (UPA), Ministry of Housing and Urban Poverty Alleviation.

Copy also to:

- 1. Director General (Works) CPWD, New Delhi.
- 2. Director, Directorate of Printing, New Delhi.
- 3. Director, Directorate of Estates.

- 4. Director, NBO.
- 5. Chief Planner, T&CPO, New Delhi.
- 6. Director (JNNURM), New Delhi.
- 7. Controller of Publication, Civil Lines, New Delhi.
- 8. Director, Land and Development Office, New Delhi.
- 9. Controller of Stationery and Printing, Kolkata.

Copy for information to:

- 1. Shri. P.K. Sharma, FO to DG(W) with the request to book the Conference Room No. 101, A Wing, Nirman Bhawan, New Delhi-11 for 13.09.2011 from 9.30 AM to 5.15 PM.
 - 2. PS to JS and FA
 - 3. PS to CCA

Sd/-

(Moti Lal) Director (Budget) Tel. 23062074/2867

Action Taken by the Ministry of Defence (Grant No. 21)

In this paragraph, the Committee have noted that out of the total 29 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 10,966.958 crore was incurred in as many as 23 cases even after obtaining Supplementary Grants/Appropriations to the tune of Rs. 19,065.46 crore. The Committee have deplored the tendency in resorting to excess expenditure despite obtaining huge sums of Supplementary in a routine manner and have accordingly recommended that the Ministries/Departments concerned should probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained. The Committee have also desired to be apprised of the steps taken in this regard within three months of the presentation of the Report.

2. In this regard, the actual position under Grant No. 21—Defence Pensions for the Financial year 2010-11 is as under:

(Rs. in crore)

Revenue Section	Final Grant	Actual Expenditure	Excess	%age
Total	34,000.0000	37,336.4148	+3,336.4148	9.81%

- 3. The approved BE 2010-11 was Rs. 25000 crores and at RE 2010-11 stage, an amount of Rs. 37647 crores was projected under Grant No. 21—Defence Pensions, however, due to financial constraint, MoF approved only Rs. 34000 crores, that is, a Supplementary Grant to the tune of Rs. 12647 crores was requested at RE stage of 2010-11, but due to financial constraint only Rs. 9000 crores was approved by MoF, which means less Supplementary Grant was approved than projected, which resulted into excess expenditure of Rs. 3,336.41 crores. The actual expenditure of Rs. 37,336 crores incurred under the Grant, was in line with the RE projection of Rs. 37,647 crores submitted by the Ministry to MoF. Also, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of Budget.
- 4. As already explained above, the actual expenditure under Grant No. 21—Defence Pensions for the financial year 2010-11 was in line with the projections submitted by this Ministry to MoF at RE stage. However, the excess occurred due to 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

under mentioned table shows the amount projected by PCDA(P) Allahabad and the amount approved by Ministry of Finance over the last few years.

(Rs. in crores)

Year-wise Allocations	Amount Projected	Amount Approved by MoF	Less Amount Received	Actual Expenditure	RBI Cash flow
2010-11	37647	34000	3647.00	37336	36976
2011-12	37547	34000	3547.00	37569.39	38003
2012-13	41785	39500	2285.00	39328.15	
				(upto 3/2013))
2013-14 BE	45304+2300* = 47604	44500	3104.00		

- 5. Regarding corrective measures, the Ministry of Defence have issued, from time to time instructions to exercise strict control on progress of Expenditure in order to avoid any large-scale savings or excess under any grant relating to Civil Estimates.
- 6. Subsequently, instructions were also issued to PCDA(P) Allahabad and O/o the CGDA, New Delhi *vide* ID No. 2(6)/MO/2011 dt. 12.07.2012 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 informed about various measures initiated to promote e-governance model and use of IT.
- 7. Also, as per the directions of Ministry of Finance, to Review of 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 Finance *vide* this office ID No. 2(8)/RE/BE/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 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.
 - PCDA(P) has taken up with Banks to provide Pension Payment scrolls on electronic format.

- 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.
- Apart from "Project Sangam", a new web based application for "Pension Accounting System" has also been developed, which is under trial running process. The project once 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 above measures are expected to improve budgeting and accounting of pension expenditure.

Sd/

(Rajnish Kumar) JS & Addl. FA (RK)

Action Taken by the Ministry of Defence

In view of the above recommendation of the Committee, the Ministry of Defence is constituting three Committees comprising representatives from Defence Finance Division, Budget Holders/Financial Planning Directorates of the Services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. These Committees would make an in-depth examination of the issues to identify weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same. Detailed instructions have been issued to all concerned *vide* MoD (Fin.) ID No. 7(5)/Bud-I/2011 dated 29/11/2011, 10(01)/Bud-I/2012(PC) dated 11/12/2012, 10(01)/Bud-I/2012 dated 06/02/2013, 10(01)/Bud-I/2013 (PC) dated 07/03/2013, 14/03/2013, 20/03/2013, 26/03/2013 (Copies enclosed) for strict monitoring of utilization of the budget to avoid excess expenditure over allocation.

Sd/ (Veena Prasad) Joint Secretary & Addl. FA (VP)

[MoD (Fin.) ID No. 7(2)/Bud.-I/2013 dated 12-07-2013]

Action Taken by the Department of Posts

It is a fact that there has been excess expenditure for Rs. 366.63 crore during the year 2010-11. Austerity measures received from Ministry of Finance are also being circulated to all field formations and their expenditures 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.

Department is implementing IT project through which business processes of each action of the Department is going to be computerized which will enable to make more accurate projection of demands for funds.

Sd/ Joint Secretary

[Ministry of Communications & IT (Department of Posts) OM No. 20-5/11-BGT(PA) dt. 15.4.2013]

Action Taken by the Ministry of Railways

In March, 2011, Ministry of Railways obtained supplementary under 13 Grants and 9 Appropriations. Of this, excess has occurred under 9 Grants, *viz.*, 3, 4, 6, 7, 8, 10, 11, 12 & 13 and under 4 Appropriations, *viz.*, 3, 6, 8, & 12.

Excess under charged appropriations could not be avoided despite taking supplementary because more decretal payments materialized in March, 2011 whereas the supplementary was finalized at the end of February, 2011 itself. As regards excess under voted grants, the reasons have been given in the ATNs to the preceding observations.

However, noting the concern of the Committee, the Railways have been addressed on the issue *vide* the enclosed letter (No. 2013-B-342 dated 09-04-2013—Annexure-I) and also in the General Managers' conference held in April, 2013.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen. However, Railways needs to draw up their demand for supplementary grants keeping in view the future contingencies like decretal payments. As far as possible, adequate and timely provisions should be made on the basis of realistic assumptions".

Sd/

(V. Vaidehi) Exe. Director Finance (BC)

[Ministry of Railways case No. 2013-BC-PAC-XV/64 dated 27.06.2013]

Government of India Ministry of Railways (Railway Board)

No. 2013-B-342

New Delhi, dated 09.04.2013

The General Managers, All Indian Railways.

Subject: Excess over Voted Grants/Charged Appropriations — 2010-11.

In 2010-11, Railways incurred a huge excess expenditure of Rs. 3,056.84 crores in the following Demands:—

(Rs. in crores)

Dem. No.	Grant	Appropriation	Total
3	5.13	0.21	5.34
4	5.67		5.67
5	73.28		73.28
6	221.26	0.05	221.31
7	39.72	0.01	39.73
8	184.55	0.01	184.56
10	414.80		414.80
11	53.39		53.39
12	645.53	9.26	654.79
13	1403.97		1403.97
Total	3047.30	9.54	3056.84

The above 'Excess' has been viewed seriously by the Public Accounts Committee (15th Lok Sabha), *vide* their 64th Report. The Committee, while expressing serious concern, has made the following observations/recommendations:

- 1. The incidence of excess expenditure of such a huge magnitude is far from justifiable given the provision for obtaining Supplementary Demands for Grants in the course of a financial year. The Committee desire that such an endemic failure arising out of 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 observance of strict fiscal discipline should be prudently addressed in the coming years.
- 2. The Committee wish to caution that expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of the budget does not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The unabated large excess expenditure by these

defaulting Ministries/Department is axiomatic of the fact that they miserably failed to track the pace of expenditure *vis-à-vis* the grants approved by Parliament. Deplorably, such a trend also indicates that the defaulting Ministries/Departments have not accorded due importance to the guiding principles of budgeting and abdicated their responsibilities. The Committee urge upon the defaulting Ministries/Departments to learn from the experience of the Ministries/Departments which did not incur excess expenditure.

- 3. In respect of Grant No. 12 and Appropriation Nos. 3, 6 & 7, the percentage of excess expenditure over the Total Grant was exceedingly high. Obviously, such a huge percentage of excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in these defaulting Ministries/Departments and there has been 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.
- 4. The Committee deplore the tendency on the part of the (Ministry of Railways) in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. This is a clear indication of bad budgeting as well as of the deeply pervading malaise in the extant budgeting method/mechanism, which has resulted in lack of proper assessment and accurate projection of the funds requirement despite ample opportunities for seeking Parliamentary approval. It also exposes the hollow claim of the Ministry of Railways that it monitors the flow of the excess expenditure. The Committee, therefore, recommend that the Ministry of Railways probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained. The Committee be apprised of the steps taken in this regard within three months of the presentation of the Report.
- 5. The Committee are constrained to observe that the Ministry of Railways had been persistently incurring huge excess expenditure during the financial years 2001-02 to 2010-11 This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by the (Ministry of Railways) over such long periods has led the Committee to arrive at the conclusion that the estimation of requirement of fund is still done in a haphazardly manner devoid of sound budgetary presumptions. Needless to say the existing budgeting mechanism in the (Ministry of Railways) still suffers from various loopholes and lacunae which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The persistence of such a pernicious trend is bound to further deteriorate the fiscal discipline leading to financial ad-hocism, and maladministration. The Committee, therefore, impress upon the Ministry of Railways to overhaul their budgetary mechanism drastically, introduce and implement IT and e-governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

6. Thus, incurring of excess expenditure under the Grants/Appropriations operated by the Ministry of Railways is a recurring phenomenon indicating serious flaws in their budgetary exercise. As such, the Committee are not enthused by the Ministry's stock reply that every care has been taken to assess the expenditure under various Grants/Appropriations as precisely as possible and to obtain supplementary allotments where necessary so that excess is avoided to the maximum extent possible. The Committee observed that while anticipating the requirement of funds by the Railways, estimation for various Sub-Heads could have been projected more realistically by analyzing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising cost etc. which was possible by putting in a little more effort. The Committee cannot but conclude that the indolent Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. It is apparent that the Ministry have paid scant respect to enforcing fiscal discipline while incurring wantonly excess expenditure, which is anything but regrettable. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee recommend that the Ministry of Railways strive earnestly for ensuing realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that the existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.

In view of the above observations, the Railways are required to take immediate action to curb the excess expenditure.

Sd/ (Jagmohan Gupta) Executive Director, Finance (Budget) Railway Board

Observation/Recommendation

The Committee are constrained to observe that the Ministry of Railway had been persistently incurring huge excess expenditure during the financial years 2001-02 to 2010-11 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2003-04 to 2010-11. To elucidate, the Ministry of Railways incurred excess expenditure of Rs. 210.71 crore in eight Grants/Appropriations in 2001-02; Rs. 323.65 crore in eleven Grants/Appropriations in 2002-03; Rs. 1136.92 crore in nine Grants/ Appropriations in 2003-04; Rs. 2,151.99 crore in ten Grants/Appropriations in 2004-05, Rs. 2,322.46 crore in eleven Grants/Appropriations in 2005-06, Rs. 365.16 crore in eight Grants/Appropriations in 2006-07, Rs.51.22 crore in eight Grants/ Appropriations in 2007-08, Rs. 532.12 crore in eight Grants/Appropriations in 2008-09; Rs. 1,922.84 crore in nine Grants/Appropriations in 2009-10 and Rs. 3,056.86 crore in ten Grants/Appropriations in 2010-11. The Committee also find that under Defence Services sector, the Ministry of Defence incurred an excess expenditure of Rs. 37.50 crore in a single Grant in 2003-04, Rs. 41.99 crore in two Grants in 2004-05, Rs. 44.84 crore in two Grants in 2005-06, Rs. 667.17 crore in a single Grant in 2006-07, Rs. 71.19 crore in a single Grant in 2007-08, Rs. 742.61 crore in two Grants in 2008-09, Rs. 2,615.23 crore in two Grants in 2009-10 and Rs. 4,239.34 crore in four Grants/Appropriations in 2010-11. This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods has led the Committee to arrive at the conclusion that the estimation of requirement of funds is still done in a haphazardly manner devoid of sound budgetary presumptions. Needless to say the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The persistence of such a pernicious trend is bound to further deteriorate the fiscal discipline leading to financial ad-hocism and maladministration. The Committee, therefore, impress upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce and implement IT and e-governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

[Sl.No. 6; Appendix II, Para No. (Part-II)-6 of the 64th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Ministry of Defence

In light of the recommendations of the Committee, three Committees are being constituted comprising authorities in Defence Finance Division, Budget Holders/Financial Planning Directorates of the Services and other agencies under the Ministry of Defence and Controller General of Defence Accounts. These Committees would make an in-depth examination of the issues to identify the weaknesses in the budgetary control systems that allow repeated instances of excess expenditure and formulate solutions to the same. One of these Committees will be examining the extant IT system used for compilation of defence expenditure for further refinements and will also study the feasibility of conveying budget allotments by means of an IT solution. The Navy has implemented an FIS system which will also be examined for possible replication by other services.

Detailed instructions have been issued to all concerned *vide* MoD (Fin) ID No. 7(5)/Bud/I/2011 dated 29.11.2011, 10(01)/Bud-I/2012(PC) dated 11.12.2012, 10(01)/Bud-I/2012 dated 06.02.2013, 10(01)/Bud-I/2013 (PC) dated 07.03.2013, 14.03.2013, 20.03.2013, 26.03.2013 (Copies enclosed) for strict monitoring of utilization of the budget to avoid excess expenditure over allocation.

Sd/(Veena Prasad)
Joint Secretary & Addl. FA(VP)
[MoD(Fin.)ID No. 7(2)/Bud.-I/2013 dated 12.07.2013]

Action Taken by the Ministry of Railways

The excess expenditure on Railways has increased from Rs. 210.71 crores in 2001-02 to Rs. 2,322.46 crores in 2005-06. However, it declined to Rs. 365.16 crores

in 2006-07 and further to Rs. 51.22 crores in 2007-08. But, it increased to Rs. 532.12 crores in 2008-09 to Rs. 1922.84 crores in 2009-10 and to Rs. 3056.86 crores in 2010-11. The increase in 2008-09 and 2009-10 had been mainly due to the difficulty in assessing the impact of implementation of the recommendations of the 6th CPC as has already been submitted to in ATNs to Reports of PAC on Excess over Voted Grants and Charged Appropriations relating to those years. As regards the increase in 2010-11, the reasons have been given in the other ATNs to the present Report of PAC.

Notwithstanding the same, the recommendation of the Committee has been noted for compliance. The Committee may appreciate the fact that the excess in 2011-12 has drastically reduced to around Rs. 1,050 crores.

Audit *vide* their U.O. No. 25 RA-III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen Thanks".

Sd/-(V. Vaidehi) Exe. Director Finance (BC)

[Ministry of Railways' case No. 2013-BC-PAC-XV/64 dated 27.06.2013]

Observation/Recommendation

The Committee observe that the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in the Union Government Appropriation Accounts (Civil) for the financial year 2010-11 were due for submission to the Committee on or before 24th April 2012. However, the Ministries of External Affairs, Commerce and Industry (Department of Commerce), Petroleum and Natural Gas and Defence furnished their Explanatory Notes pertaining to the financial year 2010-11 after a delay of 7 months 18 days; 7 months 5 days; 3 months 27 days; and 13 days respectively. The Committee do not find any valid justification for inordinate delay in submission of the Explanatory Notes by these defaulting Ministries/ Departments as they had ample time to prepare and furnish and same to the Committee well before the stipulated time as has been done by other Ministries/Departments. Deploring the abysmal failure on the part of the Ministry of Road Transport and Highways to furnish Explanatory Notes to the Committee (as on 28.12.2012) even after repeated written and oral reminders, the Committee, being unable to endorse regularization of the excess expenditure, recommend that responsibility be fixed by the Ministry of Finance in consultation with the Ministry of Law & Justice for violation of constitutional provision and they be apprised accordingly.

[Sl.No. 7, Appendix II, Para No. 7 of 64th Report of PAC (15th Lok Sabha)]

Action Taken by the Ministry of Finance

Deploring the abysmal failure on the part of the Ministry of Road Transport and Highways to furnish Explanatory Notes to the Committee (as on 28.12.2012) even after repeated written and oral reminders, the Committee, being unable to endorse

regularization of the excess expenditure, recommended that responsibility be fixed by the Ministry of Finance in consultation with the Ministry of Law & Justice for violation of constitutional provision and they be apprised accordingly. Accordingly, letters dated 15th May, 2013, 14th June, 2013 and 8th October, 2013 (copy enclosed) were sent to Ministry of Road Transport and Highways requesting them to initiate and intimate the action taken for the lapse. Ministry of Road Transport and Highways will ensure that the lapse does not recur in future and suitable action is taken against those responsible.

2. This note has been vetted by Audit *vide* their ID No. A.M.G-V/A.A./ATN/ 2013-14/310-312 dated 26th December, 2013.

Sd/-(Rajat Bhargava) Joint Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi-110 001 O.M. No. F.7(2)-B(SD)/2012 dated the January, 2014] रजिन्द्र सिंह 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

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D.O. No. F. 7(2)-B(SD)/2012

15th May, 2013

Dear Vijay,

I am to forward herewith a copy of extracts of paragraph 7 of the recommendations/observations of the Public Accounts Committee made in its 64th Report (15th Lok Sabha), wherein they have deplored the abysmal failure on the part of the Ministry of Road Transport & Highways to furnish Explanatory Notes to them even after repeated written and oral reminders. The Committee recommended that the responsibility be fixed in consultation with M/o Law and Justice for violation of the constitutional provision and they be apprised accordingly.

2. I would request you to initiate and intimate us of the action taken for this lapse at the earliest so that we can apprise the Committee accordingly.

With kind regards,

Yours sincerely,

Sd/ (R.S. Gujral)

Shri Vijay Chhibber Secretary, M/o Road Transport & Highways, Transport Bhawan, New Dehi.

No. F.7 (2)-B (SD)/2012 (Pt. II) Ministry of Finance Department of Economic Affairs Budget Division

North Block, New Delhi Dated the 14th June 2013

OFFICE MEMORANDUM

Subject: Paragraph 7 of the recommendations/observations contained in the Sixty-Fourth Report of the PAC (15 Lok Sabha) on "Excess over voted Grants and Charged Appropriations (2010-2011)"—regarding.

The undersigned is directed to refer to the D.O. letter of even Number dated 15.5.2013 on the above subject from Finance Secretary and to request to intimate the action taken immediately so that this Department is in a position to furnish ATN to Lok Sabha Secretariat on the said Para by the stipulated date.

Sd/-

(C.K. Ramaswamy) Under Secretary to the Government of India

Secretary, Ministry of Road Transport & Highways, Transport Bhawan, Sansad Marg, New Delhi. डॉ॰ रजत भार्गव, आइएएस संयुक्त सचिव D.O. No. 7(2)-B (SD)/2012

DR. RAJAT BHARGAVA, IAS JOINT SECRETARY

भारत सरकार वित्त मंत्रालय आर्थिक कार्य विभाग नॉर्थ ब्लाक, नई दिल्ली-110 001

GOVERNMENT OF INDIA Ministry of Finance Department of Economic Affairs North Block, New Delhi-110 001 Tel.: 23093183 Fax.: 23093133 E-mail:rajat.bhargava@nic.in

New Delhi, dated the 8th October, 2013

Dear Sir,

Kindly refer to D.O. letter of even number dated 15.5.2013 by FS (copy enclosed) regarding para 7 of the recommendations/observations of the Public Accounts Committee (PAC) made in their 64th Report (15th Lok Sabha).

2. A reminder dated 14.06.2013 was sent by FS subsequently. Since submission of Action Taken Notes on PAC Report is time-bound, it is requested that this Ministry may be intimated about the action taken to draft the ATN for para 7 of the Report well on time.

Warm regards,

Yours sincerely, Sd/-(Dr. Rajat Bhargava)

Shri Vijay Chhibber, Secretary, Ministry of Road Transport & Highways, Parivahan Bhawan, New Delhi.

Action Taken by the Department of Posts

This also relates to various Ministries. So far as Department of Commerce is concerned regarding delay of 7 months 5 days, the reason for delay is due to non-receipt of Vetting Notes from the Audit.

Audit Comments

Initially when the explanatory Note was sent in September, 2011, the same was vetted and returned to Ministry on 23.11.2011 without offering any comment in Capital section of the grant, since this was shown as saving of Rs. 6.57 crore *i.e.* less than Rs. 100 crore. Subsequently, Ministry of Commerce & Industry submitted the ATN on excess to audit for vetting on 27th November, 2012. The vetting comments of Audit were forwarded to the Ministry on 7th December, 2012.

Sd/-

AS&FA

The above ATN has been vetted by the Office of the Principal Director of Audit, Economic & Service Ministries, New Delhi *vide* their U.O. No. AMG-V/VV/ATN/2011-12/177-179, dated 29 August, 2013.

[Department of Commerce OM No. G. 20008/10/2011-B&A(pt. Dated.13.09.2013]

Action Taken by the Ministry of External Affairs

The delay in submission of explanatory notes on excess expenditure in FY 2010-11 is regretted. However, it may be mentioned that some queries were raised in the Excess Note sent to Audit for vetting, and gathering information on these queries and their acceptance by the Audit led to delay. After clearance from Audit, the Explanatory note was submitted to PAC. The delay could have been avoided. Ministry will make all efforts to avoid such delay in future.

Sd/-

(Kusumjit Sidhu) Additional Secretary (Financial Advisor) Ministry of External Affairs

No. Q/Bud/125/02/2012

Action Taken by the Ministry of Petroleum and Natural Gas

Ministry of Petroleum & Natural Gas had forwarded the "Explanatory note for Excess" for the excess expenditure to Monitoring Cell, Department of Expenditure, Ministry of Finance on 7th December 2011. Hence there was no delay at the level of Ministry of Petroleum & Natural Gas.

(The above-mentioned ATN has been examined and vetted by the office of the Principal Director of Audit, Economic and Service Ministries, *vide* their U.O. letter No. AMG-VI/App-A/C/ATN/2013-14/11-13 dated 30.04.2013).

Sd/-

Additional Secretary & Financial Advisor

[Ministry of P&NG O.M. No. G-24011/1/2010 Fin. I dated 31.10.2013]

Action Taken by the Ministry of Road Transport and Highways

- 1. The excess expenditure of Rs. 15,000 was incurred under the head 3451.00.090.11 (Revenue Section—Secretariat Economic Services). The Charged Expenditure amount to Rs. 15,000 was booked by AO, GREF-agency of Border Road Development Board-against a writ petition (Civil) No. 787 of 2010 against Union of India *V/s*. Ravinder, in which the judge awarded an amount of Rs. 15,000 as a court decree. The expenditure was incurred by an agency of BRDB which is not under the direct payment control of the Ministry of Road Transport & Highways. However, the provisional expenditure is made in the DDG of the Ministry of Road Transport & Highways.
- 2. The above excess expenditure was brought to the knowledge of Pr. Accounts Office of Ministry of Road Transport & Highways by the BRDB after the close of financial year, which was later on incorporated in the Appropriation Accounts. (Copy placed as Annexure-I)
- 3. On receiving the information regarding the excess expenditure immediately the Pr. Accounts Office prepared the Excess Note as per the prescribed guidelines and submitted to the O/o CGA after duly approved by AS&FA along with the remedial action taken. The same was also submitted to O/o Director General of Audit, Economic & Service, Ministry of U.O. No. Pr. AO/RTH/ATN/Gr. No. 80/2010-11/12, dated 20.11.2011 for vetting. The C&AG office confirms the receipt of the excess expenditure note for the Ministry of Road Transport & Highways. (Copy placed as Annexure-II)
- 4. The duly vetted audit comments were received by this office on 22.12.2011 in which the Audit had directed to submit explanatory note to the Monitoring Cell, Deptt. of Expenditure, M/o Finance for onward transmission to the PAC branch, Lok Sabha Secretariat for regularization of the excess expenditure. (Copy placed as Annexure-III)
- 5. As per the direction of Audit 40 sets of English and 30 sets of Hindi Version of Explanatory Note in respect of Gr. No. 80 for the year 2010-11 was submitted to the Under Secretary, Monitoring Cell, *vide* letter No. PAO/RTH/Saving Note/2011-12/118, dated 31.01.2012. (Copy placed as Annexure IV)
- 6. Further it was also confirmed by the monitoring cell that the duly vetted excess expenditure note was duly forwarded by the Monitoring Cell to the Lok Sabha Secretariat for consideration of the Committee *vide* letter dated 02.02.2012. (Copy placed as Annexure-V)
- 7. All the required documents along with the Explanatory Notes on Excess expenditure of Rs. 15,000 for regularization by the PAC were submitted by this office well in time. Further, this office has not received any written and oral reminder for non-submission of explanatory notes from Monitoring Cell or PAC.

8. From the above-mentioned facts it may be appreciated that there was no delay in submission of explanatory notes for the excess expenditure. Hence, the action to fix responsibility is not warranted. However suitable actions are being taken by the BRDB to ensure that such lapse of excess expenditure over grants does not happen in future.

Sd/-Addl. Secretary & Financial Advisor Ministry of Road Transport & Highways

No. BR/Bud./906/Appr.Accts./2011-12 O/o the PCDA (BR) Seema Sadak Bhawan Ring Road, Naraina, Delhi Cantt.-110 010 Dated: 18.08.2011

To

The Chief Controller of Accounts Ministry of Road Transport & Highways, IDA Building, Jam Nagar House, New Delhi-110 011.

Subject: Reconciliation of SCT figures under Major Head 3451.

Please refer to this office DO letter of even No. dt. 09.08.2011 forwarding monthly expenditure statement for March Manual Account 2011-(15/2011).

- 2. On reconciliation of figures of the MES with the compiled actual, it is noticed that a sum of Rs. 89,923.00 was booked by the CGDA office on behalf of this office which was not included in the MES.
- 3. Further a sum of Rs. 15,000.00 was booked as charged expenditure in the writ petition (Civil) No. 783 of 2010 in pursuance of the Delhi High Court order dt. 09.12.2010 (copy enclosed).
- 4. In view of the above Non-Plan charged and Non-Plan voted figure are being reflected separately. A revised copy of MES in respect of Major Head 3451 is enclosed.

Sd/-

ACDA

Copy to:

DGBR. (EJB) (Local)

Government of India
Office of the Pr. Chief Controller of Accounts
Ministry of Shipping, Road Transport & Highways
IDA Building, Jam Nagar House,
New Delhi-110 011

(MINISTRY OF ROAD TRANSPORT AND HIGHWAYS)

In continuation of this office U.O. No. Pr.AO/RTH/ATN/Gr.No. 80/2010-11/103 dated: 07.10.2011 regarding Note of Public Accounts Committee on Savings occurred under Capital and Revenue Section (Voted) of Grant No. 80—Ministry of Road Transport and Highways. I am enclosing herewith two copies of Explanatory Note for Excess under Grant No. 80—Ministry of Road Transport and Highways duly signed by the Additional Secretary and Financial Adviser for vetted and final note duly vetted may be returned to this office for final submission to the Monitoring Cell/CGA Office, Ministry of Finance, Department of Expenditure.

Yours faithfully, Sd/-(R.K. PATHAK) Pay and Accounts Officer (RTH)

Shri S.S. Khatri, Sr. Audit Officer Appropriation Accounts, O/o Director General of Audit Economic & Service Ministries, AGCR Building, New Delhi

[U.O. No. Pr.AO/RTH/ATN/Gr. No. 80/2010-11/112 dt: 20.10.2011]

GOVERNMENT OF INDIA Ministry of Road Transport and Highways

Explanatory Note for Excess

Note for the Public Accounts Committee for regularization of excess expenditure that occurred Revenue Section Non-Plan (Charged) for Grant No. 80—Ministry of Road Transport & Highways for the Financial Year 2010-11, as disclosed in the Union Government Appropriation Accounts (Civil) for the year 2010-11.

Revenue Section Non-Plan (Charged)	(Rupees in thousand)
Original Grant	Nil
Supplementary Grant	Nil
Total Grant	Nil
Actual Expenditure	15
Excess	15

2. Reason for Excess

During the year 2010-11, the Charged Expenditure Rs. 15,000/- booked by AO, GREF Centre in connection with the writ petition (Civil) No. 87 against Union of India *V/s*. Ravinder Singh S/o Shri Jai Lal in which the learned Judge quantified the above amount as cost of petition in favour of the petitioner. Even though sufficient allocation was not available the expenditure was booked as the payment was to be made as per Court directions with in the prescribed time. The same was reflected by BRBD, CGDA, in the Statement of Central Transaction (SCT).

3. Remedial Action Taken

The above expenditure has been booked by Border Road Organization which is not directly under the control of this Ministry. However the matter was taken up with the O/o the CGDA and Border Road Organization to evaluate in future, all such cases in advance and makes sufficient allocation in the Budget.

Keeping in view of the above facts, it may be appreciated that the above expenditure was unforeseen and bound by the Court Directions; the Public Accounts Committee may please regularize the excess expenditure.

Sd/-Additional Secretary and Financial Adviser Ministry of Road Transport & Highways

कार्यालय प्रधान निदेशक लेखापरीक्षा, आर्थिक एवं सेवा मंत्रालय, नई दिल्ली

कृपया अपने मंत्रालय के नीचे दिए गए पत्र का संदर्भ लें एवं उससे संबंधित इस कार्यालय की आगे की कार्यवाही का विवरण इस प्रकार है:—

The Ministry of Road Transport & Highways may please refer to their letter No. U.O. No. Pr.AO/RTH/ATN/GrNo. 80/2010-11/112 dated 20.11.2011 fowarding therewith Explanatory Note on the excess expenditure of Rs. 15(th) to revenue Section Non-Plan (Charged) for the year 2010-11 occurred under Grant No. 80—Ministry of RTH during the year 2010-2011.

- 2. The above-mentioned Explanatory Note have been examined in audit and audit comments thereon are annexed herewith.
- 3. Ministry may incorporate the above-mentioned vetted comments *ad-verbatim* in col. VI(b) of the ATN and prepare the Explanatory Note. Further comments of the Ministry, if any, may be mentioned below the comments of Audit. The Explanatory Note may not be referred to Audit again.
- 4. Ministry may prepare the final Note considering para 2 above. The requisite number of copies in Hindi and English, duly signed by Secretary/Joint Secretary, may be sent to the Monitoring Cell, Department of Expenditure, Ministry of Finance, for onward transmission to Public Accounts Committee Branch, Lok Sabha Secretariat. Both versions of the final explanatory notes may also be sent to this office and office of the Comptroller and Auditor General of India for reference and record.
 - 5. A copy of the note is returned herewith.

Sd/-

उप निदेशक (वित्त एवं विनियोग लेखा)

Ministry of Road Transport & Highways, Transport Bhawan, New Delhi Kind Attn.: Additional Secretary and Financial Advisor.

प्रि.नि.ले.प.आ. एवं से.मं.यू.ओ. संख्या ए.एम.जी.-I/वि.वि./ए.टी.एन/2011-12/532-535

दिनांक: 14 दिसम्बर 2011.]

Ministry of Road Transport & Highways

Subject	Vetting Comments	
Excess of Rs. 15 (th) 3451 to Revenue Section Econ Non-Plan (Charged) amou agenca a wri of In an an petitit their	The expenditure was incurred under the head 3451.00.090.11 (Revenue Section—Secretariat Economic Services). The Charged Expenditure amounting to Rs. 15(th) was booked by AO, GREFagency of Border Road Development Board—against a writ petition (Civil) No. 787 of 2010 against Union of India <i>V/s</i> . Ravinder, in which the judge awarded an amount of Rs. 15(th) as a court decree as a cost of petition in the user, <i>i.e.</i> PCDA(BR), New Delhi <i>vide</i> their letter No. BR/Bud/900/Corr/2010-11 dated 26.08.2011.	
	In the third stage of Appropriation Account, it had been brought to the knowledge of the Pr. AO office by the BRDB, which was later on incorporated in the Appropriation Accounts. The expenditure was incurred by an agency of BRDB named GREF, which is not under the direct control of the Ministry of RTH; however, the expenditure found mention in the accounts of Ministry of RTH.	
	The remedial steps mentioned by the Ministry have found no mention in the correspondence of the Pr. AO office, as stated by the PAO (RTH)	

Sd/-

Sr. Audit Officer

Government of India

Office of the Pr. Chief Controller of Accounts Ministry of Shipping, Road Transport & Highways IDA Building, Jam Nagar House, New Delhi. (Ministry of Road Transport & Highways)

No. Pr. AO/RTH/Saving-Note/2011-12/118 Dated: 31.01.2012

To

The Under Secretary
Monitoring Cell
Room No. 29, 2nd Floor
Ministry of Finance,
Department of Expenditure
Lok Nayak Bhawan, Khan Market
New Delhi.

Subject: Forwarding of 40 sets (English) and 30 sets (Hindi) of Saving Note 2010-11 regarding.

Sir,

Please find enclosed herewith 40 sets (English) and 30 sets (Hindi) version of Explanatory Note/Saving Note in respect of Grant No. 80 for the year 2010-11 of Ministry of Road Transport and Highways along with CD/Soft copy for Public Account Committee.

Kindly acknowledge the receipt.

Yours Faithfully,

Sd/-

(R.K. Pathak)

Encl.: As above. Accounts Officer (Pr. RTH)

No. 4/10/2011-MC Government of India Ministry of Finance Department of Expenditure Monitoring Cell

> Room No. 29, Second Floor, B-Wing Loknayak Bhavan, Khan Market, New Delhi-110003 dated the 2.2.2012

OFFICE MEMORANDUM

Subject: Detailed explanatory notes from various Ministries/Departments for saving of Rs. 100 crores and above expenditure from the sanctioned budget grant for the year 2010-11.

In continuation of this Ministry's O.M. of even number dated the 1.2.2012 on the subject mentioned above, the undersigned is directed to forward herewith 40 copies in English and 25 copies in Hindi version of the explanatory notes along with CD/Soft copy for saving under revenue section (voted) of Grant No. 80—Ministry of Road Transport & Highways for the year 2010-2011 duly vetted by Audit in respect of Ministry of Road Transport & Highways for the consideration of the Committee.

Sd/-

(Rajesh Kumar Jain) Under Secretary to the Government of India Tel. No. 24626829

Lok Sabha Secretariat (Shri Sanjeev Sharma, Deputy Secretary) (PAC) Parliament House Annexe, New Delhi-110 001

Copy forwarded to R.K. Pathak, Accounts Officer, Ministry of Shipping, Transport & Highways, Jam Nagar House, IDA Building, New Delhi for information.

Action Taken by the Ministry of Defence

The Appropriation Accounts (Defence Services) for 2010-11 was laid before the Parliament on 24th April, 2012 and the connected Explanatory Notes for excess expenditure was submitted to the PAC Branch and the Monitoring Cell of Ministry of Finance on 2nd May, 2012. The nominal delay has been noted for future avoidance. The Explanatory Notes for the year 2011-12 have already been vetted by the Audit and ready for submission to the PAC along with the Appropriation Accounts (Defence

Services) for 2011-12 as and when the date for laying the same is intimated by the Ministry of Parliamentary Affairs/Ministry of Finance.

Sd/-

(Veena Prasad) Joint Secretary & Addl. FA (VP)

[MoD (Fin.) ID No. 7(2)/Bud-I/2013 dated 12-07-2013]

Observation Recommendation

The Committee's examination of the Appropriation Accounts (Railways) for the financial year 2010-11 and scrutiny of Explanatory Notes has revealed that the Ministry of Railways incurred a total excess expenditure of Rs. 3,056.86 crore (after misclassification) in fifteen cases of ten excess registering Grants/Appropriations. This amount of excess expenditure was 158.98 percent of the proceeding financial year's total of Rs. 1,922.84 crore incurred in ten cases of nine excess registering Grants/Appropriations. Out of the total excess expenditure of Rs. 3,056.86 crore, the bulk of the expenditure amounting of Rs. 2,870.12 crore constituting 93.89 percent was incurred under 5 Grants only i.e. (i) Grant No. 6—Working Expenses-Repairs and Maintenance of Carriages and Wagons (Rs. 221.26 crore), (ii) Grant No. 8— Working expenses — Operating Expenses-Rolling Stock and Equipment, (Rs. 184.55 crore), (iii) Grant No. 10—Working Expenses—Operating Expenses-Fuel (Rs.414.80 crore) (iv) Grant No. 12—Miscellaneous Working Expenses (Rs. 645.53 crore), and (v) Grant No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits (Rs. 1,403.98 crores). According to the Ministry, the reasons for excess expenditure were incurrence of more expenditure on staff cost due to implementation of the 6th Pay Commission Recommendations, materialization of more contractual payment than anticipated, more direct purchase due to increase in special repairs, more drawal of stores from stock, more adjustments of wages and material on POH, increase in POH activity, more expenditure towards consumption of HSD oil for more activity of diesel locos, increase in average of HSD oil, adjustment of more details, more expenditure towards sales tax/excise duty and VAT than anticipated, incurrence of more expenditure cost of electricity used for traction services, clearance of heavy outstanding liabilities and more materialization of claim and adjustment of details than anticipated, receipt of more details from various pension disbursing authorities on account of implementation of the 6th Pay Commission report. The Committee's examination has revealed that the Grant No. 6 (Revenue Voted)-Working Expenses-Repairs and Maintenance of Carriages and Wagons had registered excess expenditure of Rs. 157.25 crore, Rs. 161.20 crore and Rs. 221.26 crore during the financial years 2008-09, 2009-10 and 2010-11 respectively while the Grant No. 8 (Revenue Voted)— Working expenses-operating Expenses-Rolling Stock and Equipment had registered an excess expenditure of Rs. 128.30 crore, during the financial year 2008-09. Similarly, the Grant No. 12—(Revenue Voted)— Miscellaneous Working Expenses registered excess expenditure to the tune of Rs. 39.87 crore and Rs. 22.33 crore during the financial years 2009-10 and 2007-08 respectively. The Committee also find that the Grant No. 13—(Revenue Voted) Working Expenses—Provident Fund, Pension and Other Retirement Benefits had registered excess expenditure of Rs. 1,51227 crore, during the financial year 2009-10. Thus, incurring of excess expenditure under the Grants/Appropriations operated by the Ministry of Railways is a recurring phenomenon indicating serious flaws in their budgetary exercise. As such, the Committee are not enthused by the Ministry's stock reply that every care has been taken to assess the expenditure under various Grants/Appropriations as precisely as possible and to obtain supplementary allotments where necessary so that excess is avoided to the maximum extent possible.

The Committee observed that while anticipating the requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analyzing properly the total monetary effect of a salary hike, prevailing expenditure trial, upcoming demands/requirements, rising cost etc. which was possible by putting in a little more effort. The Committee cannot but conclude that the indolent Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. It is apparent that the Ministry have paid scant respect to enforcing fiscal discipline while incurring want only excess expenditure, which is anything but regrettable. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee recommend that the Ministry of Railways strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriation operated by them so that the existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.

[Sl. No. 7, Appendix II Para No. 11 of 64th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken by the Ministry of Railways

The excess expenditure in 2008-09 and 2009-10 had been mainly due to the difficulty in assessing the impact of implementation of the recommendations of the 6th CPC as has already been submitted to in ATNs to Reports of PAC on Excess over Voted Grants and Charged Appropriations relating to those years. As regards the excess in 2010-11, the reasons have been given in the other ATNs to the present Reports of PAC.

Notwithstanding the same, the recommendation of the Committee has been noted for compliance. The Committee may appreciate the fact that the excess in 2011-12 has drastically reduced to around Rs. 1,050 crores.

Audit *vide* their U.O. No. 25RA_III/2-1/2012 dated 29.05.2013 have vetted the ATN with the remarks "Seen thanks".

Sd/-

(V. Vaidehi)

Exe. Director Finance (BC)

[Ministry of Railways' case No. 2013-BC-PAC-XV/64 dated: 27.06.2013]

CHAPTER V

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

—NIL—

New Delhi; 08 December, 2014 17 Agrahayana, 1936 (Saka) PROF. K.V. THOMAS, Chairperson, Public Accounts Committee.

APPENDIX I

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 2ND DECEMBER, 2014

The Committee sat on Tuesday the 2nd December, 2014 from 1500 hrs. to 1710 hrs. in Committee Room 'A', Parliament House Annexe, New Delhi.

PRESENT

Prof. K.V. Thomas — Chairperson

MEMBERS

Lok Sabha

- 2. Shri Janardan Singh Sigriwal
- 3. Dr. Kirit Somaiya

Rajya Sabha

- 4. Shri Vijay Goel
- 5. Dr. Satyanarayan Jatiya
- 6. Shri Bhubaneswar Kalita
- 7. Shri Shantaram Naik
- 8. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh — Joint Secretary

2. Shri Jayakumar T. — Additional Director

3. Smt. Bharti S. Tuteja — Deputy Secretary

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

1. Smt. Suman Saxena — Dy. C&AG

2. Shri Rajeev Kumar — Principal Director Pandey — (Air Force & Navy)

3. Shri L.S. Singh — Principal Director (RC)

4. Shri P.K. Tiwari — Principal Director (Defence)

5. Shri P. Tiwari — Principal Director (PAC)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Office of the C&AG of India to the Sitting of the Committee. The Chairperson then apprised the Members that in the first instance the Committee would consider the two draft Reports for adoption. Thereafter, the Committee would take oral evidence

of the representatives of the Ministry of Defence on the subject 'Role and Functioning of Indian Coast Guard'.

- 3. The Committee, then took the following draft Reports for consideration:—
 - (i) Draft Report on Action Taken by the Government on the Observations/Recommendations contained in the Sixty-fourth Report (15th Lok Sabha) on 'Excesses Over Voted Grants and Charged Appropriations (2010-11)' and
 - (ii) ***** ***** *****
- 4. Giving an overview of the issues contained in the draft Reports and the comments of the Committee thereupon, the Chairperson solicited the views/ suggestions of the Members.
- 5. After some discussions, the Committee adopted the above mentioned draft Reports with minor modifications as suggested by the Members. The Committee, then, authorized the Chairperson to finalise the Reports in the light of the factual verifications, if any, made by the Audit and present them to Parliament on a convenient date.

6.****	****	****	****
7.****	****	****	****
8.****	****	****	****

The witnesses then withdrew.

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

The Committee then adjourned.

^{*****}Matter does not pertain to this Report.

APPENDIX II
STATEMENT OF OBSERVATIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Observations/Recommendations
1	2	3	4
1.	4	Finance/Commerce/ External Affairs/ Petroleum and Natural Gas/Road Transport and Highways/Urban Development	The Committee are perturbed that despite repeated assurances given by the Ministries/Departments especially by the Ministry of Finance that necessary remedial measures have been taken to ensure timely submission of Action Taken Notes, none of the defaulting Ministries/Departments barring the Ministry of Defence, Department of Posts and the Ministry of Railways could furnish the requisite Action Taken Notes on the Observations/Recommendations contained in their Sixty-fourth Report (15th Lok Sabha) within the prescribed time of six months from the date of presentation of the Report. The Ministry of Finance, the nodal Ministry expected to act as a role model in such matters, performed miserably and submitted their Action Taken Notes after a maximum delay of six months. Evidently, this shows gross negligence and undermining of the principles of the fiscal disciline and financial propriety by the Ministries/Departments concerned especially the Ministry of Finance. The Committee express their strong displeasure over such inordinate delay in furnishing the requisite Action Taken Notes resulting in avoidable delays in preparation and presentation of the relevant Action Taken Reports by the Committee. While deploring the callous and indifferent approach of the defaulting Ministries/Departments, the Committee impress upon the authorities concerned in these Ministries/Departments to urgently initiate requisite remedial and corrective measures including fixation of

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responsibility for lapses/negligence and overhauling of their extant mechanism so as to ensure that the Action Taken Notes on the Observations/Recommendations of the Committee are finalized and furnished invariably within the stipulated deadline of six months.

2. 17 Finance/Commerce/
External Affairs/
Petroleum and Natural
Gas/Road Transport
and Highways/Urban
Development/Defence/
Posts/Railways

The Committee are appalled to note that except for the Ministry of Finance issuing circulars, holding discussions and convening meetings and the Ministry of Defence undertaking 'Project Sangam' and 'Pension Accounting System' to streamline and computerize Defence Pension Accounting System, none of the Ministries/Departments concerned have taken any concrete steps to ensure application of IT and e-governance in their budgeting so as to avoid excess expenditure. Disappointingly, instead of admitting their lapses and striving to learn from the experience of the Ministries/ Departments which did not incur excess expenditure as recommended by the Committee, almost all these Ministries/ Departments have sought to justify the excess expenditure incurred by them. The Committee vehemently criticize such tendency of the Ministries/Departments concerned to unsuccessfully justify their excess expenditure and violation of Financial Rules instead of revamping their existing mechanism with a view to achieving concrete improvement in their budget estimation exercise. The Committee find that the Ministries/Departments which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and propriety contain their expenditure within the budget allocated and approved by Parliament. Moreover, in an age of e-governance made feasible by

2 3 4 1

> computerization and instant connectivity between field formations, subordinate Offices and Head quarters, there is no valid justification for irregularities like unauthorized excess expenditure. The Committee, therefore, urge upon the defaulting Ministries/Departments to learn from the experience of the Ministries/ Departments which did not incur excess expenditure and also ensure effective application of IT and e-governance in their budgeting to avoid excess expenditure. Furthermore, since the instructions issued for containing excess expenditure have failed to produce tangible result year after year, the Committee desire that the Ministry of Finance should now take more stringent and innovative 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. 28 Posts/Railways

External Affairs/Urban The Committee are dismayed to observe Development/Defence/ that only the Ministry of Petroleum and Natural Gas, the Ministry of Road Transport and Highways and the Ministry of Defence (in respect of Grant No. 21-Pensions) could give satisfactory reply for incurring excess expenditure despite obtaining Supplementary Grants/ Appropriations. The reply given by the remaining defaulting Ministries/ Departments *i.e.* the Ministry of External Affairs, the Ministry of Urban Development, the Ministry of Defence (in respect of Grants No. 22 Defence Services—Army, Grant No. 23—Defence Services—Navy, Grant No. 25—Defence Ordnance Factories and Grant No. 27-Capital Outlay on Defence Services), the Department of Posts and the Ministry of Railways is far from convincing and as

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such, they should have initiated probe into the causes of excess expenditure despite obtaining Supplementary Grants/ Appropriations under the Grants/ Appropriations operated by them as recommended by the Committee. It signifies that no specific and concrete measures have been put in place as yet by them to streamline their budgetary process and overhaul the procedures adopted for revised estimation of budget at the Supplementary Grants/Appropriations stage with view to avoid unjustified excess expenditure. As there are no cogent reasons for the inevitability of excess expenditure when the Ministries/Departments get opportunities to present and obtain Supplementary Grants/Appropriations during the three sessions of Parliament in a year, the Committee deprecate the defaulting Ministries/Departments and would once again like to remind them about the sanctity of General Financial Rules which stipulate that no expenditure should be incurred which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament by law for a financial year except by way of obtaining Supplementary Grants/Appropriations or an advance from the Contingency Fund. The Committee, therefore, reiterate that the Ministries/Departments concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants/Appropriations more realistic and the Financial Advisors and the budget controlling officers responsible so that strict fiscal discipline is maintained and no excess expenditure is incurred after obtaining Supplementary Grants/ Appropriations.

2 3 4 1

32 Defence/Railways The Committee are pleased to note that pursuant to their Recommendation, the Ministry of Defence have initiated certain measures by way of constituting three Committees towards overhauling their budgetary mechanism and introducing IT and e-governance in the system. The Committee would like the Ministry of Defence to take further concerted efforts in this direction to achieve successful overhauling of their budgeting mechanism wherein IT and e-governance are fully integrated and fixation of responsibility against the erring budgeet controlling authorities is ensured. The Committee are, however, concerned to note that the Ministry of Railways have merely noted the Recommendation of the Committee and sought to justify their recurring excess expenditure on one pretext or the other. It is apparent that the Ministry of Railways, instead of sincerely introspecting and finding solutions to their ever recurring unjustified excess expenditure, have chosen to remain incorrigible even to the extent of grossly undermining the Parliamentary financial control. Strongly criticizing such a cavalier attitude, the Committee reiterate their Recommendation impressing upon the Ministry of Railways to overhaul their budgetary mechanism drastically, introduce and implement IT and e-governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

5. 41 Finance/Commerce/ External Affairs/Petroleum and Natural Gas/Road Transport

The Committee are shocked to find that the Ministry of Petroleum and Natural Gas had forwarded their Excess Explanatory Note to the Monitoring Cell, Department of Expenditure, Ministry of Finance on and Highways/Defence 7th December 2011 but the same was

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furnished to the Committee by the Monitoring Cell only on 21st August 2012 after a delay of 8 months and 15 days. Further, on checking the records in PAC Secretariat pursuant to the reply of the Ministry of Road Transport and Highways that their Excess Explanatory Note was furnished to the Committee 2nd February 2012, it was found that this Excess Explanatory Note surresptitiously attached by the Monitoring Cell to the Saving Note of the Ministry of Road Transport and Highways furnished by them with a forwarding O.M. which mentioned about the Saving Note only. Deplorably, when the PAC Secretariat forwarded repeated oral and written reminders to both the Monitoring Cell and the Ministry of Road Transport and Highways, none of them cared to inform the Committee that this Excess Explanatory Note had already been furnished. In fact, upon receiving the reminders, the Monitoring Cell themselves wrote to the Ministry of Road Transport and Highways to expedite furnishing of this Excess Explanatory Note. Such acts of extreme carelessness and utter disregard of the Committee are unpardonable and the Committee, therefore, recommend the Ministry of Finance to institute a high level enquiry into the matter, fix responsibility for the lapse and take stringent punitive action against those found responsible. While criticizing other defaulting Ministries/Departments also for delay in furnishing their Explanatory Notes, the Committee would like them to learn suitable lessons from this episode and ensure timely submission of their Explanatory Notes in future.

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6. 44 Railways

The Committee feel that its untenable on the part of the Ministry of Railways to exonerate themselves from incurring excess expenditure by furnishing year after year the similar contributory reasons such as the implementation of the 6th Pay Commission Recommendations, more operational cost then anticipated, more expenditure on purchases then anticipated, more maintenance and repair costs etc. These reasons/factors are not that unforeseeable and estimations for various sub-heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/ requirements, rising cost etc. which was possible by putting in a little more effort. The Committee find much to their consternation that the Ministry of Railways have once again merely noted the Recommendation of the Committee and sought to justify their perpetual incurring of unauthorized excess expenditure without giving proper regard to their Recommendation. As such, no action has been taken to review and overhaul their existing mechanism for estimation of budgetary requirements which has proved to be a failure year after year. This is symptomatic of the Ministry's penchant for disrespecting fiscal discipline, incurring wantonly excess expenditure and undermining Parliamentary financial control and hence unacceptable to the Committee. Deploring such an apathetic, boisterous and irredeemable attitude of the Ministry, the Committee reiterate their Recommendation asking the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by

1	2	3	4
			them so that the existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.
7.	45	Finance/Commerce/ External Affairs/ Petroleum and Natural Gas/Road Transport and Highways/Urban Development/ Defence/Posts/Railways	In sum, the Committee express their strong displeasure over incurring consistently uncontrolled unauthorized excess expenditure by the defaulting Ministries/ Departments and would like the nodal Ministry <i>i.e.</i> the Ministry of Finance to bring this feeling of the Committee to the notice of the appointing authority of the respective Chief Accounting Authority as well as Financial Advisers of the Ministries/Departments concerned with a view to facilitating remedial measures which <i>inter-alia</i> should include fixation of responsibility so as to avoid excess expenditure in future.

APPENDIX III

(Vide Paragraph 5 of Introduction)

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

- (i) Total number of Observations/Recommendations: 13
- (ii) Observations/Recommendations, which have been accepted by the Government:

Paragraph Nos. 1-4, 8-10, 12 and 13

Total: 9

Percentage: 69.23

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

Paragraph No. Nil

Total: Nil

Percentage: Nil

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

Paragraph Nos. 5-7 and 11

Total: 4

Percentage: 30.77

v) Observations/Recommendations in respect of which the Government have furnished interim replies:

Paragraph No. Nil

Total: Nil

Percentage: Nil