

**EXCESSES OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS (2016-17)**

**PUBLIC ACCOUNTS COMMITTEE
(2019-20)**

FOURTH REPORT

SEVENTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

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LOK SABHA SECRETARIAT
NEW DELHI

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- I* Minutes of the 11th Sitting of Public Accounts Committee (2019-20) held on 28th January, 2020.
- II. Statement of Observations and Recommendations.

* Not appended.

INTRODUCTION

I, the Chairperson, Public Accounts Committee, having been authorised by the Committee, do present on their behalf this Fourth Report (Seventeenth Lok Sabha) on **"Excesses over Voted Grants and Charged Appropriations (2016-17)"**.

2. The Union Government Appropriation Accounts (Civil) 2016-17 were laid on the table of the House on 19th December, 2017; the Union Government Appropriation Accounts (Postal Services) 2016-17; and the Union Government Appropriation Accounts of the Defence Services 2016-17 were laid on the table of the House on 2nd January 2018. The Indian Railways Appropriation Accounts Part-I — Review, 2016-17; the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts, 2016-17; and the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts (Annexure-G), 2016-17 were laid on the Table of the House on 13th March, 2018.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Finance (Economic Affairs), Defence, Department of Posts and Railways of the Union Government in the 2016-17 fiscal on the basis of the Appropriation Accounts; observations of Audit as contained in the relevant Reports of the Comptroller & Auditor General of India; and the Explanatory Notes/Advance Information furnished by the Ministries/Departments concerned. The Committee considered and finalised this Report at their sitting held on 28th January, 2020. Minutes of the sitting are given at Appendix-I to the Report.

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

5. The Committee would like to express their thanks to the representatives of the Ministries of Finance (Economic Affairs), Defence, Department of Posts and Railways for the cooperation extended by them in furnishing the requisite information to the Committee.

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

NEW DELHI;
30 January, 2020
10 Magha, 1941 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

REPORT

PART-I

A. INTRODUCTORY

(a) Annual Appropriation Accounts of the Union Government

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

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

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

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

- (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;
- (b) that the expenditure conforms to the authority which governs it; and

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

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

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

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

(b) Rules/Provisions for controlling excess expenditure

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

- (i) Article 114 (3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.
- (ii) Further, Rule 52 (3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.
- (iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.
- (iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over Grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

(c) Procedure for regularization of excess expenditure

7. According to the procedure laid down for regularization of the excess expenditure, the Ministries/Departments of the Government of India are required to furnish to the Public Accounts Committee, Explanatory Notes detailing the reasons for

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

(d) Union Government Appropriation Accounts (2016-17)

8. The details of the four Union Government Appropriation Accounts (2016-17) viz. the dates of laying of these Accounts on the Table of the House, the number of Grants/Appropriations operated under each of the four Appropriation Accounts and the relevant Chapters/Paragraphs of the Audit Reports highlighting the Audit findings are given below:-

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/ Appropriations highlighted	C&AG's Report in which audit findings highlighted
1.	Civil	19.12.2017	95	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 44 of 2017, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	02.01.2018	6	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 44 of 2017, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	02.01.2018	1	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 44 of 2017, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	13.03.2018	16	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 44 of 2017, Union Government, Accounts of the Union Government, (Financial Audit) and C&AG's Report No. 1 of 2018, Union Government (Railways) Railways
Total No. of Grants/Appropriations:			118	

9. In this Report, the Committee have examined those Grants/ Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2016-17 and which require regularization by Parliament under Article 115(1)(b) of the Constitution of India.

B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2016-17)

10. Scrutiny of the four Appropriation Accounts (2016-17) revealed that, there was an excess disbursement of ₹ 1,90,270.18 crore over the authorisation from the CFI during 2016-17 out of which an excess disbursement of ₹ 1,89,154.26 crore occurred in three segments of two Grants/Appropriations in Civil Ministries/Departments viz. ₹ 936.48 crore in one segment of one Grant of Posts, ₹ 146.31 crore in two segments of one Grant of Defence and ₹ 33.13 crore in six segments of three Grants of Railways.

(In unit of ₹)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	2	3	189154,25,79,127
2.	Defence Services	1	2	146,31,03,577
3.	Posts	1	1	936,47,75,842
4.	Railways	3	6	33,13,48,108
Total		7	12	1902,70,18,06,654

(a) Details of Excess Disbursement over Voted Grants/Charged Appropriations (2016-17)

11. The details of twelve cases of seven Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2016-17 as shown in the relevant Union Government Appropriation Accounts/Explanatory Notes furnished by the Ministries/Departments concerned are given below:-

(In unit of ₹)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Original Grant/Appropriation (O) Supplementary Grant/Appropriation (S) Total Grant/ Appropriation (T)	Actual Expenditure	Excess Expenditure	Percentage of excess expenditure over total Grant/ Appropriation
1	2	3	4	5	6	7
I – APPROPRIATION ACCOUNTS - CIVIL						
Revenue (Voted)						
1.	21- Defence Pension	Defence	O-82331,66,00,000 S- 3292,94,00,000 T-85624,60,00,000	87824,15,77,250	2199,55,77,250	2.57
Revenue (Charged)						
2.	21- Defence Pensions	Defence	O-1,00,00,000 S-36,00,000 T-1,36,00,000	1,64,08,608	28,08,608	20.65
Capital (Charged)						
3.	33 –Repayment of Debt	Finance (Economic Affairs)	O-4406431,08,00,000 S-1085437,70,00,000 T-5491868,78,00,000	567882,31,99,269	186954,41,93,269	3.40
Total (Civil) -			55775127400,000	274780,21,79,127	189154,25,79,127	3.39
II - APPROPRIATION ACCOUNTS – POSTAL SERVICES Revenue (Voted)						
4.	13- Department of Posts	Communications (Department of Posts)	O-2312200,00,000 S-1504100,000 T-232724100,000	24208,88,75,842	936,47,75,842	4.02
Total (Posts)			232724100,000	24208,88,75,842	936,47,75,842	4.02
III. APPROPRIATION ACCOUNTS –DEFENCE SERVICES Capital (Voted)						
5.	23- Capital outlay on Defence Services	Defence	O-784995562,000 S-1,00,000 T-784995562,000	78604,11,32,000	104,54,70,013	0.13
Capital (Charged)						
6.	23- Capital outlay on Defence Services	Defence	O-87,12,38,000 S-2,46,00,000 T-89,58,38,000	131,34,72,000	41,76,33,564	46.62
Total (Defence Services)			7858915,00,000	78735,46,04,000	146,31,03,577	0.19
IV. APPROPRIATION ACCOUNTS- RAILWAYS Revenue (Charged)						
7.	4- Repairs and Maintenance of permanent ways and works	Railways	O-150,07,000 S-21,54,000 T-1,71,61,000	1,79,38,229	7,77,229	4.53

8.	7- Working Expenses- Repair & Maintenance of Plant and Equipment	Railways	O- 50,00,000 S-21,45,000 T-71,45,000	71,97,739	52,739	0.74
Capital – Voted						
9.	16-Railway Safety Fund	Railways	O-10780,30,00,000 S-0 T-10780,30,00,000	10802,72,29,844	22,42,29,844 [†]	0.25
Capital Charged						
10.	16-Assets- Acquisition, Construction and Replacement- Capital	Railways	O-4917,00,000 S- 17083,43,000 T-22000,43,000	22805,18,428	804,75,428 [§]	3.66
11.	16-Assets- Acquisition, construction and Replacement – Railway Safety Fund	Railways	O-0 S- 1708,72,000 T-1708,72,000	1922,85,542	214,13,542	12.53
12.	16-Assets- Acquisition, Construction and Replacement- Railway Funds (Depreciation Reserve Fund, Development Fund and Capital Fund)	Railways	O-1308,00,000 S- 759,55,000 T-2067,55,000	2111,54,326	43,99,326 ^{**}	2.13
Total (Railways)			11039,99,76000	270,90,94,264	33,13,48,108	0.30
Grand Total			5690414,29,76,000	377995,47,53,233	1902,70,18,06,654	0.33

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

12. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2016-17 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations revealed that there was a misclassification of

[†] There was an excess expenditure of ₹22,42,29,844 under this Appropriation. However, taking into account the misclassification of ₹(-)79,67,93,000, the excess turned into saving of ₹57.26 crore and, therefore, there is no requirement of regularization.

[§] There was an excess expenditure of ₹804,75,428 under this Appropriation. However, taking into account the misclassification of ₹ 2,37,798, the actual excess expenditure requiring regularization works out to ₹ 807,13,226.

^{**} There was an excess expenditure of ₹ 43,99,326 under this Appropriation. However, taking into account the misclassification of ₹ 5,61,635 the actual excess expenditure requiring regularization works out to ₹ 49,60,961.

expenditure of ₹ (+) 2,37,798 under Appropriation No. 16 – Assets-Acquisition, Construction and Replacement – Capital and ₹ (+) 5,61,635 under Appropriation No. - 16-Railway Funds (Depreciation Reserve Fund, Development Fund and Capital Fund) Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2016-17 was ₹ 33,21,47,541 instead of ₹ 33,13,48,100 as indicated in Indian Railways Appropriation Accounts (2016-17).

(c) Total Actual Excess Expenditure for the financial year 2016-17 requiring regularization under Article 115(1)(b) of the Constitution.

13. Thus, the total amount of actual excess expenditure incurred during the financial year 2016-17, which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 1902,70,26,06,087 incurred in eleven cases of seven excess registering Grants/Appropriations.

(d) Reasons for incurring Excess Expenditure

Sl. No.	No. and name of Grant/Appropriation	Excess Expenditure incurred (in unit of ₹)	Reasons for excess as stated by the Ministries/Departments concerned
1.	21 – Defence Pension	2199,55,77,250	Due to requirement of additional funds owing to increased rate of relief of Pensions/Growth in Pensions and implementation of various Government Orders/7th CPC orders for revision of pensions; and booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. 2 (10)-B (AC)/2017 dated 05.09.2017.

2.	21-Defence Pensions	28,08,608	Due to Implementation of Court Judgments.
3.	33- Appropriation- Repayment of Debt	186954,41,93,269	Due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations.
4.	13 Department of Posts	936,47,75,842	Due to payment of committed liabilities of salary and pension on account of implementation of 7 th CPC.
5.	23- Capital Outlay on Defence Services	104,54,70,013	Due to payment of Customs and Excise duties; Committed Liabilities payment in respect of Cabinet Committee of Secretaries approved Contracts for Rockets for Smerch, payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect to emergency procurement, committed liabilities payment for rolling stock, additional requirement sought for carry over works, China Study Group(CSG) Roads, Infra Development in Eastern Sector and Married Accommodation Project, land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur), enhancement of requirement in respect of specialist and general purpose vehicles, higher outgo due to payment of Customs duty on imported

			equipment, substantial increase in expenditure under Annual Maintenance Work Plan, Married Accommodation Projects and other Capital works during the last quarter of the Financial year, additional expenditure for progressing Strategic Projects, obligatory contractual payments released through letter of Credit in respect of 15 Heavy Light Helicopter, 51 Mirage & Interim Maintenance Services schemes, MiG 21 up-gradation, custom duty introduced on Defence Goods and Exchange Rate Variations.
6.	23- Capital Outlay on Defence Services	41,76,33,564	Due to settlement of more court cases than anticipated.
7.	4- Repairs and Maintenance of Permanent Ways and Works	7,77,229	Due to materialization of more decretal payments, than anticipated.
8.	7- Repairs and Maintenance of Plant and Equipment	52,739	Due to materialization of more decretal payments, than anticipated.
9.	16- Capital	8,04,75,428	Due to materialization of more decretal payments, than anticipated.
10.	16- Railway Safety Fund (RSF)	2,14,13,542	Due to materialization of more decretal payments, than anticipated.
11.	16- Railways Funds (Depreciation Reserve Fund, Development Fund and Capital Fund)	43,99,326	Due to materialization of more decretal payments, than anticipated.

(e) Excess Expenditure despite obtaining Supplementary Grants

14. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2016-17, the excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in all the eleven cases by the respective Ministries/ Departments to meet their additional requirements:

(In unit of ₹)

Sl. No.	No. and name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred	Percentage of excess over Supplementary Grants/Appropriations
1	2	3	4	5
I. APPROPRIATION ACCOUNTS - CIVIL				
Revenue(voted)				
1.	21- Defence Pensions	32,92,94,00,000	21995577250	66.80
Revenue (charged)				
2.	21-Defence Pensions	36,00,000	28,08,608	78.02
Capital (charged)				
3.	33 - Repayment of Debt	1085437,70,00,000	1869544193,269	17.22
Total (Civil)		1088731,00,00,000	1891542579127	17.37
II. APPROPRIATION ACCOUNTS – (POSTAL SERVICES)				
Revenue (charged)				
4.	13- Department of Posts	150,41,00,000	936,47,75,842	622.62
Total (Postal Services)		150,41,00,000	936,47,75,842	622.62
III. Appropriation Accounts (Defence Services)				
Capital (Voted)				
5.	23- Capital Outlay on Defence Services	1,00,000	104,54,70,013	1045470.01
Capital (Charged)				
6.	23- Capital Outlay on Defence Services	2,46,00,000	41,76,33,564	1697.70
TOTAL (Defence Services)		2,47,00,000	146,31,03,577	5923.50
IV. Appropriation Accounts – Railways				
Revenue (Charged)				
7.	4- Repairs and Maintenance of permanent ways and works	21,54,000	7,77,229	36.08
8.	7- Working Expenses- Repair & Maintenance of Plant and Equipment	21.45,000	52,739	2.46

9.	16-Assets-Acquisition, Construction and Replacement-Capital	17083,43,000	804,75,428	4.71
10.	16-Assets-Acquisition, construction and Replacement – Railway Safety Fund	1708,72,000	214,13,542	12.53
11.	16-Assets-Acquisition, Construction and Replacement-Railway Funds (Depreciation Reserve Fund, Development Fund and Capital Fund)	759,55,000	43,99,326	5.79
TOTAL (Railways)		195,94,69,000	10,71,18,264	5.47
Grand Total		1089079,8269,000	190247757246	0.02

15. Scrutiny of the above statement has revealed that in the fiscal year 2016-17, excess expenditure was incurred even after obtaining large sums as Supplementary Grants. To illustrate, Supplementary Grant to the tune of ₹ 1088731.00 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 189154.26 crore. In case of Postal Services, Supplementary Grant of ₹ 150.41 crore was obtained which fell short by ₹ 936.48 crore. Further, in case of Defence Services Supplementary Grant of ₹ 2.47 crore was obtained in two cases of one Grant operated by Ministry of Defence, still an excess expenditure of ₹ 146.31 crore was incurred. In respect of Railways, Supplementary Grant of ₹ 195.95 crore was obtained in 5 cases, still an excess expenditure of ₹ 10.71 crore was incurred.

(f) Recurring Excess Expenditure

16. Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 52(3) stipulates that no disbursement be made which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund. Contrary to this, the incurrance of excess expenditure has been a recurring phenomenon in the past despite recommendations of the Public Accounts Committee

and subsequent issuance of instructions by the Ministry of Finance from time to time. The comparative data given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years:

(₹ in crore)

Year	Appropriation Accounts -Civil		Appropriation Accounts - Defence Services		Appropriation Accounts Postal Services		Appropriation Accounts - Railways		Total	
	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	Total of Columns 2, 4, 6, 8	Total of Columns 3, 5, 7, 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2006-07	4	6637.20	1	667.17	-	-	8	365.16	13	37669.53
2007-08	4	100.14	1	71.19	1	-	8	51.22	14	222.57
2008-09	4	270.21	2	742.61	-	-	8	532.12	14	1544.94
2009-10	4	9218.89	2	2615.23	1	818.13	9	1922.84	16	14575.08
2010-11	7	3384.10	4	4239.34	1	366.63	10	3056.86	22	11046.93
2011-12	5	6545.33	1	567.91	1	400.04	4	1049.86	11	8563.14
2012-13	4	4565.39	3	195.53	1	160.14	8	1675.96	16	6597.02
2013-14	3	39.59	3	733.72	-	-	12	2734.91	18	3508.22
2014-15	3	15640.55	1	0.001	1	70.41	6	496.99	11	16207.95
2015-16	2	210.37	-	-	-	-	6	76.07	8	286.44
2016-17 (year under review)	2	189154.26	1	146.31	1	936.48	3	33.21	7	190270.26

17. It is seen from above that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously during the last ten fiscals. However, it has been revealed that while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/Departments has witnessed a steep rise during the year under review. Further, in case of Defence Services and Postal Services, the excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the year 2016-17.

(g) Persistent excess in Grants/Appropriations

18. A scrutiny of the Grants/Appropriations registering persistent excesses for the five years period i.e. from 2012-13 to 2016-17 shows that in Revenue-Charged section

of Grant No. – 21 – Defence Pensions, persistent excesses occurred. The year-wise details of this Grant are given below:

(Amount in ₹)

Sl.No.	Description of Grant/Appropriation	2012-13	2013-14	2014-15	2015-16	2016-17
	Civil - Revenue (Charged)					
1.	21- Defence Pensions					
	Appropriation-	8200000	42300000	100000000	30000000	13600000
	Expenditure-	48160400	49786943	145450236	31465728	16408608
	Excess-	39960400	7486943	45450236	1465728	2808608

(C) EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

19. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2016-17 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon, Explanatory Notes and written replies furnished by the Ministries/Departments concerned.

(a) APPROPRIATION ACCOUNTS (CIVIL)

Grant No. 21 – Defence Pensions (Revenue-Voted)

20. During the Financial Year 2016-17, the Ministry of Defence incurred an excess expenditure of ₹ 2199.56 crore under Revenue (Voted) section of Grant No. 21- Defence Pensions.

21. Under Revenue Section (Voted) of Grant No. 21 – Defence Pensions for 2016-17, original provision was ₹ 82331.66 crore. This was augmented to ₹ 85624.60 crore on obtaining Supplementary Grants of ₹ 3292.94 crore. Against this the expenditure of ₹ 87824.16 crore was incurred resulting in an excess expenditure of ₹ 2199.56 crore.

22. Scrutiny of the Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure under this Section of the Grant was the net effect of total excess of ₹ 2241.19 crore less total savings of ₹ 41.64 crore under various Sub-Heads

of the Grant. The Sub-Heads below Major Head 2071 under which excesses occurred and reasons thereof are explained below:

Sl. No.	Minor Heads	Amount of excess expenditure incurred (₹ in crore)	Contributory reasons as stated by the Ministry
1.	2071.02.101 Defence 2071.02.101.01 Pension and other Retirement Benefits	1906.28	Due to booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. 2(10)-B(AC)/2017 dated 05.09.2017
2.	2071.02.101 Army 2071.02.101.03 Leave Encashment	47.59	Due to implementation of 7 th CPC orders in case of Defence Civilians.
3.	2071.02.102 Navy 2071.02.102.01 – Pension and other Retirement Benefits	78.39	Due to booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. 2(10)-B(AC)/2017 dated 05.09.2017
4.	2071.02.102 Navy 2071.02.102.03 – Leave encashment	8.47	Due to implementation of 7 th CPC.
5.	2071.02.103 Air Force 2071.02.102.01 – Pension and other Retirement Benefits	200.46	Due to requirement of additional funds owing to increased rate of relief in Pensions/Growth in Pensions and implementation of various Government Orders/7 th CPC orders for revision of pensions and booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. 2(10)-B(AC)/2017 dated 05.09.2017

(b) **APPROPRIATION NO. 33 –REPAYMENT OF DEBT (CAPITAL - CHARGED)**

25. During the financial year 2016-17, the Ministry of Finance (Department of Economic Affairs) incurred an excess expenditure of ₹ 186,954.42 crore under Capital Charged Section of Appropriation No. – 33- Repayment of Debt. Under this section, the total provision was ₹ 54,91,868.78 crore, against which, the expenditure was of the order of ₹ 56,78,823.20 crore resulting in excess payment of ₹1,86,954.42 crore which is approximately 3.40 percent of the total appropriation.

26. Scrutiny of the Explanatory Note furnished by the Ministry of Finance (Department of Economic Affairs) revealed that the excess expenditure under this appropriation was the net result of total savings of ₹5,10,303.11 crore and total excess of ₹ 6,97,257.52 crore under various sub-heads of the Appropriation. The sub-heads under which excess payment of ₹ 1 lakh and above occurred and reasons, thereof are given below:

(₹ in lakh)

Sl.No.	Sub Head	Amount of excess expenditure incurred (₹in lakh)	Contributory reasons as stated by the Ministry
Major Head 6001-Internal Debt of the Central Government			
1.	6001.00.101-Market Loans: 00.101- Market Loans	16476.97	Due to higher payments on account of large volume of buybacks, switching and claims of outstanding amounts of matured Government securities by the investors which remained not claimed in the previous years.
2.	6001.00.105-Securities issued to International Financial Institutions: 00.105.06- African Development Fund	256.82	Due to release of new payment schedule by the African Development Fund in December 2016 for ADF-14. for replenishment.
3.	6001.00.115-14 days Treasury bills	69708843.00	Due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. The receipts/investments and withdrawals/disinvestment of funds in/from this head have a direct bearing on the availability of surplus funds with the State Governments for which they

			are empowered to park them by investing in ITBs and on need basis they are free to withdraw the funds through rediscounting route i.e. before the scheduled repayments of ITBs.
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27. Explaining further the reasons for excess expenditure under this Appropriation, the Ministry of Finance (Department of Economic Affairs) in their explanatory note submitted as follows:

"The estimates of 'repayment of Debt' are prepared on the basis of inputs received from RBI, the Debt Manager of the Government of India on the basis of scheduled re-payments for internal debt and from O/o the Controller of Aid Account and Audit for external debt and also in view of existing and past trends of repayments especially in the case of outstanding matured loans. Efforts are being made to keep the variations to the minimum. However, it is difficult to precisely estimate these repayment requirements as the same are influenced by the market conditions, lodgment of the claims by the investors, State Governments in the case of investment in 14 day Treasury bills and schedule of payments set by the International Financial Institutions."

(c) **GRANT NO. 13 – DEPARTMENT OF POSTS (REVENUE- VOTED)**

28. Under Revenue (Voted) Section of Grant No. 13, Department of Posts for the year 2016-17, the total provision was ₹ 23122.00 crore. This was augmented to ₹ 23272.41 crore by obtaining Supplementary Grant of ₹ 150.41 crore. Against this, the expenditure of ₹ 24208.89 crore was incurred resulting in excess expenditure of ₹ 936.48 crore.

29. The Sub-heads under which the excess expenditure of ₹ 10 crore and above incurred and reasons thereof are given below:

Sl. No.	Sub-Heads	Excess expenditure (₹ in crore)	Contributory reasons as stated by the Department of Posts
1.	3201-01-101-03 Postal Division	63.03	Due to increase in the expenditure under salaries on accounts of revision of pay and allowances consequent upon implementation of 7 th Pay Commission. Excess under TE was due to carry out more inspection work, monitoring project roll out and hike in TA rates. Excess under OE was due to more electrical charges, AMC telephone charges, broadband charges and other unavoidable office expenses. Excess expenditure under OC was on account of

			increase in consumption of diesel, oil, petrol as well as hike in cost of these items, supply of stationery forms, plastic bags, cartridges etc.
2.	Operation- Postal Network- -3201-02-101-01 Existing Post Offices	58.60	Due to increase in rate of electricity charges, broadband charges, cost of stationery and procurements of computers and peripherals in replacement of old and outdated computers etc. under OE. Excess expenditure under 'wages' was due to revision of wages. Excess expenditure under TE was on account of hike in TA rates and officials traveling to carry out project work, monitoring project roll out, transfers and internal audit inspections etc. More expenditure under Salary was on account of implementation of 7 th pay commission report, normal increase in DA & increments, encashment of EL for LTC purpose etc. Excess expenditure under RRT was due to revision of service tax on govt. buildings etc. Excess expenditure under OC was due to increase in cost of materials, more consumption of diesel, oil and petrol etc.
3.	Operation- Postal Network- -3201-02-101-10-Gramin Dak Sewak	92.69	Due to higher payment under salary head on account of increase in Pay and Allowances on implementation of 7 th Pay Commission, increase in DA rates and increments etc.
4.	Operation- 3201-02-102-01-Mail Sorting	16.02	Due to more expenditure under salary head on account of implementation of 7 th Pay Commission, normal increase in DA rates and increments, encashment of leave for LTC, MACP etc..Excess expenditure under wages was due to revision of rates for wages.
5.	Conveyance of Mail— 3201-02-103-06- Others	31.48	Due to enhancement of legal charges by about 50% and settlement of higher number of bills than anticipated under PPS. Excess expenditure under salaries was due to increase in Pay and

			Allowances on implementation of 7 th Pay commission, normal increase in DA and increment. Unavoidable expenses resulted in excess expenditure under OE & OC etc.
6.	<i>Modernization & Mechanization—3201-02-104-01-Research & Development</i>	15.96	Due to commencement of more plan activities. Excess expenditure under salary head was on account of increase in Pay and Allowances on implementation of 7 th Pay Commission, normal increase in DA, annual increment etc.
7.	Banking and Life Insurance -3201-03-101-01- Saving Bank Control Organization	13.89	Due to more expenditure under salary head on account of implementation of 7 th Pay Commission, normal increase in DA rates and annual increments, encashment of leave for LTC, MACP etc. Excess expenditure under wages was due to revision of rates for wages.
8.	Accounts and Audit-3201-04-101-01-cost of Pay and allowance of Audit Staff	24.43	Due to excess expenditure under salaries head on account of implementation of 7 th Pay Commission, normal increase in DA and annual increment.
9.	<i>Engineering- 3201-05-053-01-Building</i>	14.70	Due to increase in labour cost and material cost for repairs and maintenance of higher number of buildings (both PO staff quarters and administrative offices).
10.	Pension-3201-07-101-01- Superannuation and retirement allowances	405.07	Due to higher number of retirements including VRS and revision of pension on delinking of pro rata pension on account of implementation of 7 th pay commission.
11.	<i>Pension- 3201-07-101-03- Payment to Pensioners of erstwhile combined P&T Department.</i>	18.38	Due to revision of pension on delinking of pro rata pension on account of implementation of 7 th pay commission.
12.	<i>Pension-3201-07-102-01 Commuted value of pensions.</i>	353.38	Due to more retirements and revision of pension on delinking of pro rata pension on account of implementation of 7 th pay commission.

13.	Pension -3201-07-104-01-Gratuties	59.75	Due to more retirements and revision of pension on delinking of pro rata pension on account of implementation of 7 th pay commission.
14.	Pension- 3201-07-107-01- Family Pension	41.08	Due to higher expenditure on account of more number of family pensioners which could not be anticipated by the circles.
15.	<i>Pension - 3201-07-110-01-Government contribution for defined contribution Pension scheme other than Audit staff.</i>	39.83	Due to more enrollments under the scheme.
16.	<i>Setting up of India Post Payments Bank 3465-01-190-09-01-31- Grant in Aid</i>	24.94	Due to non approval of head of account at BE stage.

30. Apprising the Committee of the remedial action taken to avoid excess expenditure under this Grant in future, the Department of Posts in their explanatory note submitted as follows:

"A review of expenditure was carried out to implement stringent monitoring mechanism to ensure fiscal discipline in future. Subordinate units of the Department of Posts have been instructed to project realistic demand for funds. A detailed review of expenditure was undertaken at the Head Quarter level based on which exhaustive instructions were issued. The amount projected was not provided in full by the Ministry of Finance, which has contributed to the incurring of excess expenditure. However, efforts have been made through issue of instructions as well as close monitoring to keep variations to minimal. All Heads of circles are also advised from time to time to limit their expenditure within the budgetary allocations and to ensure that no expenditure is incurred in absence of fund allocation. Necessary action is being taken to watch the funds and expenditure ratio closely and alert the budget holders through the monthly video conference with Heads of circles."

(d) **GRANT NO. 23 – CAPITAL OUTLAY ON DEFENCE SERVICES (CAPITAL-VOTED AND CAPITAL- CHARGED)**

31. Under Capital Section (Voted) of Grant No. 23-Capital Outlay on Defence Services for the year 2016-17, the total provision was ₹ 78499.57 crore, against which, an expenditure of ₹ 78604.11 crore was incurred resulting in an excess of ₹ 104.55 crore.

32. Explaining the reasons for the excess expenditure under aforesaid section of the Grant, the Ministry of Defence in their explanatory note submitted as follows:

"The excess of ₹104.57 crore was the net effect of total excesses of ₹ 4634.41 crore and total savings of ₹ 40.71 crore as well as surrender of ₹ 4489.15 crore, which occurred due to payment of Customs and Excise duties; Committed Liabilities payment in respect of Cabinet Committee of Secretaries approved Contracts for Rockets for Smerch; payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect to emergency procurement; committed liabilities payment for rolling stock; additional requirement sought for carry over works; China Study Group (CSG) Roads; Infra Development in Eastern Sector and Married Accommodation Project; land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur); enhancement of requirement in respect of specialist and general purpose vehicles; higher outgo due to payment of Customs duty on imported equipment; substantial increase in expenditure under Annual Maintenance Work Plan, Married Accommodation Projects and other Capital works during the last quarter of the Financial Year; additional expenditure for progressing Strategic Projects; obligatory contractual payments released through letter of credit in respect of 15 Heavy Light Helicopter, 51 Mirage & Interim maintenance Services Schemes; MIG 21 up-gradation; custom duty introduced on Defence Goods; Exchange Rate Variations and delay in finalization of Weapon System Integration on Advance Light Helicopter & Light Utility Helicopter in respect of Army and Engine Contract in respect of Air Force which was not anticipated at the time of finalization of Budget Estimates 2016-17."

33. Details of Minor Heads under which excess of ₹ hundred crore and above occurred and reasons therefore are explained below:

MAJOR HEAD-4076

Sub Major Head 01 – Army

Sl. No.	Minor Head	Excess expenditure (₹ in crore)	Contributory reasons
1.	Minor Head – 103	1649.56	Due to payment of Customs and Excise duties; Committed liabilities payment in respect of Cabinet Committee of Secretaries approved Contracts for Rockets for Smerch; payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect to emergency procurement.

2.	Minor Head – 106	167.71	Due to committed liabilities payment for rolling stock.
3.	Minor Head- 202	736.29	Due to additional requirement sought for carry over works; China Study Group 9CSG) Roads; Infra Development in Eastern Sector and married Accommodation Project.
<u>Sub-Major Head – 02-Navy</u>			
4.	Minor Head -103	758.33	Due to higher outgo on payment of Customs duty on imported equipment.
5.	Minor Head – 205	708.30	To cater for additional expenditure for progressing Strategic Projects.
<u>Sub-Major Head – 03- Air Force</u>			
6.	Minor Head – 101	1647.45	Due to obligatory contractual payments released through letter of credit in respect of 15 Heavy Light Helicopter, 51 Mirage & Interim maintenance Services schemes; MiG 21 up-gradation; custom duty introduced on Defence Goods; Exchange Rate Variation etc.
<u>Major Head -08 – Technology Development</u>			
7.	Minor Head – 209	246.59	Due to delay in finalization of Weapon System Integration on Advance Light Helicopter & Light Utility Helicopter in respect of Air Force which was not anticipated at the time of finalization of Budget Estimates 2016-17.

34. In order to avoid recurrence of any savings/excesses, the Ministry of Defence submitted that instructions have been issued from time to time to all concerned, emphasizing the need to monitor progress of expenditure, apart from projecting demands on factual basis depending on the actual requirements/obligations. To

achieve this objective, Service HQrs/Departments were also requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess.

35. Further, under Capital Section (Charged) of Grant No. 23-Capital Outlay on Defence Services for the year 2016-17 the total provision was ₹ 89.58 crore. Against this, the expenditure of ₹ 131.35 crore was incurred resulting in excess of ₹ 41.76 crore. The excess of ₹ 41.76 crore was the net effect of total excesses of ₹ 52.38 crore and total savings of ₹ 10.62 crore, which occurred due to settlement of more Court cases than anticipated.

APPROPRIATION ACCOUNTS – RAILWAYS

36. During the financial year 2016-17, the Ministry of Railways incurred an excess expenditure of ₹ 33,21,47,533 crore (after misclassification) in five cases of three Grants/Appropriations. The details of these excess registering Grants/Appropriations have already been given in Paragraph 11 of this Report.

37. Scrutiny of the Ministry's Explanatory Notes revealed that out of the total excess expenditure of ₹ 33.21 crore incurred by the Ministry of Railways during the fiscal 2016-17, the maximum excess expenditure of ₹ 8.07 crore was incurred under Appropriation No. 16; Assets-Acquisition, construction and replacement- Capital.

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

38. Excess expenditure under the Grants/Appropriations operated by the Ministry of Railways is a recurring feature. The figures in this regard for the last ten years are given as under:

SI No.	Financial Year	No. of cases of Grants/Appropriations which recorded excesses	Amount of excess expenditure (₹ in crore)
1.	2007-08	8	51.22
2.	2008-09	8	532.12
3.	2009-10	9	1922.84
4.	2010-11	10	3056.86
5.	2011-12	4	1049.86
6.	2012-13	8	1675.96

7.	2013-14	12	2734.91
8.	2014-15	6	496.99
9.	2015-16	6	76.07
10.	2016-17 (Year under review)	5	33.21

(ii) Misclassification of Expenditure under Excess registering Grants/Appropriations operated by the Ministry of Railways

39. The scrutiny of Explanatory Note furnished by the Ministry of Railways revealed that during the year 2016-17, there were three cases of misclassification of expenditure of ₹ 7,99,433 under Appropriation Nos. 16 - Capital & 16-Railway-funds and ₹(-) 79,67,93,000 under Appropriation – 16 – Safety funds. The comparative figures of misclassification for the last 10 years are as follows:

SI No.	Financial Year	No. of cases of misclassification of expenditure under excess registering Grants/Appropriations	Amount involved in the misclassification of expenditure (in unit of ₹)
1.	2007-08	3	1,12,71,617
2.	2008-09	6	23,54,57,552
3.	2009-10	7	30,92,58,533
4.	2010-11	9	29,70,49,848
5.	2011-12	2	174,75,509
6.	2012-13	1	571,55,478
7.	2013-14	13	15,15,23,021
8.	2014-15	1	6,62,56,108
9.	2015-16	3	20,36,190
10	2016-17 (year under review)	3	(-)79,59,93,567

PART-II

Observations/Recommendations

1. The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 has revealed that a total excess expenditure of ₹ 190270.18 crore was incurred in 12 cases under seven Grants/Appropriations. The defaulting Ministries are Ministry of Finance (Appropriation No. 33 – Repayment of Debt), Ministry of Defence (Grant No. 21 – Defence Pensions and Grant No. 23 – Cabinet outlay on Defence Services), Ministry of Communications (Department of Posts) (Grant No. 13 – Department of Posts) and Ministry of Railways- six cases under three Grants/Appropriations. This amount of excess expenditure incurred during the financial year under review has revealed a steep increase during the last ten years. The Committee note that bulk of the excess expenditure was on the civil side viz ₹ 186954.42 crore under one Appropriation i.e. Appropriation No. 33 – Repayment of Debt. The Committee feel that incurring such huge amount of excess expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of budget are contrary to the principle of ensuring proper and judicious utilization of Public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee have repeatedly been emphasizing over the years for plugging the extant loopholes and impediments with a view to restricting the quantum of excess expenditure to the barest minimum. To illustrate in their 36th Report (16th Lok Sabha), the Committee had desired that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure trend of various Ministries/Departments. The Ministry of Finance (Department of Economic Affairs) have informed that they are awaiting the report from National Institute of Financial Management (NIFM) on the

study being undertaken on the trend and causes of excess expenditure based on which, the recommendation from High Level Inter-Ministerial Group is also expected. The Committee would like to be apprised of the salient features of the report on study being undertaken by the NIFM, as and when completed. In the meantime, the Committee would like to impress upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.

2. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2016-17 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/charged Appropriations has revealed that there was a misclassification of expenditure of ₹ (+) 7,99,433 under Appropriation No.-16- Assets, Acquisition, Construction and Replacement – capital and Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2016-17 works out to ₹ 33,21,47,541 instead of ₹ 33,13,48,108 as indicated in Indian Railways Appropriation Accounts (2016-17). Thus, the total amount of actual excess expenditure incurred during the financial year 2016-17, which requires regularization by Parliament under Article 115 (1) (b) of the Constitution is of the order of ₹ 1902,70,26,06,087 incurred in eleven cases of seven excess registering Grants/Appropriations.

3. The Committee are seriously concerned to find that during the financial year 2016-17, excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in all the eleven cases by the respective Ministries/Departments to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these 11 cases ranged from 2.46 percent (in Appropriation No. 7 –Working Expenses –Repair and Maintenance of Plant and Equipment) to 1045470.01 percent (in Capital Voted section of Grant No. 23 – Capital outlay on Defence Services). To illustrate the

sector-wise details, Supplementary Grants to the tune of ₹1088731.00 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 189154.26 crore. In case of Postal Services Supplementary Grants of ₹150.41 crore was obtained which fell short by ₹ 936.48 crore. Further, in case of Defence Services Supplementary Grants of ₹2.47 crore was obtained in two cases of one Grant operated by Ministry of Defence, still an excess expenditure of ₹ 146.31 crore was incurred. In respect of Railways, even though Supplementary Grants of ₹ 195.95 crore was obtained in five cases, an excess expenditure of ₹10.71 crore was incurred. As the trend of incurring excess expenditure despite obtaining Supplementary Grants still continues despite the recommendations of the PAC, year after year, the Committee are inclined to believe that no sincere efforts have been made by the Ministries/Departments to adequately visualize and prepare their Budget Estimates even at the Supplementary Grants stage. As a result in most of the cases, Supplementary Grants were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/Departments concerned. It is, therefore, imperative that Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should realistically assess their requirement of funds in advance and approach Parliament by presenting Supplementary Grants in time. The Committee also recommend that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants.

4. The Committee's examination of excess expenditure over the past few years has revealed that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure

continuously. However, while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/Departments indicates steep rise during the year under review. Further, in case of Defence Services and Postal Services, excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the fiscal 2016-17. Further, scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed that in Revenue-Charged Section of Grant-Defence Pensions, persistent excess occurred. In response to the Committee's recommendations contained in their 88th Report (16th Lok Sabha), the Ministry of Finance apprised that a high level Committee with AS& FA (Acquisition) as Chairperson and representatives from Army, Navy, Air Force and representatives from Department of Economic Affairs and CGA has been setup to identify the loopholes in the budgetary process. It is surprising that the existing budgeting mechanism in these Ministries/Departments still suffers from various loopholes and lacunae even after the constitution of the High Level Committee. As the problem of exceeding budgetary provision can easily be traceable with the use of IT and e-governance and the Committee impress upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under any Grant/Appropriation of the Ministries.

5. The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 2199.56 crore under revenue-voted section of Grant No. 21-Defence Pensions and ₹ 104.55 crore under capital-voted section of Grant No. 23-Capital Outlay on Defence Services has been incurred. In respect of Grant No. 21, the contributory reasons, according to the Ministry of Defence, were booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance (Department of Economic Affairs) O.M. dated 05.09.2017 and due to implementation of 7th Central Pay Commission orders in case of Defence Civilians. As regards Grant No. 23, the main contributory reasons adduced were payment of Customs and Excise duties;

Committed Liabilities; payment in respect of Cabinet Committee of Secretaries approved contracts for Rockets for Smerch; payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect of emergency procurement; committed liabilities; payment for rolling stock; additional requirement sought for carry over works; China Study Group (CSG) Roads; Infra Development in Eastern Sector and Married Accommodation Project; land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur); enhancement of requirement in respect of specialist and general purpose vehicles; higher outgo due to payment of Customs duty on imported equipment; substantial increase in expenditure under Annual Maintenance Work Plan etc. The Committee do not consider these as compelling reasons for incurring excess expenditure as many of these could have been anticipated well in advance and factored into at the time of finalisation of Grants and obtaining Supplementary Grants three times. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative on the part of the Ministry of Defence to devise concrete and innovative ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether.

6. The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations under Capital-charged section of Appropriation No. – 33- Repayment of Debt, the Ministry of Finance had incurred an expenditure of ₹ 567,8,82.32 crore, over and above the total sanctioned provision of ₹ 5491868.78 crore which included Supplementary Appropriation of ₹ 1085,437.70 crore. Excess expenditure under this appropriation was the net result of total savings of ₹ 510303.11 crore and total excess of ₹ 697257.52 crore under various sub-heads of this appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. The

contributory reasons as stated by the Ministry for this excess expenditure are higher payments on account of large volume of buybacks, switching and claims of outstanding amounts of matured Government securities by the investors which remained not claimed in the previous years and due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. The Ministry have further submitted that efforts are being made to keep the variations to the minimum, but it is difficult to precisely estimate these repayment requirements as the same are influenced by the market conditions, lodgment of the claims by the investors, State Governments in the case of investment in 14 day Treasury bills and schedule of payments set by the International Financial Institutions. The Committee though take into consideration the difficulties expressed by the Ministry, they are, however, of the view that excess expenditure of such large magnitude inspite of a huge amount of Supplementary Appropriation is tantamount to bad budgeting. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should set an example for the other Ministries/Departments to follow to contain huge excesses.

7. During the financial year under review, the Department of Posts incurred an excess expenditure of ₹936.48 crore under Revenue-Voted section of Grant No. – 13-Postal Services. This excess expenditure was despite obtaining Supplementary Grants to the tune of ₹ 150.41 crore. Scrutiny of the Explanatory Note furnished by the Department indicates that the excess expenditure was mainly due to increase in the expenditure under salaries and pension on account of revision of pay and allowances consequent upon implementation of 7th Pay Commission. Excess under Travelling Expense (TE) was due to carrying out of more inspection work, monitoring project roll out and hike in Travelling Allowance (TA) rates, etc. The Committee were earlier informed that a detailed review of expenditure was undertaken at the Head Quarter level based on which exhaustive instructions were issued. The Committee are, however, skeptical of the efficacy of the instructions issued by the Department in checking excess

expenditure as would be corroborated from the above facts. The Committee, therefore, urge the Department to overhaul their prevailing expenditure review mechanism and evolve a system to enforce sufficient checks and balances against any wanton sanction and excess expenditure under this Grant.

8. The Committee are displeased to note that despite their repeated caution, the Ministry of Railways have not been able to eliminate misclassification of expenditure in their accounts. During the last 10 financial years, the Committee have come across 48 cases of misclassification of expenditure. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Ministry of Railways. The Committee while taking a serious view of such recurring phenomenon of misclassification recommend that the officers responsible for such malady should be given adequate opportunities to enhance their budgeting skills failing which responsibility be fixed for such repeated lapses.

9. Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 14 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

NEW DELHI;
30th January, 2020
10 Magha, 1941 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee.

APPENDIX II

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No. (Part II)	Ministry/Department concerned	Observations/Recommendations
1	1	Finance (Economic Affairs), Defence, Department of Posts and Railways	<p>The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2016-17 has revealed that a total excess expenditure of ₹ 190270.18 crore was incurred in 12 cases under seven Grants/Appropriations. The defaulting Ministries are Ministry of Finance (Appropriation No. 33 – Repayment of Debt), Ministry of Defence (Grant No. 21 – Defence Pensions and Grant No. 23 – Cabinet outlay on Defence Services), Ministry of Communications (Department of Posts) (Grant No. 13 – Department of Posts) and Ministry of Railways- six cases under three Grants/Appropriations. This amount of excess expenditure incurred during the financial year under review has revealed a steep increase during the last ten years. The Committee note that bulk of the excess expenditure was on the civil side viz ₹ 186954.42 crore under one Appropriation i.e. Appropriation No. 33 – Repayment of Debt. The Committee feel that incurring such huge amount of excess expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of budget are contrary to the principle of ensuring proper and judicious utilization of Public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self manifestation of inherent deficiencies to ensure proper budgeting and subsequent monitoring of the expenditure flow. The Committee have repeatedly been emphasizing over</p>

			<p>the years for plugging the extant loopholes and impediments with a view to restricting the quantum of excess expenditure to the barest minimum. To illustrate in their 36th Report (16th Lok Sabha), the Committee had desired that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons of failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the monthly expenditure trend of various Ministries/Departments. The Ministry of Finance (Department of Economic Affairs) have informed that they are awaiting the report from National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendation from High Level Inter-Ministerial Group is also expected. The Committee would like to be apprised of the salient features of the report on study being undertaken by the NIFM, as and when completed. In the meantime, the Committee would like to impress upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety.</p>
2.	2	Railways	<p>A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2016-17 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/charged Appropriations has revealed that there was a misclassification of expenditure of ₹ (+) 7,99,433 under Appropriation No.-16-</p>

			<p>Assets, Acquisition, Construction and Replacement – capital and Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2016-17 works out to ₹ 33,21,47,541 instead of ₹ 33,13,48,108 as indicated in Indian Railways Appropriation Accounts (2016-17). Thus, the total amount of actual excess expenditure incurred during the financial year 2016-17, which requires regularization by Parliament under Article 115 (1) (b) of the Constitution is of the order of ₹ 1902,70,26,06,087 incurred in eleven cases of seven excess registering Grants/Appropriations.</p>
3.	3	Finance (Economic Affairs), Defence, Department of Posts and Railways	<p>The Committee are seriously concerned to find that during the financial year 2016-17, excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in all the eleven cases by the respective Ministries/Departments to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these 11 cases ranged from 2.46 percent (in Appropriation No. 7 –Working Expenses – Repair and Maintenance of Plant and Equipment) to 1045470.01 percent (in Capital Voted section of Grant No. 23 – Capital outlay on Defence Services). To illustrate the sector-wise details, Supplementary Grants to the tune of ₹1088731.00 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 189154.26 crore. In case of Postal Services Supplementary Grants of ₹150.41 crore was obtained which fell short by ₹ 936.48 crore. Further, in case of Defence Services Supplementary Grants of ₹2.47 crore was obtained in two</p>

			<p>cases of one Grant operated by Ministry of Defence, still an excess expenditure of ₹ 146.31 crore was incurred. In respect of Railways, even though Supplementary Grants of ₹ 195.95 crore was obtained in five cases, an excess expenditure of ₹ 10.71 crore was incurred. As the trend of incurring excess expenditure despite obtaining Supplementary Grants still continues despite the recommendations of the PAC, year after year, the Committee are inclined to believe that no sincere efforts have been made by the Ministries/Departments to adequately visualize and prepare their Budget Estimates even at the Supplementary Grants stage. As a result in most of the cases, Supplementary Grants were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/Departments concerned. It is, therefore, imperative that Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should realistically assess their requirement of funds in advance and approach Parliament by presenting Supplementary Grants in time. The Committee also recommend that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants.</p>
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4.	4	Finance (Economic Affairs), Defence, Department of Posts and Railways	<p>The Committee's examination of excess expenditure over the past few years has revealed that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously. However, while there is considerable decline in excess expenditure incurred by the Ministry of Railways during the year 2016-17, excess expenditure incurred by the Civil Ministries/Departments indicates steep rise during the year under review. Further, in case of Defence Services and Postal Services, excess expenditure which was nil during the year 2015-16 has been more than rupees hundred crore during the fiscal 2016-17. Further, scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2012-13 to 2016-17 has revealed that in Revenue-Charged Section of Grant-Defence Pensions, persistent excess occurred. In response to the Committee's recommendations contained in their 88th Report (16th Lok Sabha), the Ministry of Finance apprised that a high level Committee with AS& FA (Acquisition) as Chairperson and representatives from Army, Navy, Air Force and representatives from Department of Economic Affairs and CGA has been setup to identify the loopholes in the budgetary process. It is surprising that the existing budgeting mechanism in these Ministries/Departments still suffers from various loopholes and lacunae even after the constitution of the High Level Committee. As the problem of exceeding budgetary provision can easily be traceable with the use of IT and e-governance and the Committee impress upon the defaulting Ministries/Departments to tighten their financial administration so as to stop recurrence of excess expenditure under</p>
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			any Grant/Appropriation of the Ministries.
5.	5	Defence	<p>The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 2199.56 crore under revenue-voted section of Grant No. 21-Defence Pensions and ₹ 104.55 crore under capital-voted section of Grant No. 23-Capital Outlay on Defence Services has been incurred. In respect of Grant No. 21, the contributory reasons, according to the Ministry of Defence, were booking of pending pension scrolls received from banks to clear amount under suspense on the instruction of Ministry of Finance (Department of Economic Affairs) O.M. dated 05.09.2017 and due to implementation of 7th Central Pay Commission orders in case of Defence Civilians. As regards Grant No. 23, the main contributory reasons adduced were payment of Customs and Excise duties; Committed Liabilities; payment in respect of Cabinet Committee of Secretaries approved contracts for Rockets for Smerch; payment of excise duty by Director General of Ordnance Factories as well as advance payment in respect of emergency procurement; committed liabilities; payment for rolling stock; additional requirement sought for carry over works; China Study Group (CSG) Roads; Infra Development in Eastern Sector and Married Accommodation Project; land acquisition from Government of West Bengal at Diamond Harbor (Mouza Dakshinpur); enhancement of requirement in respect of specialist and general purpose vehicles; higher outgo due to payment of Customs duty on imported equipment; substantial increase in expenditure under Annual Maintenance Work Plan etc. The Committee do not consider these as compelling reasons for incurring excess expenditure as many of these could have been anticipated well in</p>

			<p>advance and factored into at the time of finalisation of Grants and obtaining Supplementary Grants three times. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative on the part of the Ministry of Defence to devise concrete and innovative ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether.</p>
6.	6	Finance (Economic Affairs)	<p>The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations under Capital-charged section of Appropriation No. - 33- Repayment of Debt, the Ministry of Finance had incurred an expenditure of ₹ 567,8,82.32 crore, over and above the total sanctioned provision of ₹ 5491868.78 crore which included Supplementary Appropriation of ₹ 1085,437.70 crore. Excess expenditure under this appropriation was the net result of total savings of ₹ 510303.11 crore and total excess of ₹ 697257.52 crore under various sub-heads of this appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. The contributory reasons as stated by the Ministry for this excess expenditure are higher payments on account of large volume of buybacks, switching and claims of outstanding amounts of matured Government securities by the investors which remained not claimed in the previous</p>

			<p>years and due to higher volume of amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. The Ministry have further submitted that efforts are being made to keep the variations to the minimum, but it is difficult to precisely estimate these repayment requirements as the same are influenced by the market conditions, lodgment of the claims by the investors, State Governments in the case of investment in 14 day Treasury bills and schedule of payments set by the International Financial Institutions. The Committee though take into consideration the difficulties expressed by the Ministry, they are, however, of the view that excess expenditure of such large magnitude inspite of a huge amount of Supplementary Appropriation is tantamount to bad budgeting. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should set an example for the other Ministries/Departments to follow to contain huge excesses.</p>
7.	7	Department of Posts	<p>During the financial year under review, the Department of Posts incurred an excess expenditure of ₹936.48 crore under Revenue-Voted section of Grant No. - 13-Postal Services. This excess expenditure was despite obtaining Supplementary Grants to the tune of ₹ 150.41 crore. Scrutiny of the Explanatory Note furnished by the Department indicates that the excess expenditure was mainly due to increase in the expenditure under salaries and pension on account of revision of pay and allowances consequent upon implementation of 7th Pay Commission. Excess under Travelling Expense (TE) was due to carrying out of more inspection work,</p>

			<p>monitoring project roll out and hike in Travelling Allowance (TA) rates, etc. The Committee were earlier informed that a detailed review of expenditure was undertaken at the Head Quarter level based on which exhaustive instructions were issued. The Committee are, however, skeptical of the efficacy of the instructions issued by the Department in checking excess expenditure as would be corroborated from the above facts. The Committee, therefore, urge the Department to overhaul their prevailing expenditure review mechanism and evolve a system to enforce sufficient checks and balances against any wanton sanction and excess expenditure under this Grant.</p>
8.	8	Railways	<p>The Committee are displeased to note that despite their repeated caution, the Ministry of Railways have not been able to eliminate misclassification of expenditure in their accounts. During the last 10 financial years, the Committee have come across 48 cases of misclassification of expenditure. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Ministry of Railways. The Committee while taking a serious view of such recurring phenomenon of misclassification recommend that the officers responsible for such malady should be given adequate opportunities to enhance their budgeting skills failing which responsibility be fixed for such repeated lapses.</p>
9.	9	Finance (Economic Affairs)	<p>Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred</p>

			to in para 14 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.
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