

**UNION GOVERNMENT  
APPROPRIATION ACCOUNTS  
(1994-95)—DEFENCE SERVICES**

**MINISTRY OF DEFENCE**

**PUBLIC ACCOUNTS  
COMMITTEE  
1998-99**

**TWELFTH LOK SABHA**

SECRETARIAT

**SEVENTH REPORT  
PUBLIC ACCOUNTS COMMITTEE  
(1998-99)**

**(TWELFTH LOK SABHA)**

**UNION GOVERNMENT APPROPRIATION  
ACCOUNTS (1994-95)—DEFENCE SERVICES**

**MINISTRY OF DEFENCE**

*[Action taken on 13th Report of Public Accounts  
Committee (11th Lok Sabha)]*



*Presented to Lok Sabha on 17 March, 1999  
Laid in Rajya Sabha on 17 March, 1999*

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NEW DELHI**

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**CORRIGENDA TO THE SEVENTH REPORT OF PAC (12TH LOK SABHA)**

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# CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1998-99) .....	(iii)
INTRODUCTION .....	(v)
CHAPTER I Report .....	1
CHAPTER II Recommendations or observations which have been accepted by Government .....	5
CHAPTER III Recommendations or observations which the Committee do not desire to pursue in view of the replies received from Government .....	34
CHAPTER IV Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration .....	56
CHAPTER V Recommendations or observations in respect of which Government have furnished interim replies/ no replies .....	69
APPENDIX	
Conclusions and Recommendations .....	70
PART II	
Minutes of the sittings of Public Accounts Committee held on 11.03.1999 .....	72

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(1998-99)

Shri Manoranjan Bhakta—*Chairman*

MEMBERS

*Lok Sabha*

2. Shri Prithviraj D. Chavan
3. Shri Ram Tahal Chaudhary
4. Smt. Bhavna Chikhalīya
5. Shri C. Gopal
6. Shri Vijay Kumar Khandelwal
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SECRETARIAT

- |                        |                               |
|------------------------|-------------------------------|
| 1. Dr. A.K. Pandey     | — <i>Additional Secretary</i> |
| 2. Shri P.D.T. Achary  | — <i>Joint Secretary</i>      |
| 3. Shri Devender Singh | — <i>Deputy Secretary</i>     |
| 4. Shri Rajeev Sharma  | — <i>Under Secretary</i>      |

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Seventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 13th Report (11th Lok Sabha) on Union Government Appropriation Accounts (1994-95)—Defence Services.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 11 March, 1999. Minutes of the sitting form Part-II of the Report.

3. For facility of reference and convenience, the 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 the Appendix 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.

NEW DELHI;  
12 March, 1999  

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21 Phalguna, 1920 (Saka)

MANORANJAN BHAKTA,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by Government on the observations and recommendations of the Public Accounts Committee contained in their Thirteenth Report (Eleventh Lok Sabha) on "Union Government Appropriation Accounts (1994-95) Defence Services".

2. The Thirteenth Report, presented to Lok Sabha on 30 April 1997, contains 12 recommendations/observations. Action Taken Notes have been received from the Ministry of Defence (MoD) in respect of all the recommendations/observations and these have been categorised as follows:—

- (i) Recommendations or observations which have been accepted by Government:  
Sl Nos. 1, 7—9, 11 and 12
- (ii) Recommendations or observations which the Committee do not desire to pursue in view of the replies received from Government:  
Sl Nos. 2—5 ●
- (iii) Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration:  
Sl Nos. 6 and 10
- (iv) Recommendations or observations in respect of which Government have furnished interim replies/no replies:  
-Nil-

3. The action taken notes furnished by MoD on the observations/recommendations of the Committee contained in the earlier Report have been reproduced in the subsequent Chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the action taken by Government on some of the recommendations and observations contained in their Thirteenth Report (Eleventh Lok Sabha).

#### **Surrender of Savings**

**(Sl. No. 6, Paragraph 40)**

4. In the course of examination of the Appropriation Accounts of the Defence Services for the year 1994-95, the Committee had found that out of the total savings of Rs. 390.91 crore registered in that year under various grants and appropriations, the amount surrendered by MoD was only Rs. 128.59 crore which represented 32.89 percent of the total savings available for surrender. The Committee had also noticed instances where entire savings under specific grants were not surrendered at all or the



Ministry had surrendered funds when no savings were available for the purpose. While taking a serious view of absence of precise accounting information system and the carelessness displayed by MoD in not surrendering the available savings as well as in making erroneous surrender of funds, the Committee had in their earlier Report desired that MoD should take appropriate steps to develop their accounting information system on suitable lines so as to avoid such lapses in future. The Committee had also desired MoD to ensure that timely surrender of anticipated savings be made in future strictly in accordance with the provisions made in this regard.

5. In their action taken note, MoD stated as follows:

“The Ministry of Defence has an elaborate and well established system for scrutiny and evaluation of the various expenditure proposals. These are first scrutinised/evaluated in the Services Hqrs. and subsequently in the Ministry and Integrated Finance concerned. This multiple scrutiny largely takes care to eliminate any wasteful and redundant expenditure. However, due to uncertainties in deliveries of stores against contracts, particularly with the foreign suppliers against letter of credits, supply of stores and cash outgo is delayed. In such cases vigorous efforts are made to expedite cases through constant monitoring at various levels. Wherever possible reappropriation of schemes/programmes is also done in order to make optimum use of the available resources.

Instructions also exist to formulate the budget estimates on realistic basis and to review/monitor the progress of expenditure constantly and very closely in order to contain it within the sanctioned budget provisions as well as to ensure that there is no excess/savings. For this, a very efficient and accurate Accounting system exists in respect of Defence expenditure wherein all spending authorities/users are periodically provided with current and progressive compiled actuals detailed headwise.

All budget controlling authorities have been requested *vide* MoD (Fin.) ID No. 17(3)/B-I/97 dated 23.4.97 and MoD (Fin.) ID No. 2049/B-I/97 dated 19.8.97 that while formulating the budgetary need due care and farsightedness should be kept in mind and while expending the allocations due regards should be given to the canons of Financial Propriety. Further, it should also be ensured at all levels that no large scale savings take place.”

6. Taking note of the absence of precise accounting information system and the failure of MoD to surrender the available savings and also erroneous surrender of funds, the Committee had in Paragraph 40 of their earlier Report desired MoD to contemplate appropriate steps to develop their accounting information system on suitable lines so as to avoid lapses in surrender of funds in future. The action taken notes furnished by MoD are

completely silent on this aspect and the Ministry have merely stated in general terms that they have requested the budget controlling authorities to give due regard to the canons of financial propriety while formulating their budgetary needs and expending the allocations. The Committee deplore the inaction and indifference on the part of MoD in addressing the specific issue in the right perspective and further reiterate their earlier recommendations and desire that MoD should review the efficacy of their existing accounting information system in the light of instances of erroneous surrender of funds and take appropriate steps to strengthen their accounting information system so as to avoid any lapses in surrender of available savings in future.

**Pendency of Audit objections**  
(Sl. No. 10, Paragraph 58)

7. In Paragraph 58 of their earlier Report, the Committee had observed that 1,05,411 audit objections were pending settlement in the Ministry of Defence at the end of June 1995. The Committee had also found that some of these outstanding audit observations related to the period commencing from 1971-72 and could not be cleared even after a lapse of over 23 years. Taking note of the laxity on the part of the various authorities of the Ministry in settling the audit objections thus negating the very objects of internal and statutory audit of financial transactions, the Committee had recommended that MoD should issue suitable instructions to their officers to fix a rigid time-limit for settlement of audit objections and also to take appropriate action to fix responsibility in cases of defaults. Considering the slow pace of progress in settlement of long outstanding objections, the Committee had also desired MoD to take urgent and effective steps under a special time-bound programme with a view to wiping out outstanding audit objections particularly those pending for over a year.

8. In response to the recommendations of the Committee, the Ministry in their action taken note stated that out of 1,05,411 audit objections as on 30 June 1995, 76,427 audit objections had since been cleared and there were only 28,984 audit objections pending as on 31 July, 1997. According to the Ministry, Service-wise position of these outstanding objections, as on 31 July, 1997 was as under:—

Service	No. of objections
Army	26018
Navy	1359
Air Force	572
Ordnance Factories	1035
<b>Total</b>	<b>28984</b>

The Ministry of Defence further stated that with a view to step up clearance of audit objections, Controller General of Defence Accounts (CGDA) had issued instructions to the Controllers to undertake immediately the special review of the audit objections, particularly the older ones and achieve clearance in a time bound manner. The Ministry also stated that it had also been decided to constitute *ad hoc* Committees to look into the audit objections.

9. While taking note of the efforts made by MoD in reducing the number of outstanding audit objections from 1,05,411 as of 30 June 1995 to 28,984 as of July 1997, the Committee observe that no age-wise analysis of pending audit objections has been furnished by MoD in their action taken notes. In the absence of such statistics, the Committee find it difficult to appreciate the extent to which progress has actually been made by the Ministry in wiping out the audit objections pending for considerably longer period of time. This aspect assumes special significance since the Committee's examination of the subject had earlier revealed that some of the audit objections pertained to the period commencing from 1971-72. In the light of the fact that as many as 28,984 continued to remain unsettled as of July 1997, the Committee are apprehensive whether mere issuance of instructions to Controllers to undertake the special review or constitution of *ad hoc* Committees to look into this matter would yield the desired results. The Committee therefore, strongly feel that besides vigorously pursuing settlement of old audit objections, MoD should also fix a rigid time-limit for settlement of audit objections and deal sternly with cases of defaults to avoid any accumulation of similar nature in future. The Committee would also like to be apprised of the latest position in regard to the pending audit objections with their age-wise analysis.

## CHAPTER II

### RECOMMENDATIONS OR OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

The Committee note that out of the aggregate savings of Rs. 270.49 crores in 1994-95 in the voted portion of grants relating to Army, Air Force and Defence Ordnance Factories, savings of the order of Rs. 100.78 crores alone had occurred in the minor head "Stores" under all these three grants mainly due to non-materialisation or lower materialisation of expected stores and supplies from indigenous and foreign sources. The Committee have been informed during evidence that suppliers had not adhered to the supply schedule in certain cases with the result that budgetary allocations could not be utilised during that year. While conceding that there might be one or two isolated cases of slippages in supplies during a year, the Committee are of firm belief that all round savings in this particular minor head under various grants of the Defence Services are clearly indicative of the deficiencies in the contract management on the part of the Ministry in ensuring that the various suppliers affected timely delivery of stores required to meet defence preparedness of the country. This view of the Committee is further reinforced by that fact that even the Secretary, MoD during his deposition admitted "Unfortunately, I do not know whether we will be able to attain a situation where we are in a position to utilise the last penny because the number of contracts is too large." The Committee consider this situation as unfortunate particularly because large scale savings under "Store" had been a recurring feature atleast from 1991-92 in the case of grants relating to Air Force and Defence Ordnance Factories. The Committee, therefore, recommend that the shortcomings in the contract management should be thoroughly looked into and appropriate action taken not only to ensure timely procurement of items for defence purposes but also to deal effectively in cases of any defaults.

[Para 25 of 13th Report of the PAC (11th Lok Sabha)]

#### Action Taken

The Ministry is also concerned with the savings that have occurred in the past in various Grants particularly under 'Stores' Head due to non-materialisation or lower materialisation of expected stores and supplies from indigenous and foreign sources. This aspect has been thoroughly

looked into and instructions have been issued by various Services/ Departments to strictly implement all the clauses of the contracts and deal with the cases of default effectively by imposing liquidated damages and resorting to risk purchase action, where necessary, besides debarring such firms from future supplies. A copy of the instructions issued by Ordnance Factory Board, Calcutta, *vide* their Note No. 037/APAC/97-98/F/B dated 11.9.97 and Ministry of Defence *vide* their ID No. 664/RDO (GS-IV) Dated 6th October, 1997 is enclosed.

*[File No. 10(4)/B-I/97]*

**Ministry of Defence**  
**D(GS-IV)**

**SUBJECT: Contract Management to Ensure Performance/Timely Supplies.**

PAC, in their 13th Report of 1996-97 (Para 25), have adversely, commented upon the savings in the various Grants of the Defence Services which are indicative of deficiencies in the contract management on the part of the Ministry in ensuring that the various suppliers effected timely delivery of stores required to meet defence preparedness of the country. The Committee has recommended that the shortcomings in the contract management should be thoroughly looked into and appropriate action taken not only to take timely procurement of items of defence purposes but also to deal effectively in cases of any defaults.

2. The matter has been considered in detail in the Ministry and it has been observed that adequate safeguards, already, exist in so far as import contracts are concerned, as mentioned below:—

(a) The foreign vendors are invariably asked to furnish Bank Guarantee duly confirmed by State Bank of India towards Performance Bond to ensure performance of the contract, before the contract becomes effective. In case the foreign vendors fail to furnish the performance bond within a specified period, say of 15 days, the contract does not become effective.

(b) Provision for levy of Liquidated Damages for delayed supplied is also invariably made in the import contracts. Liquidated Damages are leviable @ 2% per month for the delayed supplies subject to a maximum of 5% of the value of goods delayed.

3. Similarly, in so far as procurement from indigenous sources is concerned, provisions for obtaining surety from the vendor for due performance of the contract and for levy of Liquidated Damages in case of delay of supplies are provided.

4. Addresses are requested to ensure that the above provisions are incorporated in the import contracts/procurement from indigenous sources and the cases of default are dealt with effectively.

Sd/  
(PRASHANT SUKUL)  
[Director(O)]

JS(Navy)      JS(Air)                      JS(OFF)                      JS(Supplies)  
MGO              DGOS

MoD ID. No. 664/R/DO(GS-IV), dated 6th Oct., 97.

Copy to: Director(Proc)

DS(Q)

All USs and DOs in the 'O' Wing.

Extract from OFB, Calcutta, Note No. 037/APAC/97-98/F/B dated 11.9.97

SUBJECT: *13th Report of the Public Accounts Committee (1996-97) Eleventh Lok Sabha on Union Government Appropriation Accounts (1994-95) — Defence Services.*

Reference: MoD(Fin.) I.D. No. 1423/B-I/97, dt. 27.5.97

With reference to above MoD I.D. Note, following comments are offered in respect of para 25, 26, 27, 28, 34, 40, 43 and 50 of the subject report, indicating the remedial/ corrective action taken so as to avoid such recurrence in future.

#### **Para 25**

This para deals with Persistent Savings under Minor Head 'Stores'.

The observation raised by the PAC has been noted and it is mentioned that meticulous efforts have already been made for full utilisation of Stores Budget by obtaining, in advance, the annual production programme for the following/ subsequent year, by developing reliable sources through Vendor Rating System and close monitoring of supplies at different stages of procurement *i.e.* Floating of Tender Enquiry, Preparation of Comparative Statement of Tender (CST), Placement of Letter of Intent/Supply Order and monitoring of actual supplies with the help of Computer. Actions are also being taken against defaulting firms, wherever possible, by imposing LD (Liquidated Damages) resorting to RP (Risk Purchase) action. In some cases defaulting firms also being debarred from future supplies. The change in the trend of expenditure, is evident from the expenditure looked during 1995-96 and 1996-97 under store head against budgetted grant. These efforts have yielded results and can be further improved by revival of 4 year Roll on Plan. Necessary proposals have already been made to Army Head Qtrs. Through the special Board meetings.

#### **Recommendation**

The Committee are extremely unhappy to observe the injudicious manner in which reappropriation of funds was made by MoD from or to various heads of accounts during 1994-95. In fact, the results of the appropriations audit has brought out instances where reappropriation of funds to certain heads was uncalled for as the amount so transferred had remained wholly unutilised. There were also cases where the amount reappropriated from specific heads of accounts was excessive and had consequently resulted in final excesses under those heads. Distressingly, there was also a case where original provisions were inadequate and yet reappropriation was made

from that head resulting in final excess being greater than the amount transferred. Significantly, there were at least 12 heads where further savings ranging between Rs. 5 crores and Rs. 58 crores had occurred despite reappropriation ranging between Rs. 3 crores and Rs. 187 crores having been made from the original provisions thereunder. Evidently, there was complete lack of system for keeping watch over expenditure *vis-a-vis* sanctioned funds under the specific heads when reappropriation proposals were considered in the Ministry. The Committee consider this situation highly unsatisfactory particularly because reappropriation orders are generally issued in the closing month of the financial year when the Ministries are expected to possess adequate data on their expenditure incurred and pending liabilities. The Committee therefore, recommend that MoD should undertake a thorough review of their existing system for reappropriation of funds with a view to identifying the weaknesses in their accounting information and exchequer control system and plugging lacunae thereagainst so that issuance of injudicious and defective reappropriation orders are avoided in future.

[Para 43 of 13th Report of the PAC (11th Lok Sabha)]

#### **Action Taken**

The need for higher degree of precision in estimating the fund requirements at all the Budgetary stages in general and at the Re-appropriation stage in particular has been appreciated in the Ministry. Accordingly, instructions have been issued from time to time for preparing more realistic estimates at the initial stage as well as at the reappropriation stage and ensuring tighter control over expenditure so as to avoid any excesses/savings. All spending authorities in the Ministry of Defence/Service Headquarters are also periodically provided with current and progressive compiled actuals, detailed headwise to enable them to formulate their Budget Estimates as accurately as possible based on the latest information.

Comprehensive instructions have again been issued *vide* MoD(Fin.) ID No. 2049/B.L/97 dated 19.8.97 (copy enclosed) to all concern in the Ministry of Defence/Defence(Finance)/Service headquarters and other estimating authorities highlighting the shortcoming in their estimation/lack of exercise on control of defence expenditure and reiterating the need of utilising the available data more precisely while finalising the final requirement of funds at the Re-appropriation stage in order to avoid any excesses/savings.

Army Headquarters have also introduced a capsule course with effect from the financial year 1995-96 to impart necessary training to personnel dealing with Budget and Finance.

[F.No. 10(4)/B.L/97]



**Ministry of Defence (Finance Division)**  
**Budget-I**

**SUBJECT: *Monitoring and Control of Defence Expenditure***

Instructions have been issued from time to time highlighting the importance of formulating the Budget Estimates with utmost care and foresightedness which should be more realistic and to review and monitor the progress of expenditure constantly and very closely in order to ensure that it is contained within the sanctioned budget so that there is no excess/saving.

2. Necessary instructions have also been issued to the Service Hqrs. and Internal Financial Advisers that they should be more cautious and accurate while assessing their supplementary demands before projecting the same to the Ministry. In order to avoid any saving/excess, the additional demand should be factual, barest minimum depending on the actual requirement/obligations in rare, emergent and inescapable cases which should be restricted and confined to the genuine and unforeseen expenditure that could not be envisaged at the time of preparation of annual budget or to meet the requirement decision or developments which have taken place after the approval of the budget *i.e.* post budget decisions and not for continuing Schemes/programmes.

3. The Monitoring Groups formed in the Ministry of Defence hold preliminary meeting in the last week of December and subsequently review the progress of expenditure and pending liabilities on fortnightly basis during January and February and on weekly basis in the month of March to enable the Services/Departments to make optimal use of resources and minimise saving/excess. For this purpose fortnightly and weekly compilation of expenditure is being provided during the last quarter of the financial year.

4. Despite issuance of the repeated instructions, a considerable gap still exist which is required to be bridged. Instances of unrealistic estimation of requirement at the BE/RE stages as well as re-appropriation stage still continue. There are several instances of large savings/excess under various minor heads. Instances have also come to notice where supplementary demand obtained were either not utilised or partially utilised or they still fall short of the requirements. The re-appropriations have not been assessed properly which resulted in either shortfall or found excess of requirement.

5. The shortcoming in budget formulation and the excess/savings due to lacunae in monitoring and control of defence expenditure are being adversely commented upon by the audit authorities and the Public Accounts Committee have also taken a serious note of this and have criticised the budget system of the Ministry in their 13th Report (1996-97) on Union Government Appropriation Accounts (1994-95) Defence Services.

6. In the above circumstances it is once again emphasised that all the budget estimating authorities/IFAs/ Monitoring Groups should gear up their activities in a manner that their projections of BE/RE are fully supported by the factual and realistic data, schemes, actual liabilities whether carried forwarded or likely to accrue. Full utilisation of fortnightly/weekly compilation of account being made available in the last quarter of the year may be made while finalising the final requirement of fund under each minor head at MA stage. Every expending authority should monitor the progress of the expenditure in a more vigilant manner by following the cannon of financial propriety more rigidly. It is also requested that any excess expenditure over voted allocation or for any significant savings responsibility should be fixed.

7. In order to achieve the objective all are requested to follow the instructions issued on the subject more scrupulously. Further instructions may also be issued by Service Hqrs/Departments to lower formations to eliminate the instances of large savings/excesses over voted grants.

Sd/-

(D. LAHIRI)

Addl. FA(D) & JS

All Joint Secretaries/Addl. FAs/IFAs.

Addl. DGFP, DNP, D Fin. P. DGOF, CCR&D(R), DGQA, DGNCC  
DG Mil Farm.

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MoD(Fin.) I.D. No. 2049/B-I/97 Dated 19.8.97.

Copy to : CGDA

### Recommendations

#### *Incurrence of Expenditure without Govt. Sanction*

The Committee regret to note that MoD incurred an unauthorised expenditure of Rs. 75.65 lakhs under Grant No. 19—Navy during 1994-95 on pay and allowances of a Naval Establishment set up without approval of competent authority. In the opinion of the Committee, the perfunctory manner in which MoD ordered for import and installation of equipment for the particular Naval unit in 1993 without caring to issue a simultaneous

sanction for manpower required to operationalise that unit speaks volume about the way in which administrative and financial affairs in the strategic areas of defence are being managed by the authorities concerned. While expressing their displeasure over lack of concerted actions and delay in issuance of proper sanction in the instant case, the Committee trust that the Ministry would be more careful in such cases in future.

[Sl. No. 8, Para 48 (Page 31) of Annexure-II of the 13th Report of the  
PAC (11th Lok Sabha)]

#### **Action Taken**

The observations of PAC has been noted for compliance in respect of future projects. It will be ensured that the simultaneous action is taken for seeking the approval of Government for Projects as well as manpower required to operationalise the Project. Necessary instructions have been issued, under MoD I.D. NO. 2314/Dir. (CG)/97 dt. 27.4.98. (copy enclosed)

[Min/Deptt. of Defence ON No. 2314/Director (CG/97) dated 30.4.98]

**MINISTRY OF DEFENCE  
D(N-II)**

**SUBJECT: Recommendations contained in the 13th Report of PAC (11th Lok Sabha) on Union Government Appropriation Accounts (1994-95) Defence Services.**

◆ In para 48 of the recommendations contained in 13th Report of 11th Lok Sabha PAC has noted that the unauthorised expenditure of Rs. 75.65 lakhs had been incurred on pay and allowances of a Naval Estt. set up without Govt. approval.

2. NHQ is, therefore, requested to ensure that simultaneous action may be taken in respect of future projects for seeking the approval of Government for projects as well as manpower required to operationalise the Project.

3. The competent authority has seen.

Sd/-  
(S.N. GUPTA)  
Desk Officer(MP)

NHQ/DOA (Coord)  
MoD I.D. No. 2314/Dir.(CG)/97 dated 29-4-98.

**Recommendation**

The Committee regret to observe that despite existence of Inter-Departmental Monitoring Groups in MoD since 1991-92 to make regular review of the progress of expenditure and pending liabilities particularly during the last quarter of the financial year, an atmosphere of financial indiscipline and non-observance of prescribed financial rules continue to persist year after year. Evidently, the inadequacies in the financial management system had resulted in cases of excess, large scale savings, obtaining unnecessary supplementary grants, non-surrender or partial surrender of available savings, injudicious re-appropriations and other financial improprieties like incurrence of unauthorised expenditure etc. While expressing their deep concern over this unsatisfactory state of affairs, the Committee desire MoD to review the efficacy of Inter-Departmental Monitoring Groups with a view to making their budgetary processes more realistic as well as effecting strict exchequer control.

[Para 50 of 13th Report of the PAC (11th Lok Sabha)]

**Action Taken**

The Ministry is also concerned with the excesses/savings that have taken place in different demands in the past and accordingly issued instructions from time to time to the Inter-Departmental Monitoring Groups and also other Estimating Authorities in the Ministry and Service Headquarters. A copy of MoD(Fin.) ID No. 3457/B-I/96 dated 24.12.96 is enclosed. The steps taken by these Groups in the Ministry for better Budgetary Control have achieved the desired results during the last two financial years viz. 1995-96 and 1996-97. During these years allocations have been optimally utilised without significant Savings/Excess under various demands for grants. However, the Inter-Departmental Monitoring Groups as also of other concerned in the Ministry and the Services Headquarters have once again been asked to gear up their activities in a manner to fully optimise the use of allocations without any significant Savings/Excesses *vide* MoD(Fin.) ID No. 2049/B-I/97 dated 19.8.97. (copy enclosed)

*File No. 10(4)/B-I/97.*

## MINISTRY OF DEFENCE (FINBUD)

SUBJECT: *Monitoring and control of Defence Expenditure*

According to the instructions issued *vide* MoD I.D. No. 8737-S/Def. Secy./91 dt. 27th Dec., 1991 Inter-Departmental Monitoring Groups were constituted in the year 1991-92 with the concerned Addl. F.A. as convener, concerned Jt. Secy./Flag Rank Officer from service head quarters and representatives of the CGDA/CDA to monitor the progress of expenditure and pending liabilities to ensure optimal use of the resources. These instructions have been renewed from year to year, the orders for 1995-96 having been issued under MoD (Fin.) ID No. 3698/B-L/95 dt. 21.12.95.

2. The PAC during its oral evidence taken recently in connection with the Appropriation Accounts of Defence Services has viewed seriously about the excesses/savings occurred under various demands of Defence Services. Accordingly instructions were issued with the approval of Defence Secretary, to all concerned *vide* MoD ID No. 3241/B-L/96 dt. 26.11.96 to restrict the expenditure only to those items considered inescapable and not to enter into any further commitments causing fresh outgo in the current financial year beyond the budgetary allocations of 1996-97.

3. The Standing Committee on Defence in their first report (11th Lok Sabha) have *inter-alia* desired that the Government should formulate a time bound plan for implementation of various modernisation schemes and re-equipment programmes with a view to ensure that our defence capabilities keep pace with the changing threat perceptions, technologies and the Geo-political environment. The Defence Secretary has therefore, desired that we should aim for congruence between financial expenditure and the physical progress of the prioritised modernisation/upgradation programmes. He has also desired that the monitoring groups already constituted to ensure budgetary control especially of the obligatory commitments, referred to in para 1 above, should draw up a suitable "Action Plan" with an in-built mechanism for regular review and feed back for effecting timely release of earmarked resources and to ensure implementation of various schemes within the stipulated time frame.

4. In view of above it is requested that each monitoring group should hold fortnightly meetings in the months of January and

February 1997 and weekly meeting in March 1997 to review the progress of expenditure and pending liabilities. This will enable Service/Departments to make optimal use of resources and also, prevent occurrence of savings/excesses under various heads duly taking into account all factors viz. exchange rate variation in respect of foreign payments, actual drawal from LCs, supply position in respect of contract and progress of Civil works etc.

5. As advised under our ID No. 278/B-I/96 dt. 24.1.96, the minutes of the monitoring Groups meeting may be put up to FA(DS) and a copy endorsed to DFA (Budget).

Sd/-

(D. LAHIRI)

Addl. F.A. (D) & J.S.

Addl. FA(R) & AS	— For R&D (including ATVP, Dtc. of Std. & DTD&P (Air).
Addl. FA(P)	— For Army, NCC and R.R.
Addl. FA(T)	— For Navy
Addl. FA(M)	— For Air Force
Addl. FA(A)	— For DGOF
Addl. FA(K)	— For DGQA

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MoD (Fin.) I.D. No. 3475/B-I/96 Dt. 24.12.96

Copy to: JS(O), JS(N), JS(Air), JS(OF), COR IFA (Army), IFA (Navy), IFA (Air Force)

Copy also to: CGDA—For rendering weekly reports of Defence Expenditure for the remaining months of the financial year.

Copy also to: PS to FA (DS).

**MINISTRY OF DEFENCE (FINANCE DIVISION) BUDGET—I**

**SUBJECT: *Monitoring and control of Defence Expenditure***

Instructions have been issued from time to time highlighting the importance of formulating the Budget Estimates with utmost care and foresightedness which should be more realistic and to review and monitor the progress of expenditure constantly and very closely in order to ensure that it is contained within the sanctioned budget so that there is no excess/saving.

2. Necessary instructions have also been issued to the Service Hqrs. and Internal Financial Advisers that they should be more cautious and accurate while assessing their supplementary demands before projecting the same to the Ministry. In order to avoid and saving/excess, the additional demand should be factual, barest minimum depending on the actual requirement/obligations in rare, emergent and inescapable cases which should be restricted and confined to the genuine and unforeseen expenditure that could not be envisaged at the time of preparation of annual budget or to meet the requirement decision or developments which have taken place after the approval of the budget *i.e.* post budget decisions and not for continuing Schemes/Programmes.

3. The Monitoring Groups formed in the Ministry of Defence hold preliminary meeting in the last week of December and subsequently review the progress of expenditure and pending liabilities on fortnightly basis during January and February and on weekly basis in the month of March to enable the Services/Departments to make optimal use of resources and minimise saving/excess. For this purpose fortnightly and weekly compilation of expenditure is being provided during the last quarter of the financial year.

4. Despite issuance of the repeated instructions, a considerable gap still exist which is required to be bridged. Instances of unrealistic estimation of requirement at the BERE stages as well as re-appropriation stage still continue. There are several instances of large saving/excess under various minor heads. Instances have also come to notice where supplementary demand obtained were either not utilised or partially utilised or they still fall short of the requirements. The re-appropriations have not been assessed properly which resulted in either shortfall or found excess of requirement.

5. The shortcomings in budget formulation and the excess/savings due to lacunae in monitoring and control of defence expenditure are being adversely commented upon by the audit authorities and the Public Accounts Committee have also taken a serious note of this and have



criticised the budget system of the Ministry in their 13th Report (1996-97) on Union Government Appropriation Accounts (1994-95)—Defence Services.

6. In the above circumstances it is once again emphasised that all the budget estimating authorities/IFAs/Monitoring Groups should gear up their activities in a manner that their projections of BE/RE are fully supported by the factual and realistic data, schemes, actual liabilities whether carried forwarded or likely to accrue. Full utilisation of fortnightly/weekly compilation of account being made available in the last quarter of the year may be made while finalising the final requirement of fund under each minor head at MA stage. Every expending authority should monitor the progress of the expenditure in a more vigilant manner by following the cannon of financial propriety more rigidly. It is also requested that any excess expenditure over voted allocation or for any significant savings responsibility should be fixed.

7. In order to achieve the objective all are requested to follow the instructions issued on the subject more scrupulously. Further instructions may also be issued by Service Hqrs./Departments to lower formations to eliminate the instances of large savings/excesses over voted grants.

Sd/-

(D. LAHIRI)

Addl. F.A.(D) & J.S.

All Joint Secretaries/Addl. FAs/IFAs

Addl. DGFP, DNP, D Fin. P, DGOF, CCR&D (R), DGQA, DGNCC  
DG Mil Farm.

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MoD (Fin.) I.D. No. 2049/B-I/97 Dated 19.8.97.

Copy to : CGDA

#### **Recommendations**

##### *Non-verification of credit of imported stores*

The Committee are distressed to find that the credit for imported stores and equipments valued at Rs. 683.67 crores in 1307 cases could not be verified upto 1994-95 in the ledgers of certain stores depots of the Defence Services as the certified receipt vouchers and the corresponding invoices were not made available to internal audit. Significantly, the oldest item so remaining outstanding related to as far back as 1968-69. In the opinion of the Committee, the extent of these cases is clearly indicative of an atmosphere of non-accountability prevalent in store depots of Defence Services where audit officers are unable to verify whether the stores paid for, have actually been received fully and accounted for properly.

Considering the fact that accountability of every officer entrusted with the task of receipt and account of stores procured on Government account is total and undivisible, the Committee wonder as to why MoD have not *suo moto* instituted enquiries in all such cases where the controlling officers failed to render relevant documents to internal audit for verifying the credit for imported stores particularly when such failures continued to persist for considerably longer periods. While expressing their unhappiness over this, the Committee desire that suitable action should now be taken by MoD in all these pending cases of verification of imported stores. They would also like the Ministry to draw a plan of action for achieving cent per cent targets of scrutiny and verification of the credit for the imported stores received in various stores depots of the Defence Services.

[Sr. No. 11, Para 61 (Page 33) of Annexure-II of the 13th Report of the PAC (11th Lok Sabha)]

#### Action Taken

A Plan of Action has been drawn and accordingly the following directions have been issued to the concerned Command Hqrs. and dealing depots:—

- (i) to take immediate action on receipt of photo-copies of pending SCQs from CDA (Navy);
- (ii) to constitute a Joint Team of Naval and Audit officers from the ultimate consignee to jointly verify that credit for items received has been correctly reflected in the depot ledger;
- (iii) to forward consolidated details of pending SCQs every quarter to NHQ/DPRO; and
- (iv) also directed dealing Depots to start this exercise for SCQs known to be pending with their respective NLAOs pending receipt of photo-copies of SCQs from CDA (Navy).

2. As a result, the number of pending SCQs have been reduced considerably and on date only 548 SCQs are pending as against 1307 mentioned in its Report by PAC.

[Ministry/Deptt. of Defence No. 2314/Director (CG)97 dated 30.4.98.]

Tele: 3013937

Naval Headquarters,  
Dte. of Procurement,  
'C' Wing, Sena Bhawan,  
New Delhi-110 011.

DPE/MR/0300/PC

03 Oct, 1997.

Material Superintendent  
Material Organisation  
Ghatkopar West Mumbai.

Material Superintendent  
Material Organisation  
Visakhapatnam.

Controller Materials  
Naval Store Depot  
Kochi.

### SETTLEMENT OF SCQs

Naval Headquarters is concerned to note the slow progress on the non-settlement of outstanding SCQs. This issue has now been reflected as a major accounting irregularity by CGDA to the Parliament.

2. CDA (N) has intimated that a total 634 SCQs are pending for settlement. The lists of outstanding SCQ's pertaining to each addressee is enclosed. It is requested that:—

- (a) the number of SCQs settled as per enclosed lists be intimated to NHQ by 31 Oct. 1997.
- (b) Details of settled/outstanding SCQs be forwarded to NHQ every quarter w.e.f. quarter ending 31 Dec., 31 Mar, 30 June and 30 Sept. on the format of the enclosed lists in order to have information on a common grid and to enable NHQ to link up data on returns received from Command Headquarters and CDA(N).

Sd/-  
(V. S. MATHUR)  
Commodore  
DPRO

FROM : NHQ PRIORITY  
 TO : FOCINC EAST FOCINC WEST UNCLASSIFIED  
 FOCINC SOUTH  
 INFO : FOGA CDA(N)

---

NMC/NMA/NMF/NMW/NMK/NMI (.) NHQ 221425/OCT. and  
 CDA (N) FA/NHQ/SCQ OF 01 NOV. BOTH NOTAL (.)

2. CDA (N) Mumbai intimated 951 SCsQ pending clearance as on  
 30 Sept. (.) Commandwise SCsQ pending as follows:—

(A) ENC	—	271
(B) WNC	—	527
(C) SNC	—	20
(D) FOGA	—	133
	Total	<u>951</u>

3. Above figures do not tally with following figures communicated  
 by Commands and Conveyed to PAC during Oral Hearing on 23 Oct.  
 1996:—

(A) ENC	—	310 (including 193 reported transferred)
(B) WNC	—	103
(C) SNC	—	22
	Total	<u>435</u>

4. Large variation in figures quoted by CDA(N) and Commands viewed  
 with concern since figures already intimated to MOD/PAC(.)

5. Request:—

- (A) Commands constitute dedicated cells to monitor progress of SCsQ clearance.(.)
- (B) Verify outstanding SCsQ Details with CDA(N) (.)
- (C) Ascertain Unitwise Outstanding SCsQ duly accounting intra/inter command transfers (.)
- (D) Signal outstanding numbers unitwise as on 31 Oct. by 09 Dec. (.)

6. CDA(N) requested to forward details of SCsQ pending as on 31 Oct. to commands direct with copy to NHQ/DPRO (.)

D & R by  
Sd/-

(S. PARKALA)  
CMDE  
DPRO  
22 Nov. 96

File No. DPR/MR/0300/PC

221822/Nov.

Tele: 301 2595

DPR/MR/RVZ/1995

By Fax and Letter

Naval Headquarters,  
New Delhi-110 011.

22 Sept. 1995

**The Flag Officer Commanding-in-Chief  
(CSO P&A) Southern Naval Command  
Cochin.**

**The Flag Officer Commanding-in-Chief  
(CSO P&A)  
West Naval Command  
Bombay.**

**The Flag Officer Commanding-in-Chief  
(CSO P&A)  
Eastern Naval Command  
Visakhapatnam.**

#### SETTLEMENT OF SCQs

Reference NHQ letter ACOL/5/94 of 08 June 1995 on the above subject.

2. The CGDA office has confirmed that 425 SCQs have already been sent by CDA (N) to the concerned Commands Hqrs. and that action is on hand to forward the remainder in batches.

3. Monthly progress reports, containing the following information may be forwarded commencing 15 Oct. 1995:—

- (a) Number of SCQs (photocopies) received from CDA(N).
- (b) Number settled.

4. The settlement of pending SCQs is a high priority issue that has been raised to the level of CNS/Defence Secretary. Command Hqrs. are requested to ensure that expeditious action is taken by all concerned in this matter.

Sd/-  
(S. PARAKALA),  
Captain, IN,  
Director of Procurement.

Copy to:

**The Controller of Defence Accounts (Navy)  
Bombay.**

### Recommendation

The Committee's examination has also revealed an increasing trend in the outstanding claims of MOD against Railways/Shipping Corporations for losses or damages of stores in transit and outstanding dues for supplies and services rendered on payment by the Defence Services to Central Civil Departments or State Governments or private individuals and institutions etc. In fact such outstanding claims/dues have increased from Rs. 139.18 crores at the end of June 1994 to Rs. 158.96 crores at the end of June 1995. The Committee consider this situation as far from satisfactory and they emphasise that urgent and appropriate measures should be taken by MOD for expeditious recovery of their outstanding dues from the agencies concerned.

[Sl. No. 12 Appendix II, Para No. 63 of Thirteenth Report of PAC (Eleventh Lok Sabha) on Union Govt. Appropriation Accounts (1994-95— Defence Services.)]

### Action Taken

In respect of the claims outstanding against Railways/Shipping Corporation, the number of claims raised upto 31st March, 1995 for losses or damages of stores in transit awaiting regularisation has been continually coming down from 5632 as on 30 June 1993 to 4991 on 30 June 1994 and further down to 4503 as on 30 June 1995. The break up of these cases reveal that Army, Navy, Air Force & Ordnance Factories have been able to reduce the number of such cases as on 30.6.1995 over the number of cases pending as on 30.6.94 as indicated below:—

	Cases pending as on 30.6.1994	Cases pending as on 30.6.1995
Army	3713	3511
Navy	341	268
Air Force	276	189
Ord. Factories	661	535
	4991	4503

2. However, the amount of such outstanding claims rose marginally to Rs. 29.34 crores as on 30.6.95 from Rs. 27.74 crores as on 30.6.94. In addition, the O.F.B. has informed this Ministry that as a result of their

follow-up, the value of outstanding claims upto 1994-95 as on 30.9.96 have come to Rs. 2.07 crores from Rs. 4.41 crores as on 30.6.94 and Rs. 4.60 crores as on 30.6.95.

3. Army HQ have intimated that there has been an overall decrease of about 12% in the outstanding claims/dues raised by Emb HQs against Shipping Corporations as indicated below:—

(in lakhs)

Emb HQ	Number of claims as on 31.3.95	Amount due	No. of claims as on 31.3.96	Amount due	No. of claims as on 31.10.96	Amount due
Mumbai	120	320.01	89	167.06	57	86.76
Chennai	42	512.86	39	567.69	11	17.44
Calcutta	01	0.02	01	0.03	—	—
<b>Total</b>	<b>163</b>	<b>832.89</b>	<b>129</b>	<b>743.78</b>	<b>68</b>	<b>104.20</b>

4. AHQ have also informed that consignee are being continually requested to expedite the requisite documents for submission to carriers. In cases, where no reply is received from carriers within reasonable time, personal liaison is also established with them to sort out the outstanding points for early liquidation of outstanding claims/dues.

(b) In respect of the outstanding dues for the services rendered on payment by defence services to others, a number of outstanding cases in which the amount due in each instance exceeds Rs. 50,000 in the case of private individuals and institutions and Rs. 1 lakh in other cases come down from 204 as on 30.6.93 to 192 as on 30.6.94 and has only marginally gone up to 193 as on 30.6.95 and the total amount in such cases has come down from Rs. 34.69 crores as on 30.6.93 to Rs. 20.15 crores as on 30.6.94 and has only marginally gone up to Rs. 20.66 crores as on 30.6.95.

(c) In respect of the outstanding dues on account of licence fee and allied charges, the number of cases in which the amount due in each case exceed Rs. 50,000 in the case of private individuals and institutions and Rs. 1 lakh in other cases and the recovery of which is outstanding for more than one year has come down from 54 as on 30.6.94 to 53 as on 30.6.95 and the total recovery involved in such cases has also come down from Rs. 1.89 crores as on 30.6.94 to Rs. 1.65 crores as on 30.6.1995.

(d) Ordnance Factories Board have intimated that due to their continuous follow up efforts, the value of outstanding claims up to 1994-95 as on 30.9.96 has come down significantly to Rs. 2.59 crores. It has also been intimated by them that these outstanding dues, largely accumulated due to bulk issues in the last quarters of financial year and



their subsequent adjustment and linking of payments in the next financial year.

This Ministry has issued detailed instructions to the three Services HQs and through them to lower formations to continually monitor the outstanding claims/dues and take immediate steps for early realisation of outstanding claims/dues. The Head of the organisation have been advised to personally monitor the progress achieved in liquidation of such claims/dues. They have also been advised to prepare a quarterly progress report and continually make all concerned efforts to liquidate the outstanding dues.

A copy of these instruction is placed at Annexure 'A'.

**MINISTRY OF DEFENCE**

**SUBJECT : *Outstanding Claims/Dues—Report of the C&AG***

Reference is invited to MOD ID No. 3/5/94-D(Mov) dated 16.12.1995.

2. In the Reports of C&AG, a para has been included on outstanding claims/dues in every report and Audit has adversely commented upon the rising level of these outstanding claims.

3. The outstanding dues for recovery in respect of work done or stores supplied by Ordnance Factories to Civil Departments, Railways and outside bodies etc., rose from Rs. 3.97 crores as on 30 June 1994 to Rs. 14.32 crores as on 30 June 1995 registering a very high rise of 261 percent.

4. It is, therefore, necessary to make urgent efforts to liquidate these outstanding dues. JS(OF) is requested to issue urgent instructions, under intimation to the undersigned, to the Ordnance Factories Board to examine all the outstanding dues and make concerted efforts to liquidate them in the next three months. JS(OF) may also ask for a quarterly report for each quarter on the outstanding dues from the Ordnance Factories Board, a copy of which may also be sent to the undersigned.

Sd/-

(L.M. MEHTA)  
Joint Secretary (O)

JS(OF)

MOD I.D. No. 3(2)/96-D(MOV), dated 10 May, 1997.

## MINISTRY OF DEFENCE

**SUBJECT : Outstanding Claims/Dues — Report of C&AG**

Reference is invited to MOD ID No. 3/5/94-D(Mov) dated 16.12.1996.

2. In the Report of the C&AG, a para has been included on outstanding claims/dues in every Report and Audit has adversely commented upon the rising level of outstanding claims.

3. The outstanding dues on account of licence fee/allied charged to be claimed from different Ministries/State Governments, private bodies, messes and lubs and individual officers in the past 5 years are given in the following table:—

Year	Amount (Rs. in crores)
30.6.1991	5.52
30.6.1992	5.57
30.6.1993	6.35
30.6.1994	6.34
30.6.1995	7.61

4. The outstanding dues on account of Defence Department land given for cultivation by Defence Estate Officers in the past 5 years are also given in the following table:—

Year	Amount (Rs. in lakhs)
30.6.1991	25.21
30.6.1992	23.24
30.6.1993	37.38
30.6.1994	43.63
30.6.1995	45.52

5. The number of cases and amounts exceeding Rs. 50,000 due against individuals and exceeding Rs. 1 lakh against institutions on account of the

above outstanding dues, are also given below:—

Year	No. of cases	Amount (Rs. in crores)
1990-91	58	1.92
1991-92	52	1.86
1992-93	54	1.62
1993-94	54	1.89
1994-95	54	1.65

6. It will be noticed from the above tables that the outstanding dues have increased instead of showing any downward trends. The above information has been taken by Audit from the certificates given by CGDA in the Defence Services Estimates.

7. A concerted effort has to be made to liquidate these outstanding dues. The addresses are requested to issue directions to the concerned lower formations to liquidate these outstanding dues by making all out and concerted efforts so that the position at the end of the current year may register substantial improvement. The quarterly report of the outstanding dues should also be sent to JS(APO&W) with a copy to the undersigned, within one month of the close of the respective quarter. The first report for the quarter ending March 1997 should be sent by 31 May, 1997.

Sd/

(L.M. MEHTA)  
Joint Secretary (O)

E-in-C  
DGDE  
MOD ID NO. 3/2/96-D(Mov) dated 19 May, 1997

Copy to:—  
JS(APO&W) for necessary follow up action.

## MINISTRY OF DEFENCE

SUBJECT: *Outstanding Claims/Dues—Reports of C&AG*

Reference is invited to MoD ID No. 3/5/94-D(Mov) dated 16.12.1995.

2. In the Report of the C&AG, a Para has been included on outstanding claims/dues in every Report and Audit has adversely commented upon the rising level of outstanding claims.

3. The outstanding Railway/Shipping claims for losses/damages of stores in transit, awaiting finalisation in respect of three Services and the Ordnance Factories are given below:

### Number of Cases

Years	Army	Navy	Air Force	Ord. Fys	Total	Total Value (Rs. in crores)
As on 30.6.91	4447	270	204	1359	6290	78.45
As on 30.6.92	4644	306	230	1173	6359	80.85
As on 30.6.93	4169	298	362	802	5631	27.24
As on 30.6.94	3718	341	276	661	4991	27.74
As on 30.6.95	3511	268	189	535	4503	29.34

4. The outstanding dues, on account of stores supplied/services rendered on payment by Army to others including Civil Departments/State Governments and the special flights and airlifts provided by Air Force, are given in the following table:

Years	Army	Ord. Fys	Air Force	Total (Rs. in crores)
As on 30.6.91	65.88	24.40	49.85	139.33
As on 30.6.92	60.45	5.92	64.67	131.04
As on 30.6.93	85.36	20.12	61.60	167.88
As on 30.6.94	101.13	3.97	73.44	178.54
As on 30.6.95	107.69	14.32	61.52	183.53

5. While the outstanding Railway/Shipping claims have shown a downward trend in the past 4 years, more efforts are required to reduce their number, which is still very large. The outstanding dues, on account of stores supplied and services rendered by Defence Services, are on the increase and have gone up considerably in the past 5 years and this is an area where more co-ordinated and effective efforts will required to be made by the Defence Services to liquidate the outstanding dues.

6. In case of special flights/airlifts provided by the Air Force, the amount due for recovery in the past 4 years, has not shown any considerable improvement which calls for urgent steps to recover the dues.

7. The addressees are requested to issue urgent directions to the lower formations impressing upon them the need to considerably reduce the outstanding claims/dues. A copy of the instructions issued to the lower formations may be sent to the undersigned also.

8. The respective Coordinating Officers of the addressees should also be asked to effectively coordinate and send a quarterly report of the outstanding claims/dues in the enclosed proforma to the undersigned so that the progress is monitored periodically by the Ministry and the Service Headquarters.

Sd/-

(L.M. MEHTA)  
Joint Secretary (O)

QMG

MGO

E-in-C

DGDE

MoD ID No. 3/2/96-D (Mov) dated 15 May 1997

Copy to:—

JS (Air) with the request that similar

JS(O)F instructions may be issued to the

JS (Navy) organisations/Service Hqrs. under their administrative control and the progress of the outstanding dues be monitored quarterly.

**PROFORMA FOR SUBMISSION OF THE QUARTERLY PROGRESS  
REPORT ON OUTSTANDING DUES**

**Claims on account of Railways/Shipping/Stores Supplies or services  
rendered on payment by Army/Air Force**

**(Strike off whichever is not applicable)**

<b>Claims pending as on 31.3.1996</b>	<b>Claims added during the year upto reported quarter</b>	<b>Claims settled/ finalised upto the the reported quarter</b>	<b>Claims pending at the end of reported quarter</b>
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<b>No. Amount in Rs. lakhs</b>	<b>No. Amount in Rs. lakhs</b>	<b>No. Amount in Rs. lakhs</b>	<b>No. Amount in Rs. lakhs</b>
------------------------------------	------------------------------------	------------------------------------	------------------------------------

PROFORMA FOR SUBMISSION OF THE QUARTERLY PROGRESS  
REPORT OUTSTANDING CLAIMS

Claims as on account of licence fee / allied charges / Defence Department  
land given for cultivation

(Strike off which is not applicable)

Claims pending as on 31.3.1996	Claims added during the year upto reported quarter	Claims settled / finalised upto the reported quarter	Claims pending at the end of reported quarter
No. Amount in Rs. lakhs	No. Amount in Rs. lakhs	No. Amount in Rs. lakhs	No. Amount in Rs. lakhs



### CHAPTER III

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

### Recommendation

The Committee are also distressed to find that substantial savings amounting to Rs. 47.81 crores had occurred even under the minor head "Pay and Allowances" under various segments of the grants pertaining to Army and Air Force. Astonishingly, the reasons for these savings were attributed to lower bookings than anticipated and lower outgo in respect of pay and allowances to certain officers. In the light of the fact that precise requirement of funds under pay and allowances can always be accurately worked out by maintaining a scientific database, the Committee view these instances of large scale savings under this minor head as clearly reflective of the perfunctory manner in which MoD prepared their expenditure estimates for making routine payments on this account to their officials. Evidently, the monetary requirements for this head under the grants relating to Army and Air Force were calculated merely on guess work without critical and careful examination before making provisions therefor. The Committee hope that MoD would now take sufficient care in this regard in future so as to make their budgetary projections more realistic and meaningful.

[Para 26 of 13th Report of the PAC (11th Lok Sabha)]

### Action taken

Instructions have been issued from time to time highlighting the importance of formulating the Budget Estimates with utmost care and farsightedness which should be more realistic and to review and monitor the progress of expenditure constantly and very closely in order to ensure that it is contained within the sanctioned budget so that there is no excess/saving. There is also an established system of periodical monitoring and control of expenditure in the Service Hqrs. The progress of expenditure is being checked by them regularly and discrepancy, if any, is rectified in consultation with the authorities concerned. However, with a view to minimise occurrence of saving/excess the Inter Departmental Monitoring Groups had been requested *vide* MoD (Fin) I.D. No. 3698/B-I95 dated 21.12.95 (copy enclosed) to hold preliminary meeting in the last week of December besides reviewing the progress of expenditure and pending liabilities on fortnightly basis in January/February and on weekly basis in March which will help in making optimal use of the resources available and minimise the savings/excesses.

[File No. 10(4)B-I97]

## MINISTRY OF DEFENCE (FINANCE DIVISION)

**SUBJECT:** *Monitoring and Control of Defence Expenditure*

Inter-Departmental Monitoring Groups were constituted in the year 1991-92 *vide* MoD I.D. No. 8737-S/Def. Secy/91 dated 27th December, 1991 with the concerned Addl. FA (as Convener), concerned Joint Secretary, concerned Flag Rank Officers from Services Headquarters and representative of CGDA/CDA. Instructions and guidelines for the working of these Groups were issued *vide* MoD(Fin.) I.D. No. 5187/Addl.FA(P)/92 dated 2nd January, 1992. The basic objective of these Groups was to monitor the progress of expenditure and pending liabilities for ensuring optimal use of the resources.

2. It may be recalled that there had been several instances of large scale saving/excesses under the Defence Services/Departments during the last financial year. The present trend of expenditure indicates that unless effective monitoring and control is exercised now, large scale savings/excesses may result under several heads. It is, therefore, considered necessary that each Monitoring Group should hold a preliminary meeting in the last week of December 1995 or first week of January 1996 and subsequently review the progress of expenditure and pending liabilities on a fortnightly basis during January and February'96 and on a weekly basis in March'96. CGDA has separately been requested to render weekly reports of expenditure under the Defence Services Estimates for the remaining months of the financial year. This will enable Services/Departments to make optimal use of resources and also prevent occurrences of significant savings/excesses under various heads duly taking into account factors such as exchange rate variation in respect of foreign payments actual drawals from LCs, precise supply position in respect of contracts, progress of Civil Works, etc.

3. A copy of the instructions earlier issued on the subject *vide* MoD(Fin.) I.D.No. 5187/Addl. FA(P)92 dated 2nd January, 1992 is enclosed for ready reference. Contents of this letter may please be brought to the notice of all concerned members of Monitoring Groups.

4. This has the approval of FA(DS).

Encl: As above

Sd/-  
(D. LAHIRI)  
Addl. FA(D)  
21.12.1995

Addl. FA(P) — For Army, NCC & Rashtriya Rifles

Addl. FA(J) — For Navy

Addl. FA(M) — For Air Force

Addl. FA(R) — For R&D (including ATVP. Dte. of Standardisation & DTD&P (Air)

Addl. FA(T) — For DGOF

Addl. FA(K) — For DGQA

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MoD (Fin.) I.D.No. 3698B-I95 dated 21.12.1995

Copy to: Addl. CGDA(AT)

JS(O), JS(Navy), JS(Air), JS(OF), COR.

### Recommendation

What has caused further concern to the Committee is the quantum of savings of the order of Rs. 108.87 crores which had occurred in the voted portion of the grant relating to "Capital Outlay on Defence Services". During evidence, the representative of MoD pleaded, "the area of capital is the most difficult part of the Defence budget" and "this is one grant where it is very difficult to visualise exactly whether the payment will take place or not". The Committee are not at all inclined to accept these assertions made by the Ministry particularly because a substantial part of the savings under this grant during 1994-95 were attributable to slow progress of works, non-receipt of timely invoices from suppliers, non-receipt of demand of funds from a State Government and finalisation of lesser number of land acquisition cases. In the opinion of the Committee, these factors for savings were not such which cropped-up suddenly and could not be surmounted in time. The Committee are rather of strong view that MoD being well aware of their elaborate and protracted procedures, should not experience any difficulty, in anticipating their precise monetary requirements on account of capital acquisitions for defence purposes by keeping an ever-vigilant eye on the pace of events in each case. The Committee trust that MoD would give a serious thought to the question of managing and controlling this grant in an effective manner so as to ensure efficient and proper utilisation of funds provided thereunder.

[Para 27 of 13th Report of the PAC (11th Lok Sabha)]

### Action Taken

The need for higher degree of precision in estimating the fund requirement and better Budgetary formulation and control has been appreciated in the Ministry. The aspect of more realistic estimation at the initial stage as well as at the re-appropriation stage and tighter control over expenditure has been brought to the notice of all concerned in the Ministry/Services/Departments. The Inter-Departmental Monitoring Groups have also been asked to objectively review the projection of requirements and monitor the expenditure with utmost care and farsightedness to avoid large scale savings or excesses over the Voted Grants *vide* Ministry of Defence ID No. 2171/B.L/95 dated 16.8.95 (copy enclosed). They have also been further asked to hold fortnightly meetings in the months of January and February and weekly meetings in the month of March to review the progress of expenditure and pending liabilities in order to make optimum use of resources and also prevent occurrence of savings/excess under various heads duly taking into account all the factors like exchange rate variation in respect of foreign payments, actual drawl

from Letter of Credit, supply position in respect of contract and progress of Civil works etc., *vide* Ministry of Defence ID No. 3475/B.I/96 dated 24.12.96 (copy enclosed).

*File No. 10(4)/B-I/97*

# MINISTRY OF DEFENCE

## (FINANCE/BUDGET)

**SUBJECT:** *Monitoring and Control of Defence Expenditure*

Instructions have been issued from time to time highlighting the importance of formulating the budget estimation on realistic basis and the necessity to keep a vigil on expenditure to conform to the allocation.

2. In spite of due cautions for exercising better budgetary formulation and control, instances of unrealistic estimation of requirement at the initial stage as well as re-appropriation stage and inadequate control over expenditure still continue. These inadequacies in budget formulation/control on expenditure lead to excess over voted grant or saving in a grant.

3. Public Accounts Committee in their 88th Report (1992-93) have severely commented upon and emphasized the need for exercising due caution and farsightedness while forecasting the requirements of funds.

4. In view of the above, inter-Departmental Monitoring Groups are requested to review the projection of requirement and monitoring of the expenditure with utmost care and farsightedness to avoid large scale saving or excess over the voted grant. Such review will help to eliminate instances of defective budgeting and budgetary control.

Sd/-  
(D. LAHIRI)  
Addl. F.A. (D)

All. Joint Secys/Addl. FAs  
Addl. DGFP, DNP, D Fin. P, DGNOC  
DPR&M, DGQA

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MoD(Fin.) ID No. 2191/Bud.I/95 dt. 16.8.95.

## MINISTRY OF DEFENCE (FIN/BUD)

**SUBJECT:—** *Monitoring and control of Defence Expenditure*

According to the instructions issued *vide* MoD I.D. No. 8737-S/Def. Secy./91 dt. 27th Dec., 1991 Inter-Departmental Monitoring Groups were constituted in the year 1991-92 with the concerned Addl. F.A as convenor, concerned Jt. Secy./Flag Rank Officer from service headquarters and representatives of the CGDA/CDA to monitor the progress of expenditure and pending liabilities to ensure optimal use of the resources. These instructions have been renewed from year to year, the orders for 1995-96 having been issued under MoD (Fin) ID No. 3698/B-I/95 dt. 21.12.95.

2. The PAC during its oral evidence taken recently in connection with the Appropriation Accounts of Defence Services has viewed seriously about the excesses/savings occurred under various demands of Defence Services. Accordingly instructions were issued with the approval of Defence Secretary, to all concerned *vide* MoD ID No. 3241/B-I/96 dt. 26.11.96 to restrict the expenditure only to those items considered inescapable and not to enter into any further commitments causing fresh outgo in the current financial year beyond the budgetary allocations of 1996-97.

3. The Standing Committee on Defence in their first report (11th Lok Sabha) have *inter-alia* desired that the government should formulate a time bound plan for implementation of various modernisation schemes and re-equipment programmes with a view to ensure that our defence capabilities keep pace with the changing threat perceptions, technologies and the Geo-political environment. The Defence Secretary has therefore, desired that we should aim for congruence between financial expenditure and the physical progress of the prioritised modernisation/upgradation programmes. He has also desired that the monitoring groups already constituted to ensure budgetary control especially of the obligatory commitments, referred to in para 1 above, should draw up a suitable "Action Plan" with an in-built mechanism for regular review and feedback for effecting timely release of earmarked resources and to ensure implementation of various schemes within the stipulated time frame.

4. In view of above it is requested that each monitoring group should hold fortnightly meetings in the months of January and February 1997 and weekly meeting in March 97 to review the progress of expenditure and pending liabilities. This will enable Service/Departments to make optimal use of resources and also, prevent occurrence of savings/excesses

under various heads duly taking into account all factors viz. exchange rate variation in respect of foreign payments, actual drawal from LCs, supply position in respect of contract and progress of Civil works etc.

5. As advised under our ID No. 278/B-I/96 dt. 24.1.96, the minutes of the monitoring Groups meeting may be put up to FA(DS) and a copy endorsed to DFA (Budget).

Sd/-  
(D. LAHIRI)  
Addl. F.A. (D) J.S.

Addl FA(R) & AS — For R&D [including ATVP, Dte. of Std. & DTD&P (Air)].  
Addl FA(P) — For Army, NCC and R.R.  
Addl FA(T) — For Navy  
Addl FA(M) — For Air force  
Addl FA(A) — For DGOF  
Addl FA(K) — For DGQA

MoD (FIN) I.D. No. 3475/B-I/96 Dt. 24.12.96.

Copy to : JS(O), JS(N), JS(Air), JS(OF), COR IFA(Army), IFA(Navy), IFA(Air Force).

Copy also to : CGDA—For rendering weekly reports of Defence Expenditure for the remaining months of the financial year.

Copy also to : PS to FA(DS).

#### Recommendation

The Committee also feel that the persisting trends of overall savings in various grants under the Defence Services and the explanations offered therefor under specific minor-heads are indicative of undesirable tendency on the part of MoD to over estimate their requirement of funds. They therefore, suggest that a thorough analysis of expenditure incurred under these grants during preceding three years may be made with a view to rectifying and improving the existing system of assessing the requirements of funds under specific sector of the Defence Services.

[Para 28 of 13th Report of the PAC (11th Lok Sabha)]

#### Action Taken

As desired by the Committee the reasons of savings under various grants of the Ministry during the last three years have been analysed and it is revealed that savings under various grants were due to



different reasons in different years as mentioned in the Appropriation Accounts of the relevant years already presented in the Parliament.

However, with a view to avoid recurrence of savings/excess in future, the Monitoring Groups formed in the Ministry of Defence have been requested to hold a preliminary meeting in the last week of December and subsequently review the progress of expenditure and pending liabilities on fortnightly basis during January and February and on weekly basis in the month of March *vide* Ministry of Defence ID No. 3698/B.I/95 dated 21.12.95 (copy enclosed). This will enable the Services/Departments to make optimal use of resources and minimise saving/excess. This aspect has been further reiterated *vide* Ministry of Defence ID No. 3475/B.I/96 dated 24.12.96 (copy enclosed).

*File No. 10(4)/B-I/97*

## MINISTRY OF DEFENCE (FIN/BUD)

**SUBJECT:—** *Monitoring and Control of Defence Expenditure*

According to the instructions issued *vide* MoD I.D. No. 8737-S/Def. Secy./91 dt. 27th Dec., 1991 Inter-Departmental Monitoring Groups were constituted in the Year 1991-92 with the concerned Addl. F.A as convenor, concerned Jt. Secy./Flag Rank Officer from service head quarters and representatives of the CGDA/CDA to monitor the progress of expenditure and pending liabilities to ensure optimal use of the resources. These instructions have been renewed from year to year, the orders for 1995-96 having been issued under MoD (Fin) ID No. 3698/B-I/95 dt. 21.12.95.

2. The PAC during its oral evidence taken recently in connection with the Appropriation Accounts of Defence Services has viewed seriously about the excesses/savings occurred under various demands of Defence Services. Accordingly instructions were issued with the approval of Defence Secretary, to all concerned *vide* MoD ID No. 3241/B-I/96 dt. 26.11.96 to restrict the expenditure only to those items considered inescapable and not to enter into any further commitments causing fresh outgo in the current financial year beyond the budgetary allocations of 1996-97.

3. The standing Committee on Defence in their first report (11th Lok Sabha) have *inter-alia* desired that the government should formulate a time bound plan for implementation of various modernisation schemes and re-equipment programmes with a view to ensure that our defence capabilities keep pace with the changing threat perceptions, technologies and the Geopolitical environment. The Defence Secretary has therefore, desired that we should aim for congruence between financial expenditure and the physical progress of the prioritised modernisation/upgradation programmes. He has also desired that the monitoring groups already constituted to ensure budgetary control especially of the obligatory commitments, referred to in para 1 above, should draw up a suitable "Action Plan" with an in-built mechanism for regular review and feed back for effecting timely release of earmarked resources and to ensure implementation of various schemes within the stipulated time frame.

4. In view of above it is requested that each monitoring group should hold fortnightly meetings in the months of January and February 1997 and weekly meeting in March 97 to review the progress of expenditure and pending liabilities. This will enable Service/Departments to make optimal use of resources and also, prevent occurrence of savings/excesses under

various heads duly taking into account all factors viz. exchange rate variation in respect of foreign payments actual drawal from LCs, supply position in respect of contract and progress of Civil works etc.

5. As advised under our ID No. 278/B-I/96 dt. 24.1.96, the minutes of the monitoring Groups meeting may be put up to FA(DS) and a copy endorsed to DFA(Budget).

Sd/-  
(D. LAHIRI)  
Addl. F.A. (D) & J.S.

Addl FA(R) & AS	— For R&D including ATVP, Dte. of Std.& DTD&P (Air).
Addl FA(P)	— For Army, NCC and R.R.
Addl FA(T)	— For Navy
Addl FA(M)	— For Air Force
Addl FA(A)	— For DGOF
Addl FA(K)	— For DGQA

MoD (FIN) I.D.No.3475/B-I/96 Dated. 24.12.96

Copy to : JS(O), JS(N), JS(Air), JS(OF), COR  
IFA (Army), IFA(Navy), IFA(Air Force)

Copy also to: CGDA—For rendering weekly reports of Defence Expenditure for the remaining months of the financial year.

Copy also to : PS to FA(DS).

#### Recommendation

According to the instructions issued by the Ministry of Finance to all Ministries/Departments of Government of India on 27 March 1986, the supplementary demands are required to be severely restricted to genuine unforeseen expenditure. The Committee's examination has, however, revealed that the mechanism of obtaining supplementary funds was used by MoD during 1994-95 in a rather casual and routine manner without carefully conducting a proper assessment of the expenditure incurred or likely to be incurred by them against the funds already made available to them. The net result was that supplementary funds of the order of Rs. 137.95 crores obtained under voted portion of two grants relating to Defence Ordnance Factories and Capital Outlay on Defence Services

proved unnecessary as the final saving of Rs. 227.88 crores in these cases far exceeded the supplementary allocations. Similar cases of procuring supplementary funds in excess of actual requirement were also noticed in the case of grants relating to Army and Air Force where such funds had remained unutilised to the extent of 34 and 31 percent respectively. What has disturbed the Committee more is the fact that MoD had obtained supplementary funds even for those segments in four grants where original provisions were still more than adequate despite withdrawal of funds through reappropriations therefrom. In the opinion of the Committee, the facts brought out above amply prove that MoD have been resorting to obtaining additional allocations without ensuring best and efficient utilisation of funds already sanctioned to them for specific services. The Committee therefore, desire MoD to impress upon their budget controlling authorities to thoroughly examine their proposals for additional funds by exercising due farsightedness. They would also like MoD to ensure proper review and scrutiny of the requests for supplementary demands and restrict these to genuine cases before presenting the same to Parliament for approval.

[Para 34 of 13th Report of the PAC (11th Lok Sabha)]

#### **Action Taken**

Necessary instructions have been issued from time to time to the Service Hqrs. and Internal Financial Advisers that they should be more cautious and accurate while assessing their supplementary demands before projecting the same to the Ministry. In order to avoid any saving/excess, the additional demands should be factual, barest minimum depending on the actual requirement/obligations in rare, emergent and inescapable cases.

Recent instructions issued by the Ministry of Finance that the supplementary demands should be severely restricted and confined to the genuine and unforeseen expenditure which could not be envisaged at the time of preparation of annual budget or to meet the requirement decision or developments which have taken place after the approval of the budget i.e. post budget decisions and not for continuing Schemes/programmes, have been circulated to all concerned for strict compliance *vide* Ministry of Defence (Fin.) Memorandum No. 10(4)/B.I./95 dated 23.8.96 (copy enclosed). In this connection Ministry of Defence (Finance) ID No. 2049/B-I/97 dated 19.8.97 also refers (copy enclosed).

*File No. 10(4)/B-I/97*

No. 10 (4)/B-I/95  
MINISTRY OF DEFENCE  
(FINANCE/BUDGET)

New Delhi, the 23rd August, 1996.

MEMORANDUM

**SUBJECT:—***Action Taken on the Recommendations Contained in the 88th Report of the Public Accounts Committee (Tenth Lok Sabha) on the "Excesses Over Voted Grants/Charged Appropriations (1992-93) and Action Taken on 60th Report (10th Lok Sabha) on Excess Over Voted Grants/Charged Appropriations (1990-91)".*

A copy of Govt. of India, Ministry of Finance, Department of Expenditure OM No. 12(1)E-Coord/95 dated 1st August, 1996 along with its enclosure and OM No. 10(4)-E (Coord)/85 dated 27th March, 1986, on the above subject, is forwarded herewith for information and strict compliance.

Sd/-

(DR. JAI PAL SINGH)  
D. F.A. (BUD)  
Tele. 3012554

All Joint Secretaries/All Addl. FAs/IFAs/ADGFP/DNP/D Fin. P/  
DGOFF/DG NCC/CCR&D (R)/DGQA Dte. of Standardisation/DTD&P  
(Air)/ ATVP

No. 12 (1)/E (Coord)/95  
Government of India  
Ministry of Finance  
Department of Expenditure

New Delhi, the 1st August, 1996.

OFFICE MEMORANDUM

**SUBJECT:—** *Action Taken on the Recommendations Contained in the 88th Report of the Public Accounts Committee (10th Lok Sabha) on "Excesses Over Voted Grants/Charged Appropriations (1992-93) and Action Taken on 60th Report (10th Lok Sabha) on Excess Over Voted Grants/Charged Appropriations (1990-91).*

The undersigned is directed to say that the public Accounts Committee of 10th Lok Sabha in its 88th Report in para 1.39 (Extracts enclosed) has observed that various Ministries/Departments are resorting to obtaining supplementary grants or appropriations in an ill conceived manner without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee had viewed this situation with grave concern and had desired that supplementary provisions are obtained in emergent cases only. In this connection this Department's relevant instructions contained in O.M. No. 10(4)E-Coord/85, dated 27.3.1986 is reproduced below for information and compliance.

"The annual budget is prepared and allocations made taking into account the availability of resources and other relevant factors. The additional demands at the supplementary stage add to the deficit and is an indicator of the budget not being framed carefully. Once the Budget is framed, the Ministries/Departments should regard the provision in the budget whether plan or non-plan, as the maximum amount of resources available to them and manage their affairs within these limits. The Ministries/Departments should carefully examine their programmes and the content of their activities and reorder the priorities to manage within the allocations rather than to come up with proposals for supplementary demand. The supplementary demands should be severely restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of annual budget or to meet the requirements of a decision or

developments which have taken place after the approval of the budget i.e post budget decisions and not for continuing schemes and programmes.”

Sd/-  
(D.P. ROY)  
Director

All Ministries/Departments of the Govt. of India.

**EXTRACTS OF PARA 1.39 of 88th REPORT OF PUBLIC ACCOUNTS  
COMMITTEE (10th LOK SABHA)**

Yet another area where shortcomings were observed by the Committee related to the manner in which supplementary demands had been obtained by the Ministries/Departments. The Ministry of Finance had in their instructions issued to all the Ministries/Departments concerned on 27 March, 1986 directed that supplementary demands should be severely restricted to genuine unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements or decisions or developments taking place after the approval of the budget and not for continuing schemes and programmes. The Committee's examination of the relevant Appropriation Accounts has revealed that despite those instructions, supplementary grants/appropriations to the extent of Rs. 13261.98 crores were obtained by the various Ministries/Departments during the year 1992-93. The Committee's scrutiny has also revealed that the instrument of obtaining supplementary demands was not operated judiciously by certain Ministries/Departments during the year under review. They are surprised to find that in the case of Civil Sector, the extent of overall savings of Rs. 12139.58 crores was even more than the supplementary provisions of Rs. 11450.80 crores obtained by the various Ministries/Departments. Strangely, the final savings in 23 grants/appropriations operated under Civil Sector were far in excess of the supplementary provisions of Rs. 2364.64 crores obtained in these cases and registered a substantial increase both in terms of number of cases and the amount involved as compared to the previous year 1991-92 when there were only 13 such instances involving supplementary provisions of Rs. 26.18 crores. Moreover, three cases under Defence Services and eight cases under Railways have also come to the notice of the Committee where final savings had exceeded the supplementary provisions obtained under a grant/appropriation during the year 1992-93. There were also 11 instances where excess expenditure of Rs. 689.03 crores had occurred despite obtaining supplementary provisions of Rs. 1008.72 crores in these cases during the year under review. From these facts, the Committee are inclined to conclude that the afore-mentioned instructions of the Ministry of Finance issued on 27 March, 1986 have not been observed in their true spirit. Evidently, the various Ministries/Departments have been resorting to obtaining of supplementary grants or appropriations in an ill-conceived manner without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee view this situation with grave concern and express their unhappiness over the irresponsible attitude displayed by the various



Ministries while obtaining supplementary grants/appropriations during the year 1992-93. The Committee consider it necessary that supplementary provisions are obtained only in cases where it is really and genuinely required and the Ministries/Departments are not allowed to make indiscriminate use of this mechanism. They, therefore, desire the Government to impress upon the Budget Cells of all the Ministries to frame their Budget estimates most accurately and resort to supplementary demands only in rare and emergent cases.

No. 10(4)-E(Coord)/85  
Government of India  
Ministry of Finance  
Department of Expenditure

New Delhi, the 27th March, 1986.

**OFFICE MEMORANDUM**

**SUBJECT:** *Instructions Regarding Budgetary Control and Restrictions in respect of Proposals for Supplementary Demands.*

The Ministries/Departments are aware that regulation of expenditure is achieved basically through the instrumentality of the Budget. The annual budget exercises determine the areas and quantum of Government expenditure as also the areas and quanta of resources to be raised for meeting such expenditure. The budget has significant effects on the economy including through the size of the uncovered deficit, if any. Resources raising to meet the expenditure requirements is normally an annual exercise and taxation measures are taken only once a year.

2. The requirements of funds for expenditure in the ensuing year are prepared by the Subordinate/Attached Offices and the Government Departments in accordance with the general instructions issued by the Ministry of Finance from time to time. Non-Plan requirements are required to be scrutinized by the administrative Ministries/Departments and by the Finance Wings before the estimates are finalized. In regard to plan expenditure, administrative Ministries make their projections for development needs/schemes to the Planning Commission. Such projections are usually of a very large magnitude. The Planning Commission carry out a detailed examination of the proposals, considering the needs of the development and spending capabilities of the Department and make final allocations with reference to the available resources. It has, however, been generally noticed that in preparation of the budget estimates, the administrative Department do not always subject the requirements of non-plan expenditure and that of schemes/projects to detailed examination.

3. Another feature noticed is that not infrequently token provisions are included in the budget for the schemes which have not been formulated or considered in detail. Such provisions are made to provide for an entry in the budget pending detailed thinking and formulation of the schemes. This practice leads to large provisions of funds being asked for during the course of the year.

4. The shortcoming in the process of preparing budget result in inadequate provisions being made at the time of preparing annual budget and year after year supplementary demands for large amounts become necessary. The administrative Ministries/Departments have come to consider the annual budget as the first projections of the requirements of funds to be supplemented later by Supplementary Demands. Such proposals are made shortly after the budget is passed by the Parliament. This practice makes it difficult to make a reasonably correct assessment of the expenditure requirements for the year with reference to the available resources. It also mitigates against the budget being treated as an instrument of control and regulation of expenditure.

5. The annual budget is prepared and allocations made taking into account the available resources and the extent to which the Government is prepared to provide the deficit. The additional demands at the supplementary stage go to add to the deficit and is an indicator of the budget not being framed carefully. Therefore, once the budget is framed, the Ministries/Departments should regard the provision in the budget whether plan or non-plan as the maximum amount of resources available to them and manage their affairs within those limits. In cases where owing to the constraint of resources reduced allocations are made in the budget, the administrative Ministries/Departments should critically examine the programmes, contents and activities and reorder priorities to manage within the allocations rather than come up with proposals for supplementary demands. Hard decisions in this regard need to be taken rather than opting for the soft option of asking for the supplementary demands.

6. Another area of concern has been large time and cost over-runs in the implementation of the schemes/projects. The preparation of estimates of the schemes/projects does not always get the attention it should. Preliminary details like investigation of soil conditions, precise knowhow needs, technical and design requirements, provision of all the necessary facilities including plant and machinery to achieve the targetted capacities are not fully worked out. The tie up with consultants where necessary, is not done in advance nor detailed planning carried out to finalise the design, civil and structural and plant and machinery requirements. Changes in the various parameters of the project are continued along with the progress of implementation of the project. The estimates are also sometimes deliberately kept at reduced levels to obtain an investment decision and proposals are made for increase in the estimates after having made commitments, leaving no option to the sanctioning authorities. The revised cost estimates of the projects presented to PIB indicate that time and cost over-runs are largely due to the defects in preparation of the estimates involving under-estimation, under-provisioning and omissions. Instructions have been issued from time to time about framing of the estimates on a realistic basis. A system of two stage clearance of projects

has also been introduced so that the final investment decisions are taken on the basis of detailed estimates, after technical and design parameters are firmed up, the requirements of civil and structural works, plant and machinery are assessed with reasonable degree of accuracy. Instructions also exist that in cases where it appears that the project costs are to exceed the sanctioned estimates, the proposals for revised estimates should be submitted to the appropriate sanctioning authority for sanction soon after the possibility of excess over sanctioned costs comes to notice so that the cases of revised estimates are considered much in advance of the commitments being made and various options are examined. However, in actual practice the proposals for revision of cost estimates are inordinately delayed and expenditure is continued in an irregular manner beyond the sanctioned cost of the project. Quite often, the revised cost estimates are submitted to the sanctioning authority. EFC/PIB/Cabinet after the completion of the project or when most of the commitments have already been made. The Commitment of resources not originally envisaged with changes in scope of the project deprives other essential projects/schemes of the resources, adversely affecting the entire development effort in a planned manner according to laid down priorities.

7. To overcome these shortcomings in the control of expenditure, it has been decided with the approval of the Cabinet that:—

- (i) Supplementary demands should be severely restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements of decisions or developments taking place after the approval of the budget *i.e.* in respect of post budget decisions and not for continuing schemes and programmes.
- (ii) Funds for projects/schemes beyond the sanctioned estimates should not be released till the revised estimates are considered and sanctioned by the sanctioning authority.

8. Ministries/Departments are requested to strictly conform to these instructions.

Sd/-

(R. GANAPATI)

Secretary to the Government of India.

To

All Ministries/Departments of the Government of India etc. etc.

**MINISTRY OF DEFENCE (FINANCE DIVISION)  
BUDGET-I**

**SUBJECT: *Monitoring and Control of Defence Expenditure***

Instructions have been issued from time to time highlighting the importance of formulating the budget Estimates with utmost care and foresightedness which should be more realistic and to review and monitor the progress of expenditure constantly and very closely in order to ensure that it is contained within the sanctioned budget so that there is no excess/saving.

2. Necessary instructions have also been issued to the Service Hqrs. and Internal Financial Advisers that they should be more cautious and accurate while assessing their supplementary demands before projecting the same to the Ministry. In order to avoid any saving/excess, the additional demand should be factual, barest minimum depending on the actual requirement/obligations in rare, emergent and inescapable cases which should be restricted and confined to the genuine and unforeseen expenditure that could not be envisaged at the time of preparation of annual budget or to meet the requirement decision or developments which have taken place after the approval of the budget *i.e.* post budget decisions and not for continuing schemes/programmes.

3. The Monitoring Groups formed in the Ministry of Defence hold preliminary meeting in the last week of December and subsequently review the progress of expenditure and pending liabilities on fortnightly basis during January and February and on weekly basis in the month of March to enable the Services/Departments to make optimal use of resources and minimise savings/excess. For this purpose fortnightly and weekly compilation of expenditure is being provided during the last quarter of the financial year.

4. Despite issuance of the repeated instructions, a considerable gap still exist which is required to be bridged. Instances of unrealistic estimation of requirement at the BE/RE stages as well as re-appropriation stage still continue. There are several instances of large savings/excess under various minor heads. Instances have also come to notice where supplementary demand obtained were either not utilised or partially utilised or they still fall short of the requirements. The re-appropriations have not been assessed properly which resulted in either shortfall or found excess of requirement.

5. The shortcomings in budget formulation and the excess/savings due to lacunae in monitoring and control of defence expenditure are being adversely commented upon by the audit authorities and the Public Accounts Committee have also taken a serious note of this and have criticised the budget system of the Ministry in their 13th Report (1996-97) on Union Government Appropriation Accounts (1994-95)—Defence Services.

6. In the above circumstances it is once again emphasised that all the budget estimating authorities/IFAs/Monitoring Groups should gear up their activities in a manner that their projections of BE/RE are fully supported by the factual and realistic data, schemes, actual liabilities whether carried forward or likely to accrue. Full utilisation of fortnightly/weekly compilation of account being made available in the last quarter of the year may be made while finalising the final requirement of funds under each minor head at MA stage. Every expending authority should monitor the progress of the expenditure in a more vigilant manner by following the canon of financial propriety more rigidly. It is also requested that any excess expenditure over voted allocation or for any significant savings responsibility should be fixed.

7. In order to achieve the objective all are requested to follow the instructions issued on the subject more scrupulously. Further instructions may also be issued by Service Hqrs./Departments to lower formations to eliminate the instances of large savings/excesses over voted grants.

Sd/-

(D. LAHIRI)  
Addl. FA(D) & JS

All Joint Secretaries/Addl. FAs/IFAs  
Addl. DGFP, DNP, D Fin P, DGOF, CCR&D(R), DGQA, DGNCC DG  
Mil Farm.

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MoD(FIN) I.D. No. 2049/B-I/97 Dated. 19.8.97.

Copy to: CGDA

## CHAPTER IV

### RECOMMENDATIONS OR OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### Recommendation

The Committee are deeply concerned to note that out of the total savings of Rs. 390.92 crores registered in various grants and appropriations operated under the Defence Services during 1994-95, the amount surrendered by MOD was only Rs. 125.97 crores which represented 32.2 per cent of the total savings available. Significantly, entire savings amounting to Rs. 64.13 crores in both the voted and charged portions of Grant No. 20—Air Force and Rs. 108.87 crores in the voted portion of Grant No. 22—Capital Outlay on Defence Services were not surrendered at all in total disregard to the prescribed financial principles. On the other hand, there was also an instance of unusual phenomenon of surrendering Rs. 2.62 crores from voted portion of Grant No. 19—Navy which had actually registered an excess expenditure of Rs. 6.30 crores and no savings were thus available for surrender. To their utter surprise, the Committee were informed during evidence that the substantial savings of over Rs. 68 crores in the voted portion of Grant No. 18—Army could not be surrendered because the Ministry were not fully aware of the cumulative figure of savings under various sub-heads of the grant and it was only at the end of the financial year that Ministry came to know of such savings. While taking a serious view of absence of precise accounting information system and the carelessness displayed by MOD in not surrendering the available savings and also in making erroneous surrender of funds, the Committee desire that MOD should contemplate appropriate steps to develop their accounting information system on suitable lines so as to avoid such lapses in future. They also desire MOD to ensure that timely surrender of anticipated savings is made in future strictly in accordance with the provisions made in this regard.

[Para 40 of 13th Report of the PAC (11th Lok Sabha)]

#### Action Taken

The Ministry of Defence has an elaborate and well established system for scrutiny and evaluation of the various expenditure proposals. These are first scrutinised/evaluated in the Services Hqrs. and subsequently in the Ministry and Integrated Finance concerned. This multiple scrutiny largely takes care to eliminate any wasteful and redundant expenditure. However, due to un-certainties in deliveries of stores against contracts, particularly

with the foreign suppliers against letter of credits, supply of stores and cash out go is delayed. In such cases vigorous efforts are made to expedite cases through constant monitoring at various levels. Wherever possible reappropriation of schemes/programmes is also done in order to make optimum use of the available resources.

All budget controlling authorities have been requested [*vide* MoD (Fin) ID No. 17(3)B-I/97 dated 23.4.97 and MoD (Fin) ID No. 2049B-I/97 dated 19.8.97 copy enclosed] that while formulating the budgetary need due care and farsightedness should be kept in mind and while expending the allocations due regards should be given to the cannons of Financial Propriety. Further, it should also be ensured at all levels that no large scale savings take place.

*File No. 10(4)/B-I/97*



**MINISTRY OF DEFENCE (FINANCE DIVISION)**  
**BUDGET-I**

**SUBJECT: *Monitoring and Control of Defence Expenditure***

Instructions have been issued from time to time highlighting the importance of formulating the budget estimation on realistic basis and the necessity to keep vigil on expenditure to conform it to the allocations in order to avoid any large scale excess/savings over voted grants. To achieve the goal Inter-departmental Monitoring Groups were constituted to monitor the expenditure. Further, fortnightly and weekly compilation of expenditure is being provided during the last quarter of the financial year i.e. January to March to assist the concerned authorities to check the pace of expenditure and to assess pending liabilities to ensure optimal use of the resources. Though there are some improvements in monitoring management of expenditure but, inspite of the above assistances, instances of significant gap between the expenditure and allocation exist which need to be eliminated.

It is, therefore, once again emphasized that while formulating the budgetary needs, due care and farsightedness should be kept in mind and while expending the allocations due regards should be given to the canons of financial propriety. Further, it should be ensured at all levels that no expenditure is incurred in excess of the allocation and also no large savings take place.

Sd/-  
(D. LAHIRI)  
Addl. FA(D)

All Joint Secretaries/Addl. FAs/IFAs  
Addl. DGFP, DNP, D Fin. P, DGO, CCR&D(R), DGQA, DGNCC  
DG Mil Farm.

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MOD(FIN) I.D. No. 17(3)/B-I/97 Dated. 23.4.97.

MINISTRY OF DEFENCE (FINANCE DIVISION)  
BUDGET I

SUBJECT: *Monitoring and Control of Defence Expenditure*

Instructions have been issued from time to time highlighting the importance of formulating the budget Estimates with utmost care and foresightedness which should be more realistic and to review and monitor the progress of expenditure constantly and very closely in order to ensure that it is contained within the sanctioned budget so that there is no excess/saving.

2. Necessary instructions have also been issued to the Service Hqrs. and Internal Financial Advisers that they should be more cautious and accurate while assessing their supplementary demands before projecting the same to the Ministry. In order to avoid any saving/excess, the additional demand should be factual, barest minimum depending on the actual requirement/obligations in rare, emergent and inescapable cases which should be restricted and confined to the genuine and unforeseen expenditure that could not be envisaged at the time of preparation of annual budget or to meet the requirement decision or developments which have taken place after the approval of the budget *i.e.* post budget decisions and not for continuing Schemes/programmes.

3. The Monitoring Groups formed in the Ministry of Defence hold preliminary meeting in the last week of December and subsequently review the progress of expenditure and pending liabilities on fortnightly basis during January and February and on weekly basis in the month of March to enable the Services/Departments to make optimal use of resources and minimise saving/excess. For this purpose fortnightly and weekly compilation of expenditure is being provided during the last quarter of the financial year.

4. Despite issuance of the repeated instructions, a considerable gap still exist which is required to be bridged. Instances of unrealistic estimation of requirement at the BE/RE stages as well as re-appropriation stage still continue. There are several instances of large savings/excess under various minor heads. Instances have also come to notice where supplementary demand obtained were either not utilised or partially utilised or they still fall short of the requirements. The re-appropriations have not been assessed properly which resulted in either shortfall or found excess of requirement.

5. The shortcomings in budget formulation and the excess/savings due to lacunae in monitoring and control of defence expenditure are being adversely commented upon by the audit authorities and the Public Accounts Committee have also taken a serious note of this and have criticised the budget system of the Ministry in their 13th Report (1996-97) on Union Government Appropriation Accounts (1994-95)—Defence Services.

6. In the above circumstances it is once again emphasised that all the budget estimating authorities/IFAs/Monitoring Groups should gearup their activities in a manner that their projections of BE/RE are fully supported by the factual and realistic data, schemes, actual liabilities whether carried forwarded or likely to accrue. Full utilisation of fortnightly weekly compilation of account being made available in the last quarter of the year may be made while finalising the final requirement of fund under each minor head at MA stage. Every expending authority should monitor the progress of the expenditure in a more vigilant manner by following the cannon of financial propriety more rigidly. It is also requested that any excess expenditure over voted allocation or for any significant savings responsibility should be fixed.

7. In order to achieve the objective all are requested to follow the instructions issued on the subject more scrupulously. Further instructions may also be issued by Service Hqrs./Departments to lower formations to eliminate the instances of large savings/excesses over voted grants.

Sd/-  
(D. LAHIRI)  
Addl. FA(D) & JS

All Joint Secretaries/Addl. FAs/IFAs  
Addl. DGFP, DNP, D Fin. P, DGO, CCR&D(R), DGQA, DGNCC  
DG Mil Farm.

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MOD(FIN) I.D. No. 2049/B-I/97 Dated. 19.8.97.

Copy to: CGDA

### **Recommendation**

“The Committee are perturbed to note the startling number of 1,05,411 audit objections pending settlement in MOD at the end of June, 1995 of which 88,024 objections i.e., 83.5 per cent of total pendency pertained to “Army” alone. Distressingly some of these outstanding audit observations relate to the period commencing from 1971-72 and could not be cleared even after a lapse of over 23 years. The committee are dismayed at the plea put forth by the Secretary, MOD during evidence that the pendency of 1.05 lakh audit objections might not be much in absolute terms if viewed in the context of one crore transactions in a financial year spread over 8,000 offices in the Ministry. The Committee are not at all inclined to accept this plea of the Ministry and they are of the firm belief that this tellingly shocking extent of outstanding audit observations over a long period of time is clearly indicative of the laxity being displayed by the various authorities of the Ministry in settling the audit objections thus negating the very objects of internal and statutory audit of financial transactions undertaken in a large number of field formations of MOD. Although an elaborate system is stated to be in existence in MOD for processing audit objections, the Committee are in no doubt that the present poor spectacle of affairs will not improve unless a rigid time limit is fixed for settlement of audit objections and appropriate action taken to fix responsibility in cases of defaults. They therefore, recommend that MOD should issue suitable instructions in this regard to their officers for future compliance. Considering the slow pace of progress in settlement of long outstanding objections, the Committee also desire MOD to take urgent and effective steps under a special time-bound programme with a view to wiping out outstanding audit objections particularly those pending for over a year. The Committee would like to be apprised of the specific progress made in this direction”.

[Para 58 of 13th Report of PAC (11th Lok Sabha)]

### **Action Taken**

Number of Audit objections raised up to 31st March, 1995 but outstanding as on 30th June, 1995 was 105411. Number of pending audit objections raised upto 31st March, 1997 but outstanding as on 30th June, 1997 is however, 92131 (Army; 78024, Navy; 3604, Air Force 3508 and Ordnance Factories 6995) including objections against the Railways. Out of these outstanding audit objections, 8808 were raised by Statutory Audit. The oldest item relates to 1971-72 (Internal Audit) and 1977-78 (Statutory Audit Objection). It shows that there is a decrease of 13280 Audit objections during the two years.

2. Out of 105411 Audit objections outstanding on 30th June, 1995,

76,427 Audit objections have since been cleared and there were only 28,984 Audit objections as on 31st July, 1997. Service-wise position of these outstanding objections, as on 31st July, 1997, is as under:—

Service	No. of objections
Army	26018
Navy	1359
Air Force	572
Ordnance Fys.	1035
<b>Total</b>	<b>28984</b>

3. With a view to step up clearance of Audit objections, instructions have been issued by CGDA *vide* their letter No. AT/Coord/13376/IAR, dated 12th September, 1997 (copy enclosed) to the Controllers to undertake immediately the special review of the Audit Objections, particularly the older ones and achieve clearance in a time bound manner. The process will be monitored by the CGDA who will take appropriate steps, as required, to achieve and maintain the tempo of clearance. In addition, it has since been decided to constitute *ad hoc* Committees to look into the Audit Objections pertaining to the Army, Navy, Air Force, DRDO, DGOFF, DGQA, DGAFMS, DGNCC etc. A copy of Ministry of Defence (Fin)'s ID No. 1739/Addl. FA(D)/97, dated 1.9.97 issued in this connection is also enclosed.

Sd./-  
 (D. LAHIRI)  
 Addl. FA (D) & J  
 27.10.1997

File No. 213(1)/97/B.II

NO.AT/COORD/13376/IAR  
Office of the  
Controller General of Defence Accounts  
West Block-V, R. K. Puram  
NEW DELHI- 110 066.

Dated 12th September, 1997.

To

**SUBJECT: *Processing and Settlement of Items pending in the Internal Audit Reports — Adhoc Committees.***

The position regarding the large number of audit objections outstanding, commented upon at Para-7, of the C&AG's report for the year ended 31.3.95 was examined by the PAC sometime back. Their observations and recommendations in this regard are contained in their 13th Report (11th Lok Sabha). The Controllers had also been requested by this Hqrs. to undertake and carryout special reviews of the objections outstanding and achieve maximum clearances so that the action taken on the PAC's recommendations with the results achieved could be communicated to the Ministry.

2. In the above background and to achieve speedier processing and settlement of the audit objections within a prescribed time frame, Government Orders have since been issued constituting *adhoc* Committees at Command level. Apex Committees at Services Hqrs. level and Monitoring Committees in the Ministry of Defence. In this connection a copy of Ministry of Defence letter No. 12(11)/97/D(OS) dated 18.8.97 is enclosed. The composition, scope of functioning and the modalities to be observed by these Committees are contained in the enclosed Govt. Orders. Committees on similar lines are also to be constituted in the Navy, Air Force, DRDO, Ordnance Factories, DGAFFMS, DGNCC and DGQA as would be evident from Ministry of Defence (Finance) Note No. 1739/Addl. FA(D)/97 dated 1.9.97 and 8/89/B-IL/97 dated 4.3.97 (copies enclosed). Formal communications constituting such Committees in respect of these services may be awaited.

3. In so far as the items included in the Internal Audit Reports are concerned, the Controllers are aware that these items are taken up by this Hqrs. with the PSOs in the Services Hqrs. and equivalents in other organisations and pursued. In as much as the items included in these Reports are also audit objections and may be pending in the Controller's books, it is only appropriate that these pending items are also projected to the appropriate *Adhoc* Committee/Apex Committee etc. for further processing and settlement. With this object in view, the following

instructions are issued for compliance/enforcement in the respective Controllers Organisation.

- (a) The Controllers will review all the items relating to their jurisdiction included in the various Internal Audit Reports so far to ensure that all these items are pending in their books as Audit Objections. In case any of these items are not pending as audit objection, all such items should be converted formally as objections immediately and dealtwith as such.
- (b) While taking action as at (a) above, items in the Internal Audit Reports which are conclusive in nature or where no action as such has been indicated therein may be excluded.
- (c) Action as above will be in respect of those items where closure/settlement thereof has not been communicated so far by this Hqrs. to the concerned Controllers.
- (d) The matter has to be taken up with the Command Hqrs. for the constitution of the Command *ad hoc* Committees and to chalkout the further plan of action by these Committees to process and settle the audit objections and the timeframe in which to do this.
- (e) The CDA's rep. (at DCDA's level) has to be nominated as member of the *ad hoc* Committee. It is also essential that the nominated officer is fully and comprehensively briefed on the various items objections to be discussed in the *ad hoc* Committee and they should press the audit objections for final action/regularisation etc.
- (f) Observing the methodology of working of these Committees laid down in the Government orders like, preparation of briefs/statemnt of case by the concerned units and its proper vetting by UA/LAO/CDA etc. should be ensured adequately and effectively;
- (g) The working of the *ad hoc* committees and the progress achieved should receive the personal attention of the Controllers through effective monitoring at his level;
- (h) Controllers may have to issue instructions to their subordinate offices apprising them of these arrangements and also laying down what is expected of them and the priority that should be given to this item of work.

4. A detailed report on the arrangements, made in this regard and the plan of action drawn up together with how this item of work is going to be tackled indicating the various steps taken towards the fulfilment of this objective may please be furnished, after due consultation/discussion with the Command etc. authorities, if necessary, to reach us by 31.10.97. Thereafter, a report for the QE December, March, June and September may please rendered to this Hqrs. bringing out the working of *ad hoc* Committees and progress achieved in settlement of audit objections, within a fortnight of expiry of each quarter as above.

5. Please acknowledge receipt.

Sd/-  
(A. K. LAL)  
ADDL. CGDA (AT)

Copy to:—

1. The CDA Guwahati (Shri H. S. Kumar)
2. The CDA Patna (Shri Dilip Biswas)

It has been reported that the items relating to Eastern Command included in the Internal Audit Reports were discussed at Command Level in Hqrs. Eastern Command recently. It is requested that details of the items discussed, decisions taken and the progress made towards settlement of the items and details of items, if any, settled be furnished urgently.

Sd/-  
(A. K. LAL)  
ADDL. CGDA (AT)



## MINISTRY OF DEFENCE (FINANCE DIVISION)

SUBJECT:— *Settlement of outstanding audit objections—Constitution of adhoc Committees.*

Reference is invited to the Ministry of Defence O.M. No. 12(11)/97/D(QS) dated 18th August, 1997 (copy enclosed) under which *adhoc* Committees have been set up for the settlement of audit objections. It would be recalled that the Public Accounts Committee have taken a serious note and criticised the number of outstanding audit objections, both internal audit and statutory audit.

2. In line with the *adhoc* Committees and Monitoring Committees constituted to look into the audit objections pertaining to the Army, it has been decided to constitute similar *adhoc* Committees for the other, Services *viz.* Navy, Air Force, DRDO, DGOF, DGQA, DGAFMS, DGNCC, etc.

3. Addresses are requested to kindly report compliance.

Sd/-  
(D. LAHIRI)  
Addl. FA(D) & J.S.  
1.9.1997

VCNS	DGAS	CCR&D(R)	DGOF
DGAFMS	DGNCC	DGQA	

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MoD(Fin.) I.D. NO. 1739/Addl. FA(D)/97 dt. 1.9.97

Copy to:

- (1) DGADS
- (2) CGDA
- (3) AS(N) — FOR Air Force
- (4) Member (Fin.), OFB, Calcutta
- (5) JS(N)
- (6) JS(P&C)
- (7) JS (Trg.)
- (8) JS (OF)
- (9) JS (S)

Copy to: All Addl. FAs  
AFA(B-II)

New Delhi, the 18th August, 1997.

OFFICE MEMORANDUM

**SUBJECT:—** *Settlement of outstanding audit objections — Constitution of adhoc Committees.*

In para 7, relating to non-settlement of audit objections included in C&AG report (No. 8 of 1996) for the year ending 31st March, 1995, it has been indicated that the number of outstanding audit objection has increased from 98,788 as on 30th June, 1994 to 105511 as on 30th June, 1995. Out of these, 87,266 audit objections pertain to Army alone which includes some objections raised by the Statutory Audit. The oldest item relates to the year 1971-72 (Internal Audit) and 1974-75 (Statutory Audit).

2. Considering the magnitude of the total objections including the test audit objections with significant number of old objections, it has been decided to constitute *adhoc* Committees for settlement of audit objections as under:—

*Apex Committee*

- The senior member of the concerned Branch as Convener
- Representative of CGDA at the level of DCGDA — Member
- Director from DGADS — Member

*Command Committee*

- Head of concerned branch at Command Hqrs.—Convener
- Representative of CDA at the level of DCDA — Member
- Director/Dy. Director of Audit — Member

3. The *adhoc* Committee can consider and review all audit objections raised up to 1984-85, as the first priority.
4. The scope of the Command level *adhoc* Committee would deal with all audit objections on which final action of regularisation etc. is at the level of Command Hqrs. and below.
5. The scope of the Apex Committee would be to consider and review all objections, irregularities, etc., which require final action, regularisation, etc. at the level of Service Hqrs./Ministry of Defence/Govt.
6. These committees may be constituted for a period of 2 years, initially

with further extension of its life being decided, based on the performance and effectiveness.

7. The Committees would work out a fixed and time-bound programme with definite targets to be achieved by them for each quarter or half year.
8. Concerned Units and Formations should be made responsible to provide self-contained Briefs/Statement of case on each item, duly vetted by UA/LAO/CDA to enable the Committees to take decisions.
9. The Monitoring Committee would be constituted in the Ministry with the concerned Joint Secretary, dealing with particular Service/ Department as the Convenor and the concerned Addl. FA, Addl. CGDA and Director from DGADS as Members.

Addressee are requested kindly to report compliance immediately.

Sd/-  
(L.M. MEHTA)  
Joint Secretary (O)

To

<b>MGO</b>	<b>AG</b>	<b>QMG</b>	<b>E-in-C</b>
<b>Copy to:</b>			
<b>DGADS</b>			
<b>CGDA</b>			
<b>JS (E)</b>			
<b>JS (G)</b>			
<b>JS (APOW)</b>			
<b>Addl. FA (M)</b>			
<b>Addl. FA (D)</b>			

**CHAPTER V**

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

**-NIL-**

**NEW DELHI;  
12 March, 1999**

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**21 Phalguna, 1920 (Saka)**

**MANORANJAN BHAKTA,  
Chairman,  
Public Accounts Committee.**

## APPENDIX

### CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Deptt. concerned	Conclusions and Recommendations
1	2	3	4
1.	6	Ministry of Defence	Taking note of the absence of precise accounting information system and the failure of MoD to surrender the available savings and also erroneous surrender of funds, the Committee had in Paragraph 40 of their earlier Report desired MoD to contemplate appropriate steps to develop their accounting information system on suitable lines so as to avoid lapses in surrender of funds in future. The action taken notes furnished by MoD are completely silent on this aspect and the Ministry have merely stated in general terms that they have requested the budget controlling authorities to give due regard to the canons of financial propriety while formulating their budgetary needs and expanding the allocations. The Committee deplore the inaction and indifference on the part of MoD in addressing the specific issue in the right perspective and further reiterate their earlier recommendation and desire that MoD should review the efficacy of their existing accounting information system in the light of instances of erroneous surrender of funds and take appropriate steps to strengthen their accounting information system so as to avoid any lapses in surrender of available savings in future.

Sl. No.	Para No.	Ministry/ Deptt. concerned	Conclusions and Recommendations
1	2	3	4
2.	9	Ministry of Defence	<p>While taking note of the efforts made by MoD in reducing the number of outstanding audit objections from 1,05,411 as of 30 June 1995 to 28,984 as of July 1997, the Committee observe that no age-wise analysis of pending audit objections has been furnished by MoD in their action taken notes. In the absence of such statistics, the Committee find it difficult to appreciate the extent to which progress has actually been made by the Ministry in wiping out the audit objections pending for considerably longer period of time. This aspect assumes special significance since the Committee's examination of the subject had earlier revealed that some of the audit objections pertained to the period commencing from 1971-72. In the light of the fact that as many as 28,984 continued to remain unsettled as of July 1997, the Committee are apprehensive whether mere issuance of instructions to Controllers to undertake the special review or constitution of adhoc committees to look into this matter would yield the desired results. The Committee therefore, strongly feel that besides vigorously pursuing settlement of old audit objections, MoD should also fix a rigid time-limit for settlement of audit objections and deal sternly with cases of defaults to avoid any accumulation of similar nature in future. The Committee would also like to be apprised of the latest position in regard to the pending audit objections with their age-wise analysis.</p>

## PART II

### MINUTES OF THE TWENTY-THIRD SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (1998-99) HELD ON 11 MARCH, 1999

The Committee sat from 1500 hrs. to 1600 hrs. on 11 March, 1999 in Committee Room No. "62" Parliament House.

#### PRESENT

Shri Manoranjan Bhakta—*Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Ram Tahal Chaudhary
3. Shri C. Gopal
4. Shri Vijay Kumar Khandeiwal
5. Shri Rupchand Pal
6. Dr. T. Subbarami Reddy
7. Shri Prabhat Kumar Samantaray

##### *Rajya Sabha*

8. Shri Md. Salim
9. Shri J. Chitharanjan
10. Shri Jayant Kumar Malhoutra
11. Shri Vayalar Ravi

#### SECRETARIAT

1. Shri Devender Singh — *Deputy Secretary*
2. Shri S.C. Kaliraman — *Assistant Director*
3. Shri R.C. Tiwari — *Committee Officer*

#### OFFICERS OF THE OFFICE OF C&AG OF INDIA

1. Shri D. Swarup — DGA (CR)
2. Ms. Sudha Rajagopalan — DGA (DS)
3. Shri M.M. Arya — Pr. Director (Direct Taxes)

2. The Committee took up for consideration the following draft Reports on:

(i) \*\*\*

(ii) **Action taken on 13th Report of PAC (11th Lok Sabha) on "Union Government Appropriation Accounts (1994-95)—Defence Services".**

(iii) \*\*\*

3. The Committee deliberated on the subject matter of the above mentioned draft Reports and adopted the same with certain modifications and amendments as shown in Annexures I\*, II and III\* respectively.

4. The Committee authorised the Chairman to finalise these draft Reports in the light of verbal and consequential changes arising out of factual verification by Audit and present the same to Parliament.

*The Committee then adjourned.*

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\* Not appended.



*ANNEXURE II*

**AMENDMENTS/MODIFICATIONS MADE BY THE PUBLIC  
ACCOUNTS COMMITTEE IN THE DRAFT REPORT RELATING TO  
UNION GOVERNMENT APPROPRIATION ACCOUNTS (1994-95)—  
DEFENCE SERVICES**

<i>Page</i>	<i>Para</i>	<i>Line</i>	<i>Amendments/Modifications</i>
4	6	8	<i>Add after inaction “and indifference”</i>
4	6	10	<i>Substitute “further” for “strongly”</i>
6	8	2	<i>Delete “and”</i>

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATION**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>ANDHRA PRADESH</b>		<b>UTTAR PRADESH</b>	
1.	M/s. Vijay Book Agency, 11-1-477, Mvlargadda, Secunderabad-500 306.	12.	Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.
<b>BIHAR</b>		<b>WEST BENGAL</b>	
2.	M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).	13.	M/s. Madimala, Buys & sells, 123, Bow, Bazar Street, Calcutta-1.
<b>GUJARAT</b>		<b>DELHI</b>	
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380 006. (T.No. 79065)	14.	M/s. Jain Book Agency, C-9, Connaught Place, New Delhi, (T.No. 351663 & 350806)
<b>MADHYA PRADESH</b>		15.	M/s. J.M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T.No. 2915064 & 230936)
4.	Modern Book House, Shiv Vilas Place, Indore City. (T.No. 35289)	16.	M/s. Oxford Book & Stationery Co., scindia House, Connaught Place, New Delhi-110 001. (T.No. 3315308 & 45896)
<b>MAHARASHTRA</b>		17.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110 009. (T.No. 7112309).
5.	M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400 002.	18.	M/s. Rajendra Book Agency, IV-DR59, Lajpat Nagar, Old Dobule Storey, New Delhi-110 024. (T.No. 6412362 & 6412131).
6.	The International Book Service, Deccan Gymkhana, Poona-4.	19.	M/s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110 033.
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400 001.	20.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
8.	M/s. Usha Book Depot, Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400 002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110 001. (T.No. 344448, 322705, 344478 & 344508).
9.	M & J Services, Publishers, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele road Nalgaum, Dadar, Bombay-400 014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Service India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400 001.	23.	M/s. Books India corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110 052. (T.No. 269631 & 714465).
<b>TAMIL NADU</b>		24.	M/s. Sangam Book Depot, 4378/4B, Murari LaL Street, ansari Road, Darya Ganj, New Delhi-110 002.
11.	M/s. M.M. subscription Agencies, 14th Murali Street, (1st Floor), Mahalingapuram, Nungambakkam, Madras-600 034. (T. No. 476558)		