

**EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS (2019-20)**

**PUBLIC ACCOUNTS COMMITTEE  
(2022-23)**

**FIFTY-THIRD REPORT**

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**SEVENTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

PAC NO. 2281

# **FIFTY-THIRD REPORT**

## **PUBLIC ACCOUNTS COMMITTEE** **(2022-23)**

(SEVENTEENTH LOK SABHA)

### **EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2019-20)**



*Presented to Lok Sabha on:*

08-08-2022

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08-08-2022

**LOK SABHA SECRETARIAT  
NEW DELHI**

August, 2022 /Sravana, 1944 (Saka)

(ii)

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\* Not appended to the cyclostyled copy of the Report



## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2022-23) having been authorised by the Committee, do present this Fifty Third Report (Seventeenth Lok Sabha) on '**Excesses over Voted Grants and Charged Appropriations (2019-20)**'.

2. The Union Government Appropriation Accounts relating to Civil, Defence Services and Postal Services were laid on the Table of the House on 29<sup>th</sup> November, 2021 whereas, Appropriation Accounts relating to Railways were laid on the Table of the House on 11<sup>th</sup> August, 2021.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Finance (Department of Revenue) and Defence of the Union Government in the 2019-20 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 furnished by the Ministries/Departments concerned. The Committee considered and finalised this Report at their sitting held on 3<sup>rd</sup> August, 2022. Minutes of the sitting are given at Appendix-I.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part- II of the Report.

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

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

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NEW DELHI;  
August, 2022  
Sravana, 1944 (Saka)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

(V)

# 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 vis-à-vis the sums specified in the schedule appended to the Appropriation Acts passed under Articles 114 and 115 of the Constitution of India. Such accounts 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<sup>T</sup> 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
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under Rules framed by the competent authority.

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

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<sup>\*</sup> In a Demand for Grants, provision for voted expenditure is called a Grant and for charged expenditure it is called an Appropriation.

<sup>T</sup> This Rule defines the functions of the Public Accounts Committee.

(b) Rules/Provisions for controlling excess expenditure

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

- (i) Article 114 (3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.
- (ii) Further, Rule 52 (3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.
- (iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.
- (iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over Grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds 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 (2019-20)**

8. The details of the four Union Government Appropriation Accounts (2019-20) 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	29-11-2021	96	Chapter 3 (Para 3.2.1) of C&AG's Report No. 7 of 2021, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	29-11-2021	2	Chapter 3 (Para 3.2.1) of C&AG's Report No. 7 of 2021, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	29-11-2021	1	Chapter 3 (Para 3.2.1) of C&AG's Report No. 7 of 2021, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	11-08-2021	1	Chapter 1 (Para 1.1) of C&AG's Report No. 13 of 2021, Union Government (Railways) Railway Finances
Total No. of Grants/Appropriations:			100	

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 2019-20 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 (2019-20)**

10. Scrutiny of the four Appropriation Accounts (2019-20) revealed that, there was an excess disbursement of ₹ 32,637.78 crore over the authorization from the CFI during 2019-20 out of which an excess disbursement of ₹ 31,936.47 crore occurred in two Grants/Appropriations operated by Civil Ministries/Departments and ₹ 701.31 crore occurred in one Grant operated by Ministry of Defence. Details in this regard are given below:

(In unit of ₹)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appro priations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	2	2	31936.47,34,484
2.	Defence Services	1	1	701,30,92,169



3.	Posts	Nil	Nil	Nil
4.	Railways	Nil	Nil	Nil
<b>Total</b>		<b>3</b>	<b>3</b>	<b>32637,78,26,653</b>

(a) **Details of Excess Disbursement over Voted Grants/Charged Appropriations (2019-20)**

11. The details of three cases of three Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2019-20 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
<b>I – APPROPRIATION ACCOUNTS – CIVIL<sup>†</sup></b>						
1.	21 – Defence Pensions (Revenue – Charged)	Defence	O-2 48,00,000 S-3,34,00,000 T-5,80,00,000	7,79,74,000	1,99,73,484	34.44
2.	31 – Department of Revenue (Revenue – Voted)	Finance (Department of Revenue)	O-203457,98,00,000 S-40030,77,00,000 T-243488,75,00,000	275423,22,81,000	31934,47,81,000	13.12
<b>Total (Civil) -</b>			<b>243494,55,00,000</b>	<b>275431,02,35,000</b>	<b>31936,47,34,484</b>	<b>13.12</b>
<b>II. APPROPRIATION ACCOUNTS – DEFENCE SERVICES</b>						
3.	20-Capital outlay on Defence Services (Capital – Voted)	Defence	O-1033,10,96,00,000 S-6988,46,00,000 T-110299,42,00,000	111000,72,93,000	701,30,92,169	0.64
<b>Total (Defence Services) -</b>			<b>110299,42,00,000</b>	<b>111000,72,93,000</b>	<b>701,30,92,169</b>	<b>0.64</b>
<b>Grand Total</b>			<b>35379397,00,000</b>	<b>386431,75,28,000</b>	<b>32637,78,26,653</b>	<b>9.23</b>

12. Thus, the total amount of actual excess expenditure incurred during the financial year 2019-20, which requires regularization by Parliament under Article 115(1)(b) of the Constitution amounts to ₹ 32637,78,26,653 incurred in three cases of excess over Voted Grants/Charged Appropriations.

<sup>†</sup> Pensions of Defence Personnel are categorised under Civil Appropriation Accounts. Hence, kept under Civil (not Defence).

(c) 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 Pensions	1,99,73,484	Due to booking of charged expenditure based on court decrees.
2.	31 – Department of Revenue	31934,47,61,000	Due to transfer of more funds to GST Compensation Fund in order to apportion the balance IGST pertaining to Financial Year 2018.
3.	20- Capital outlay on Defence Services	701,30,92,169	Due to payment to meet committed liabilities; liabilities of initial payment for New Schemes contracted; more expenditure on custom duty; exchange rate variation and against the letter of credit, more expenditure than anticipated on certain projects, requirement of fast tracking works as well as completion of critical projects on time, etc.

(d) Excess Expenditure despite obtaining Supplementary Grants

13. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2019-20, the excess expenditure was incurred even after obtaining Supplementary Grants/Appropriations in all the three 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
<b>I. APPROPRIATION ACCOUNTS - CIVIL</b>				
1.	21 – Defence Pension (Revenue – Charged)	3,34,00,000	1,99,73,484	59.80

2.	31 - Department of Revenue (Revenue - Voted)	40030,77,00,000	31934,47,61,000	79.77
<b>II. APPROPRIATION ACCOUNTS - DEFENCE SERVICES</b>				
2.	20- Capital Outlay on Defence Services (Capital - Voted)	6988,46,00,000	701,30,92,169	10.04
<b>Grand Total</b>		<b>47022,57,00,000</b>	<b>32637,78,26,653</b>	<b>69.41</b>

14. Scrutiny of the above statement has revealed that in the fiscal year 2019-20, excess expenditure was incurred even after obtaining large sums as Supplementary Grants/Appropriations. To illustrate, Supplementary Grant to the tune of ₹ 3.34 crore was allocated for the Grant no. - 21 operated by the Ministry of Defence but this fell short by ₹ 2.00 crore. In case of Grant No. 31 operated by Department of Revenue, although Supplementary Grant of ₹ 40030.77 crore was obtained, excess expenditure of ₹ 31934.48 crore was incurred. Further, in case of Grant No. 20, operated by Ministry of Defence, Supplementary Grant of ₹ 6988.46 crore was obtained but this fell short by ₹ 701.31 crore.

**(e) Recurring Excess Expenditure**

15. Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 52(3) stipulates that no disbursement be made which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund. Contrary to this, the incurrence of excess expenditure has been a recurring phenomenon in the past despite recommendations of the Public Accounts Committee and subsequent issuance of instructions by the Ministry of Finance from time to time. The comparative data given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years:

(₹ in crore)

Year	Appropriation Accounts - Civil		Appropriation Accounts - Defence Services		Appropriation Accounts Postal Services		Appropriation Accounts - Railways		Total	
	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	Total of Columns 2, 4, 6, 8	Total of Columns 3, 5, 7, 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2010-11	7	3384.10	4	4239.34	1	365.63	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	15540.55	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	2	189154.28	1	148.31	1	936.48	3	33.21	7	190270.26
2017-18	2	92461.31	2	7149.00	-	-	-	-	-	99610.30
2018-19	1	0.22	2	5098.61	-	-	1	105.74	4	5204.57
2019-20 (year under review)	2	31936.47	1	701.31	-	-	-	-	3	32637.78

(f) Recurring Excess Expenditure under particular Grant/Appropriation

Sl. No.	No. and name of Grant	Year	Excess Expenditure (₹ in crore)
1.	21 – Capital Outlay on Defence Services	2016-17	104.55
		2017-18	3552.72
		2018-19	1257.29
		2019-20	701.31

(C) EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

16. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2019-20 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.

I. APPROPRIATION ACCOUNTS (CIVIL)

GRANT NO. 31 – Department of Revenue (Revenue-Voted)

17. Under Revenue Section (Voted) of Grant No. 31 – Department of Revenue for the year 2019-20, the Original Grant was ₹ 203457.98 crore. After obtaining Supplementary Grant of ₹ 40030.77 crore, the total Grant was ₹ 243488.75 crore. Against this, the expenditure of ₹ 275423.23 crore was incurred resulting in an excess expenditure of ₹ 31934.48 crore.

18. The excess of more than ₹ 100 crore was incurred mainly under the two Major Heads, i.e., (i) Major Head: 3601 – Grants – in – aid to State Governments and Minor Head: 08.797 – Transfer to Reserve Fund/Deposit Account and; (ii) Major Head: 3602 – Grants – in – aid to Union Territory Governments with Legislature and Minor Head: 08.797 – Transfer to Reserve Fund/Deposit Account.

19. The reasons as attributed by the Department of Revenue for incurring excess expenditure under these two Major/Minor Heads are given as under:

**(i) Major Head: 3601 – Grants-in-aid to State Governments**  
**Minor Head: 08.797 – Transfer to Reserve Fund/Deposit Account**

In pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016, the Goods and Services (Compensation to States) Act, 2017 was enacted by Parliament for providing compensation to the States on account of Revenue loss due to

implementation of GST w.e.f. 01.07.2017 for a period of five years. In this regard, it is also submitted that as per GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on a bi-monthly basis to the States/UTs. The quantum of the GST compensation required is based upon collection trends of SGST/IGST and the subsumed tax collection by States/UTs. Therefore, it is always difficult to assess the actual budget requirement, as the same is dependent upon variable data being received from States on a bimonthly basis.

Accordingly, a budget provision of ₹ 1,01,200 crore was made under MH 3601 & 3602 (₹ 96000 crore in MH 3601 for releasing GST compensation to States and ₹ 5200 crore in MH 3602 for releasing GST compensation to UTs) in BE 2019-20 to compensate the States/UTs on account of revenue loss to States due to implementation of GST and based upon the initial trends of GST collection as well as subsumed tax collected by States/UTs.

Further, as per the requirement of GST Compensation to be paid to States/UTs, the budget provision under Head 3601 and 3602 was revised to ₹ 1,21,200 crore at RE stage, out of which, ₹ 1,12,200 crore were kept under MH 3601 and ₹ 9000 crore was under MH 3602. This additional requirement was fulfilled after taking a Supplementary Grant of ₹ 20,000 crore (₹ 16,200 crore under MH 3601 and ₹ 3800 crore under MH 3602) in the 2<sup>nd</sup> batch of Supplementary Demand for Grants 2019-20.

Under the provision of GST compensation Act, the cess collection was estimated at ₹ 112200 crore in MH 3601 at the time of RE and was proposed to be transferred into IGST compensation fund, a Public Account Fund. Subsequently, Centre vide letter No. S-31011/2/2019-ST-II-DoR dated 1<sup>st</sup> June 2020 had transferred ₹ 33412 crore (₹ 31697 crores under Head 3601 and ₹ 1715 crore under Head 3602) from CFI to Compensation Fund as part of an exercise to apportion balance IGST pertaining to FY 2017-18 for purpose of the release of admissible GST Compensation to States for FY 2019-20, which is reflected as excess amount. This amount is the net impact of the reversal of devolution of IGST of ₹ 66983 crore out of total amount of ₹ 67998 crore devolved to the States, apportionment of ₹ 63,288 crore of IGST to States and ₹ 88,344 crore to Centre, devolution to States ₹ 37,104 crore of the amount apportioned to the Centre and consequent recovery of ₹ 33,412 crore from the States which needs to be credited to the Compensation Fund. Hence, the actual expenditure under this head (3601.08.797) is shown as ₹ 143897 crore, which resulted an excess expenditure of ₹ 31697 crore.

**(ii) Major Head: 3602 – Grants-in-aid to Union Territory Governments with Legislature**

**Minor Head: 08.797 – Transfer to Reserve Fund/Deposit Account**

As mentioned in para (i) above, under this head, the cess collection was estimated to ₹ 9000 crore at the time of RE and was proposed to be transferred into GST Compensation Fund, a Public Account Fund. Since the actual amount released to the Union Territories Governments with the legislature as GST Compensation till March 2020 was ₹ 8298.29 crore, hence the remaining amount of ₹ 701.71 crore was surrendered at the end of the FY 2019-20.

Further, Centre vide letter No. S-31011/2/2019-ST-II-DoR dated 1<sup>st</sup> June, 2020 had transferred ₹ 33412 crore (₹ 31697 crore under Head 3601 and ₹ 1715 crore under Head 3602) from CFI to Compensation Fund as part of an exercise to apportion balance

IGST pertaining to FY 2017-18 for purpose of release of admissible GST Compensation to States for FY 2019-20, which is reflected as excess amount. Hence, the actual expenditure under this Head (3602.08.797) is shown as ₹ 10013.29 crore, which resulted in an excess expenditure of ₹ 1715 crore.

20. As regards the action taken to avoid excess under this Grant, the Department of Revenue in their Explanatory Note stated that apportionment of entire unsettled IGST between Centre and States/UTs in the ratio of 50:50 at the end of each financial year, in future will ensure non-occurrence of such excess expenditure.

**II. APPROPRIATION ACCOUNTS – DEFENCE SERVICES**  
**Grant No. 20 – Capital Outlay on Defence Services (Capital-Voted)**

21. Under Capital Section (Voted) of Grant No. 20 – Capital Outlay on Defence Services for the year 2019-20 the total provision was ₹ 110299.42 crore. Against this, the expenditure of ₹ 111000.73 crore was incurred resulting in excess of ₹ 701.31 crore.

22. The excess of ₹ 701.31 crore was the net effect of total excesses of ₹ 1502.08 crore and total savings of ₹ 800.76 crore as well as surrender of ₹ 1,00,000.

23. The reasons for incurring excess expenditure under this Grant as attributed by the Ministry of Defence in their Explanatory Notes are given as under:

"Payments made for committed liabilities as well as initial payments for the New Scheme contracted; more expenditure on custom duty; progress of Annual Maintenance Work Plan; obligatory contractual payments towards new shipbuilding contracts and higher outgo than anticipated towards milestone payments of ongoing projects than anticipated; obligatory contractual foreign payments through Letter of Credit (LC) as well as exchange rate variations; fast progress of works and liability of completion of critical projects on time; payment of committed liabilities during previous financial year in respect of M/s Rosoboron Export, Russia against the machineries supplied for the Fin Stabilized Armour Piercing Discarding Sabot (FSAPDS) Project, etc."

24. Details of the Major/Minor Heads under which excess of ₹ 100 crore and above occurred under this Grant and reasons therefor are given below:

Sl. No.	Major/Minor Head	Excess Expenditure (₹ in crore)	Contributory Reasons
<b>Major Head – 4076</b>			
<b>Sub-major Head – 101</b>			
1.	Minor Head – 101	2240.86	To cater for committed liabilities payments as well as the initial payment for New Scheme contracted.

Sub-major Head – 02 – NAVY			
2.	Minor Head - 103	411.90	Due to more expenditure on custom duty exchange rate variation and letter of credit.
3.	Minor Head – 204	1818.42	To cater to meet obligatory contractual payments towards new ship building contracts and higher outgo than anticipated towards milestone payments of ongoing ship/submarine construction projects and refits.
4.	Minor Head - 205	324.61	Due to more expenditure on strategic infrastructure projects than anticipated.
5.	Sub-Major-Head 03 – Air Force Minor Head – 03 – Air Force	3938.81	Due to the requirement of funds for obligatory contractual foreign Payments through Letter of Credit (LC) as well as exchange rate variations and custom duty.

25. As regards the steps taken to avoid excess expenditure under this Grant, the Ministry of Defence in their Explanatory Note have submitted as under:

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

In order to avoid recurrence of any savings/excess, 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"

**Surrender of funds despite incurring excess expenditure**

26. It has been observed that the Department of Revenue and Ministry of Defence have surrendered the funds despite incurring excess expenditure during the year 2019-20, under the Grants/Appropriations operated by them. Details in this regard are given below:

(₹ in crore)

Sl. No.	No. and name of Grant/Appropriation	Excess expenditure incurred	Surrender of funds
1.	31 – Department of Revenue (Revenue - Voted)	31934.48	1420.59
2.	20 – Capital outlay on Defence Services (Capital - Voted)	701.31	0.01



PART-II

Observations/Recommendations

1. The Committee's examination of the four Appropriation Accounts of Union Government relating to Civil Sector, Defence Services, Postal Services and Railways for the Financial year 2019-20 reveals that a total excess expenditure of ₹ 32637.78 crore was incurred in three sections of three Grants/Appropriations (as against ₹ 5204.57 crore during 2018-19). The Ministries at fault are the Ministry of Finance (Department of Revenue) and the Ministry of Defence. The Committee are astonished to note that the bulk of excess expenditure was recorded under two Grants i.e. Grant No. 31- Department of Revenue (₹ 31934.48 crore) operated by Ministry of Finance (Department of Revenue) under Appropriation Accounts – Civil and Grant No. 20 – Capital outlay on Defence Services (₹ 701.31 crore) operated by Ministry of Defence under Appropriation Accounts – Defence Services. The Committee find it to be a matter of concern that the excess expenditure incurred under Grant No.-31 of Department of Revenue had accounted for over 97.85 percent of the total excess expenditure incurred during the year under review i.e. 2019-20. An analysis of the reasons as given by the Ministry of Finance (Department of Revenue) and Ministry of Defence for incurring excess expenditure during 2019-20 reveals that like in the past, lack of continuous watch over the flow of expenditure, lack of timely review of financial requirements and failure to properly anticipate the requirement of additional funds continue to be the main reasons for the excess expenditure. Attributing the same causes for the excesses persisting year after year is a pointer towards the fact that the matter has not been addressed with due seriousness by the Ministries/Departments concerned, especially the Ministry of Defence, which has been incurring a high amount of excess expenditure recurringly for the last ten years (except 2015-16) in respect of various Grants/Appropriations operated by them. Though the Committee have been repeatedly pointing out in their Reports that the system of estimation of and control over expenditure is faulty, yet year after year, Parliament is being presented with a 'fait accompli' of unremitting phenomenon of excess expenditure. Viewing this fact with grave concern, the

Committee urge the Ministry of Finance (Department of Economic Affairs) to devise suitable and foolproof mechanism for tightening the control over the exchequer and to deal sternly with such cases where any slackness in following the prescribed financial Rules is noticed. The Committee, nevertheless are pleased to note that the Department of Posts (during the years 2017-18 to 2019-20) and Ministry of Railways (during the years 2017-18 and 2019-20) had not incurred excess expenditure under the Grants/Appropriations operated. The Committee feel that when the Department of Posts and Ministry of Railways which have a large network throughout the country could manage their Grants in an effective way to altogether eliminate incurring excess expenditure for atleast two or three years, the other Ministries /Departments too could manage in equal measure. The Committee would, therefore, emphasize that all other Ministries/Departments should also follow the trend set by the Department of Posts as well as the Ministry of Railways for revamping their existing budgetary mechanism and financial control in consultation with the Ministry of Finance (Department of Economic Affairs) and Controller General of Accounts in the Ministry of Finance (Department of Expenditure) to altogether eliminate excess expenditure or ensuring containing excessive expenditure to the barest minimum under the Grants/Appropriations operated by them.

2. The Committee further observe that in pursuance of their recommendations made in the past, National Institute of Financial Management (NIFM) have undertaken a study of the excess expenditure incurred by various Ministries/Departments during the period from 2000-2001 to 2017-18 and submitted their Report containing 12 recommendations, targeting different sectors of financial control. The recommendations as contained in NIFM Report are at various stages of implementation by the Ministry of Finance (Department of Economic Affairs) as well as the other Ministries/Departments. Considering the unabated trend of incurring excess expenditure, the Committee emphasize that in pursuance of the NIFM recommendations, necessary steps may be taken by the Ministry of Finance (Department of Economic Affairs) to implement the same at the earliest so that tendency of incurring high amount of excess expenditure year

after year is curbed. Necessary guidelines need to be framed and instructions issued in this regard to all the Ministries/Departments. The Committee would desire to be apprised of the specific measures initiated in this connection.

3. The Committee note with concern that during the Financial Year 2019-20, excess expenditure was incurred in respect of all the three Grants/Appropriations even after obtaining high amounts of Supplementary Grants by the Ministries/Departments concerned to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these cases ranged from 10.04 percent (Grant No-20-Capital Outlay on Defence Services (Capital-Charged) to 79.77 percent [Grant No.31 - Department of Revenue (Revenue-Voted)]. From the scrutiny of Grant-wise position of obtaining Supplementary Grants and excess expenditure incurred thereafter, the Committee notice that the Supplementary Grant to the tune of ₹ 3.34 crore was allocated for Grant No-21 operated by the Ministry of Defence in the Civil Sector but this amount was short by ₹ 2.00 crore. In case of Grant No. 31 operated by Ministry of Finance (Department of Revenue) under Civil Sector, though Supplementary Grant of ₹ 40030.77 crore was obtained, yet an excess expenditure of ₹ 31934.48 crore was incurred. Similarly, the only excess registering Grant pertaining to Defence services i.e. Grant No-20-Capital Outlay on Defence Services obtained a Supplementary Grant of ₹ 6988.46 crore. Despite the grant, the actual expenditure exceeded the budgetary provision by ₹ 701.31 crore. The trend of incurring excess expenditure even after obtaining Supplementary Grants persists year after year despite the recourse to obtaining Supplementary Grants on three occasions. The Committee are astonished to note that budget provisions are still not made with requisite precision even at the Supplementary Grants stage. This is despite the recommendations of PAC and instructions issued by the Ministry of Finance (Department of Economic Affairs) in this regard as follow up. From the Action Taken Note on Para 1 of 24<sup>th</sup> Report of PAC (17<sup>th</sup> Lok Sabha), the Committee find that the Ministry of Finance (Department of Economic Affairs) did not agree with the recommendation of NIFM regarding restricting the number of Supplementary Grants in a year, as,

according to them, this will restrict expenditure on New Services/New Instruments of Services. In their Action Taken Report thereon [50<sup>th</sup> Report (17<sup>th</sup> Lok Sabha)] while observing that Ministry of Finance are unable to check this recurring phenomenon of incurring excess expenditure even after obtaining Supplementary Grants, the Committee opined that if Ministries/Departments work with prudence, expenditure on New Services/New Instruments of Services can be planned and included in the Budgetary/ Supplementary Grants provisions and the need for three Supplementary Grants in a year can be avoided. The Committee, therefore, emphasized that the recommendation made by NIFM in this regard should be taken in right spirit and with due seriousness and necessary arrangements made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&AG and Controller General of Accounts. While reiterating this recommendation, the Committee would like to be apprised of the Action Taken by the Ministry of Finance in this regard and desire that the Ministry should formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained. Strict instructions be given to the Budget Controlling Authorities of the defaulting Ministries/Departments to scrupulously adhere to this principle.

4. The Committee find that in contravention of Article 114 (3) of the Constitution and General Financial Rule (GFR) 52(3), the incurrence of excess expenditure has been a recurring phenomenon in the past. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in Civil sector, the excess expenditure which was reduced to a considerable extent i.e. from ₹ 92461.31 crore in 2017-18 to ₹ 0.22 crore in 2018-19 escalated to ₹ 31934.48 crore during the Year under review i.e. 2019-20. Further, in regard to the trend of excess expenditure incurred under the Grants/Appropriation operated by Ministry of Defence during the last four years, the Committee observe that recurring excess expenditure under Grant No. 21-Capital outlay on Defence Services had incurred during the years, 2016-17 to 2019-20. The excess expenditure which was ₹ 104.55 crore under this Grant

during the year 2016-17, witnessed a sudden increase to the tune of ₹ 3552.72 crore during 2017-18. Though, it was reduced to ₹ 1257.29 in 2018-19 nevertheless, the amount has been in excess of ₹ 1000 crore. Now, during the year under review, the amount of excess expenditure under this Grant has been reduced to ₹ 701.31 crore, which is not very low. Thus, the scrutiny of excess expenditure incurred during the last ten years is indicative of the fact that sincere and effective measures remain to be taken by the Ministries/Departments concerned to make their budgetary mechanism strong enough to avoid excess expenditure under the Grants/Appropriations operated by them. The Committee would also like to be kept informed of the measures taken by each Ministry/Department to implement the recommendations of NIFM with a view to tightening their financial control and avoid recurring excess expenditure in future.

5. As brought out in the preceding paragraphs, during the financial year 2019-20, the Ministry of Finance (Department of Revenue) incurred an excess expenditure of ₹ 31934.48 crore under Revenue-Voted section of Grant No-31 - Department of Revenue. Excess expenditure under Revenue- Voted section of this Grant incurred even though Supplementary Grant of ₹ 40030.77 crore was obtained. According to the Ministry of Finance (Department of Revenue), as per GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on bi-monthly basis to the States/UTs. The quantum of GST compensation required is based upon collection trends of SGST/IGST and the subsumed tax collection by States/UTs. Therefore, it is difficult to assess the actual budget requirement, as the same is dependent upon variable data received from States on a bi-monthly basis. The Committee further observe that the Department of Revenue took only one Supplementary Grant of ₹ 40030.77 crore in March, 2020 i.e. at the fag end of the financial year. The Committee are perturbed to note that the reply of the Ministry is silent on the reasons for not assessing their actual requirement of funds on a continuous basis in the financial year and also at the stage of seeking Supplementary Grant. The Committee are of the view that had a precise assessment of funds required to cover the impending excess

expenditure been made and adequate supplementary provisions sought from Parliament in the first two occasions, the excess expenditure under this Grant could very well have been avoided. Unfortunately, the Supplementary Grant i.e. Rs.40030.77 crore finally obtained could not meet the additional requirement under this Grant thereby leaving the balance amount for regularization by Parliament. Barring unforeseen circumstances, it is not expected of any Ministry to cross their financial limits even after having huge amounts of Supplementary Provisions as has happened in this case. The Committee are again astonished to note that the Ministry of Finance (Department of Revenue) also surrendered ₹ 1420.59 crore under this Grant. While taking a serious view of the apparently casual attitude of the Ministry of Finance (Department of Revenue) in operating this Grant, the Committee desire that the reasons for failure in making realistic assessment of funds requirement be analysed so as to enable in taking timely action for ensuring adequate provision of funds under this Grant and monitor the progress of expenditure and smooth flow of expenditure within the provisions sanctioned by Parliament in future. As regards the action taken to avoid excesses under this Grant, the Ministry in their Explanatory Note, have submitted that apportionment of entire unsettled IGST between Centre and States/UTs in the ratio of 50:50 at the end of each financial year will ensure non-occurrence of such expenditure in future. While taking note of the assurance given by the Ministry to prevent such excesses in future, the Committee express hope that the Ministry would surely be able to overcome this situation of incurring excess expenditure in future.

6. During the financial year 2019-20, the Ministry of Defence incurred an excess expenditure of ₹ 701.31 crore under Capital-Voted section of Grant No. 20-Capital outlay on Defence services. The excess of ₹ 701.31 crore was the net effect of total excesses of ₹ 1502.08 crore and total savings of ₹ 800.76 crore. The Committee are constrained to observe that the excess expenditure under Capital Voted section of this Grant was incurred even after obtaining Supplementary Grant of ₹ 6988.46 crore. The Committee feel that operation of this Grant is not being done conducively. The contributory reasons as submitted by the Ministry

of Defence for this excess expenditure are Payments made for committed liabilities as well as initial payments for the New Scheme contracted; more expenditure on custom duty; Progress of Annual Maintenance Work plan; obligatory contractual Payments towards new ship-building contracts and higher outgo than anticipated towards milestone Payments of ongoing projects than anticipated; Obligatory contractual foreign Payments through letter of Credit (LC) as well as exchange rate variations; fast progress of works and liability of completion of critical projects on time etc. The Committee are not convinced with the reasons attributed by the Ministry of Defence for incurring excess expenditure under this Grant as these do not fall under the category of 'unforeseen' or 'unanticipated expenditure' which cannot be predicted at the time of either approaching for BE/RE stage or at the time of seeking Supplementary Grants. As the Supplementary Grant obtained by the Ministry of Defence under this Grant is too high, the Committee feel that there is some inherent defect in the operation of this Grant because the Ministry could not assess their actual requirement of funds even at the stage of Supplementary Grant year after year. The Committee are therefore, inclined to conclude that adequate attention has not been paid by the Ministry of Defence to streamline and strengthen the extant mechanism for operation of this Grant so as to tighten the budgetary control to effectively check the trend of incurring excess expenditure under this Grant.

7. The Committee are perturbed to note that the Ministry of Defence recurringly incurred excess expenditure under this Grant during the last four years i.e. ₹ 104.55 crore in 2016-17, ₹ 3552.72 crore in 2017-18, ₹ 1257.29 crore during 2018-19 and ₹ 701.31 crore during 2019-20. Having noticed the recurring phenomenon of excess expenditure by the Ministry of Defence under this Grant, the Committee, in Para 8 of 24<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) had recommended the Ministry to overhaul their budgeting mechanism and evolve an effective means to bring continual and progressive improvement in operation of their Grants in future. In their ATN on this recommendation, the Ministry of Defence apprised the Committee that they had decided to create a separate instance/Parallel Chapter in PFMS in consultation with Controller General of Accounts and in this regard an

evolutionary mode of Software Development and simultaneous processing of activities is being carried out with a view to expedite the project. The Committee would like to be apprised as to whether the parallel chapter has since been created in the PFMS and outcome thereof.

As regards the steps taken to avoid recurrence of excess expenditure under this Grant, the Committee note that the Ministry of Defence have issued routine instructions, as in the previous years, which have not produced the desired results. Thus, the Committee feel that the routine instructions issued in the past have had hardly any effect in improving the budgetary procedures and financial control under this Grant and the fresh instructions issued may also meet the same fate unless earnest measures are taken to ensure effective implementation of the instructions issued. The Committee therefore, urge Ministry of Defence to examine critically the specific steps taken towards effective implementation of the instructions and identify additional measures to contain/curtail the recurring phenomenon of excess expenditure under this Grant.

8. The Committee observe that the Ministry of Finance (Department of Revenue) under Revenue-Voted Section of Grant No – 31 and Ministry of Defence under Capital-Voted Section of Grant No. 20 have surrendered the funds during the financial year 2019-20 despite having incurred excess expenditure under these Grants. In case of Grant No.– 31 – Department of Revenue the Ministry of Finance (Department of Revenue) while incurring an excess expenditure of ₹ 31934.48 crore also surrendered Rs.1420.69 crore. Further, in Grant No.20 – Capital outlay on Defence Services, the Ministry of Defence surrendered ₹ 0.01 crore and incurred excess expenditure of ₹ 701.31 crore. The Committee are also perturbed to note that in both the cases, huge amounts were also obtained as supplementary grants. This clearly indicates that both the Ministries have completely failed in assessing their actual requirement of funds under these Grants. To their utter dismay, the Committee find that surrendering of funds, despite incurring excess expenditure, under the Grant No. 20 – Capital outlay on Defence Services has been a recurring feature since the financial Year 2017-18. On earlier two occasions, the Committee had emphasized upon the Ministry of



Defence to devise suitable and effective measures with a view to removing inherent defects in the existing system. However, no improvement has been made in this direction. Since surrendering of funds despite having Supplementary Grant and incurring excess expenditure is a clear indication of poor budgeting and is also indicative of failure on the part of Budget Controlling Authorities, the Committee once again urge the Ministries/Departments concerned to revamp their prevailing expenditure review mechanism so that surrendering of funds could be avoided in future.

9. Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 12 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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*Explanatory Note received from M/o Defence on*

*Grant No. 21*

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE (FINANCE)  
(BUDGET-II)

**EXCESS NOTE**

Note for Public Accounts Committee for regularization of excess expenditure of ₹ 199.74 Lakhs occurred in Revenue Section (Charged) of Grant No. 21-Defence Pensions as disclosed in Appropriation Accounts (Defence Pensions) for 2019-2020

**REVENUE SECTION (Charged)**

	(₹ In thousands)
(i) Original Grant	: 2,46,00
Supplementary	: 3,34,00
Total Grant	: 5,80,00
Actual Expenditure	: 7,79,74
Excess	: 1,99,74

2. Under Revenue Section( Charged) portion of Grant No. 21 Defence Pensions for 2019-20, original provision was ₹ 2,46.00 thousands. This was augmented to ₹ 5,80,00 thousands on obtaining Supplementary Grant of ₹ 3,34,00 thousands. Against this the expenditure of ₹ 7,79.74 thousand was incurred resulting in an excess of ₹ 1,99,74 thousands.

3. The excess of ₹ 1,99,74 thousands was the net effect of total excess of ₹ 2,14.45 thousand less total savings of ₹ 14.71 thousands under various sub heads of the Grant. The Sub-heads below Major Head 2071 under which excess occurred and reasons thereof are explained below :-

4. The sub-head below Major Head 2071 under which excess occurred and reasons thereof are explained below:-

(I) 2071.02.101 Army (Minor Head)

(ii) 2071.02 Defence (SMH)  
2071.02.101 Army (Minor Head)  
2071.02.101.01 Pension and other Retirement Benefits (Sub Head)

(₹ In thousands)

Original Grant	:		1,80.00
Supplementary	:		3,18.00
Re-appropriation	:	(+)	10.00
Total Grant	:		5,08.00
Actual Expenditure	:		7,22.45
Excess	:	(+)	2,14.45

The excess of ₹ 2,14.45 thousand under this head is mainly due to finalization of more court cases than anticipated.

5. The Total grant under the Charge Portion of the Revenue Section of the Grant is ₹ 5,08.00 thousands and excess amount of ₹ 1,99.74 thousands has been incurred in r/o Grant No. 21 Defence Pensions as disclosed in Appropriation Accounts (Defence Pensions) for 2019-20. The excess expenditure has been incurred due to the implementation of Court Decree which is an obligatory expenditure and it is difficult to forecast the exact budget provision under the Charged Portion in advance. In the circumstances explained above the total excess of ₹ 199.74 Lakhs may kindly be recommended for regularization by the parliament under Article 115(I) (b) of the constitution.

Remedial Action Taken

6. Necessary instructions have been issued vide ID No. -2(6)/Bud-II/2019-20 dated 13/08/2020 (Copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses.

This has been vetted by Audit on APMS portal and intimated vide-DGADS UO No. 261/AA-8/2019-20/Defence Pensions dt. 10/12/2020.

F. No. 2(6) /Bud-II/2019-20

  
(A.N. Das)

Addl. FA & Joint Secretary

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Ministry of Defence (Finance)  
Budget Division

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

While going through the Appropriation Account (Stage-II), in respect of Defence Pensions, it has been observed that during the Financial Year 2018-19 an excess expenditure of Rs. 199.74 Lakh has been incurred under Charged Section against the sanctioned provision of Rs. 550.00 Lakh.

2. It is observed that for the last few years (i.e. after FY 2014-15) there has been steep increase in expenditure under Charged portion of Revenue Section in respect of Defence Pension due to sudden/sharp increase in the number of court cases by Defence Pensioners. However, on the contrary, it is observed that C/o CGDA/PCDA(P) Allahabad is not projecting the Budget Estimates under Charged portion after taking into account the trend of expenditure incurred during the last Financial Year. This seems to be one of the main reasons for excess expenditure under Charge portion of Defence Pensions. Persistent excess being reported under Charged heads repeatedly would therefore require responsibility being fixed for such recurrences of excess expenditure. Concrete remedial action must be taken immediately to arrest the excess to an optimum level.

3. The PAC commented very adversely in its numerous previous Reports on repeated Excess expenditure on Defence Pensions for the last few years which clearly indicate systemic weakness in budgetary Control.

4. It is reiterated that utmost caution and accuracy be ensured while estimating requirement of funds for RE 2020-21 and BE 2021-22 after taking into account all the instructions issued by Ministry of Finance from time to time and adherence to the expenditure control during the current/ensuing financial year as well. In order to ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual anticipated expenditure, detailed reasons by giving the numerical impact in respect of each components of the respective detailed/sub-head should invariably be recorded where the estimations are increased or decreased by 10% or more w.r.t. the actual expenditure during the last financial year (i.e. 2018-19), etc. Moreover, OM No. 7(1)/E. Coord/2014 dated 29.10.2014 regarding "Expenditure Management- Economy Measures and Rationalization of Expenditure" issued



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

(Manoj Sharma)  
A.F.A (Budget-1)  
Tel: 2301- 2556

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

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MoD (Pm) ID No. 2/91/MO/2019-20 dt. 15. 08/2020

Government of India  
Ministry of Finance  
Department of Revenue

EXPLANATORY NOTE ON EXCESS *received from the Revenue*

Note for excesses occurred under Revenue Section (Voted) of Grant No. 31-Department of Revenue, Ministry of Finance as desired by O/o Pr. Accounts Office for the year 2019-20:-

Revenue Section (Voted)

	(Rs. in thousand)
Original Grant	203457,98,00
Supplementary Grant	40030,77,00
Total Grant	243488,75,00
Actual Expenditure	275423,22,61
Excess	31934,47,61

Under Grant No. 31- Department of Revenue, a budget provision of Rs.203466.73 crore (Rs.203458.00 crores for Revenue Section including charged expenditure of Rs.0.02 crore and Rs.8.73 crore for Capital Section) was made for 2019-20. Subsequently Supplementary grant of Rs.40039.04 crore (Rs.40030.77 crore under Revenue Section and Rs.8.27 crore under Capital Section) was obtained during the 2<sup>nd</sup> Supplementary Demands for Grants. With the Supplementary, the Sanctioned Grant stood revised at Rs.243505.77 crore (Rs.243488.75 crore for Revenue (voted) Section, Rs.0.02 crore for Revenue (Charged) Section and Rs.17.00 crore for Capital Section). Against the sanctioned grant of Rs.243488.75 crore of Revenue (voted) Section, the actual expenditure was Rs.275423,22,61 thousand resulting in excess of Rs.31934,47,61 thousand. The excess of more than Rs.100 crore, which occurred under Revenue Section of the Grant was as follows: -

- (i) Major Head : 3601 — Grants-in-aid to State Governments  
Minor Head: 08.797 — Transfer to Reserve Fund/Deposit Account

	(Rs. in thousand)
Original Grant	96000,00,00
Supplementary Grant	16200,00,00
Total Grant	112200,00,00
Actual Expenditure	143897,00,00
Excess	31697,00,00

In pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016, the Goods and Services (Compensation to States) Act, 2017 was enacted by Parliament for providing compensation to

the States on account of Revenue loss due to implementation of GST w.e.f. 01.07.2017 for a period of five years. In this regard, it is also submitted that as per GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on bi-monthly basis to the States/UTs. The quantum of the GST compensation required is based upon collection trends of SGST/IGST and the subsumed tax collection by States/UTs. Therefore, it is always difficult to assess the actual budget requirement, as the same is dependent upon variable data being received from States on bimonthly basis.

Accordingly, a budget provision of Rs.1,01,200 crore was made under MH 3601 & 3602 (Rs.96000 crore in MH 3601 for releasing GST compensation to States and Rs.5200 crore in 3602 for releasing GST compensation to UTs) in BE 2019-20 to compensate the States/UTs on account of revenue loss to States due to implementation of GST and based upon the initial trends of GST collection as well as subsumed tax collected by States/UTs.

Further, as per the requirement of GST Compensation to be paid to States/UTs, the budget provision under Head 3601 and 3602 was revised to Rs.1,21,200 crores at RE stage. Out of which, Rs.1,12,200 crores were kept under MH 3601 and Rs.9000 crore was under MH 3602. This additional requirement was fulfilled after taking a supplementary grant of Rs.20,000 crore (Rs.16,200 crore under MH 3601 and Rs.3800 crore under MH 3602) in the 2<sup>nd</sup> batch of supplementary Demands for Grants 2019-20.

Under the provision of GST compensation Act, the cess collection was estimated to Rs. 112200 crores in MH 3601 at the time of RE and was proposed to be transferred into IGST compensation fund, a Public Account Fund. Subsequently centre vide letter No. S-31011/2/2019-ST. II-DcR dated 1<sup>st</sup> June, 2020 had transferred Rs. 33412 crores (Rs. 31697 crores under Head 3601 and Rs 1715 crore under Head 3602) from CFI to Compensation Fund as part of an exercise to apportion balance IGST pertaining to FY 2017-18 for purpose of release of admissible GST Compensation to states for FY 2019-20, which is reflected as excess amount. This amount is the net impact of reversal of devolution of IGST of Rs. 65983 crore out of total amount of Rs. 67,998 crore devolved to the States, apportionment of Rs. 63,288 crore of IGST to States and Rs. 88,344 crore to centre, devolution to States Rs. 37,104 crore of the amount apportioned to the centre and consequent recovery of Rs. 33,412 crore from the States which needs to be credited to the Compensation Fund. Hence, the actual expenditure under this head (3601.08.797) is shown as Rs 143897 crore, which resulted an excess expenditure of Rs. 31697 crores.



**Major Head: 3602 — Grants-in-aid to Union Territory Governments with Legislature**

**Minor Head: 08.797 — Transfer to Reserve Fund/Deposit Account**


	[Rs. in thousand]
Original Grant	5200,00,00
Supplementary Grant	3800,00,00
Surrender	-701,71,00
Total Grant	8298,29,00
Actual Expenditure	10013,29,00
Excess	1715,00,00

As mentioned in para (i) above, under this head, the cess collection was estimated to Rs.9000 crore at the time of RE and was proposed to be transferred into GST Compensation Fund, a Public Account Fund. Since, the actual amount released to the Union Territories Governments with legislature as GST Compensation till March, 2020 was Rs.8298.29 crore, hence the remaining amount of Rs.701.71 crore was surrendered at the end of the FY 2019-20.

Further, Centre wide letter No. S-31011/2/2019-ST-II-DoR dated 1<sup>st</sup> June, 2020 had transferred Rs.33412 crore (Rs.31697 crore under Head 3601 and Rs.1715 crore under Head 3602) from CFI to compensation fund as part of an exercise to apportion balance IGST pertaining to FY 2017-18 for purpose of release of admissible GST Compensation to states for FY 2019-20, which is reflected as excess amount. Hence, the actual expenditure under this head (3602.08.797) is shown as Rs.10013.29 crore, which resulted an excess expenditure of Rs.1715 crore.

**Remedial Action Taken to avoid excesses under Grant No.-31**

Apportionment of entire unsettled IGST between centre and states /UTs in the ratio of 50:50 at the end of each financial year, in future will ensure non-occurrence of such excess expenditure.

  
 (Meera Swarup)  
 Additional Secretary & Financial Adviser

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
(FINANCE/BUDGET)

*Explanatory Notes received from MoD, Defence EU Grant No. 20*

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARIZATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER GRANT NO. 20- CAPITAL OUTLAY ON DEFENCE SERVICES (VOTED), AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2019-2020.

GRANT No.20- Capital Outlay on Defence Services (Voted)

<u>Capital (Voted)</u>	(₹In thousands)
Original Grant	1033109600
Supplementary Grant:	69884600
Total Grant	1102994200
Actual Expenditure	1110007293
Excess	7013093
Surrender during the year	100

2. Under Capital Section (Voted) of Grant No.20- Capital Outlay on Defence Services for the year 2019-2020 the total provision was ₹1102994200 thousands (Voted). Against this, the expenditure of ₹1110007293 thousands was incurred resulting in excess of ₹ 7013093 thousands (₹ 701,30,92,169/-).

3. The excess of ₹ 7013093 thousands (Voted) was the net effect of total excesses of ₹ 15020789 thousands (Voted) and total savings of ₹ 8007596 thousands (Voted) as well as surrender of ₹ 100 thousands, which occurred due to: payments made for committed liabilities as well as initial payments for the New Scheme contracted; more expenditure on custom duty; progress of Annual Maintenance Work Plan; obligatory contractual payments towards new shipbuilding contracts and higher outgo than anticipated towards milestone payments of ongoing ship/submarine construction projects and refits; more expenditure on strategic infrastructure projects than anticipated; obligatory contractual foreign payments through Letter of Credit (LC) as well as exchange rate variations; fast progress of works and liability of completion of critical projects on time; payment of committed liabilities during previous financial year in respect of M/s Roseboron Export, Russia against the machineries supplies for the Fin Stabilized Armour Piercing Discarding Sabot (FSAPDS) Project etc. Details of Minor Heads under which excess of ₹ Five Lakh and above occurred and reasons therefor are explained below:

**MAJOR HEAD-4076**

**Sub Major Head 01- Army**

(i) <b>Minor Head-101</b>	(₹in thousands)
Original Grant	21154300
Supplementary Grant	1219950
Total Grant	22374250
Actual Expenditure	44782896
Excess	22408646

The excess of ₹ 22,40,86 lakh (Voted) (against the sanctioned provision of ₹ 22,37.43 lakh) was incurred to cater for committed liabilities payments as well as initial payment for New Scheme contracted.

**Sub Major Head 02- Navy**

(i) <b>Minor Head-103</b>	(₹in thousands)
Original Grant	35000000
Supplementary Grant	1000000
Total Grant	36000000
Actual Expenditure	40118967
Excess	4118967

The excess of ₹4,11,90 lakh (Voted) (against the sanctioned provision of ₹36,00.00 lakh) was due to more expenditure on custom duty, exchange rate variation and letter of credit.

(ii) <b>Minor Head-202</b>	(₹in thousands)
Original Grant	9980000
Supplementary Grant	0
Total Grant	9980000
Actual Expenditure	10730369
Excess	750369

The excess of ₹ 75.04 lakh (Voted) (against the sanctioned provision of ₹ 9.98.00 lakh) was incurred to cater for progress of Annual Maintenance Work Plan.

(iii) <b>Minor Head-204</b>	(₹in thousands)
Original Grant	121820000
Supplementary Grant	20019950
Total Grant	141839950
Actual Expenditure	160024158
Excess	18184208

The excess of ₹ 18,18.42 lakh (Voted) (against the sanctioned provision of ₹ 1,41.84.00 lakh) was incurred to cater to meet obligatory contractual payments towards new shipbuilding contracts and higher outgo than anticipated towards milestone payments of ongoing ship/submarine construction projects and relits.

<b>(iv) Minor Head-205</b>		<b>(₹in thousands)</b>
Original Grant		30450000
Supplementary Grant		9670000
Total Grant		40120000
Actual Expenditure		43366128
Excess		3246128

The excess of ₹ 3.24,61 lakh (Voted) (against the sanctioned provision of ₹ 40.12,00 lakh) was due to more expenditure on strategic infrastructure projects than anticipated.

**Sub Major Head 03- Air Force**

<b>(i) Minor Head-103</b>		<b>(₹in thousands)</b>
Original Grant		114481500
Supplementary Grant		30477100
Total Grant		144958600
Actual Expenditure		184346719
Excess		39388119

The excess of ₹ 39,38,81 lakh (Voted) (against the sanctioned provision of ₹ 1,44,95,86 lakh) was due to requirement of funds for obligatory contractual foreign payments through Letter of Credit (LC) as well as exchange rate variations and custom duty.

<b>(ii) Minor Head-202</b>		<b>(₹in thousands)</b>
Original Grant		18350000
Supplementary Grant		5232000
Total Grant		23582000
Actual Expenditure		24385880
Excess		803880

The excess of ₹ 80.39 lakh (Voted) (against the sanctioned provision of ₹ 23,58,20 lakh) was due to fast progress of works and liability of completion of critical projects on time.

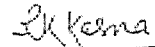
**Sub Major Head-04 (Defence Ordnance Factories)**

<b>(i) Minor Head-052</b>		<b>(₹in thousands)</b>
Original Grant		5345000
Supplementary Grant		85500
Total Grant		5430500
Actual Expenditure		5678834
Excess		243334

The excess of ₹ 24.83 lakh (Voted) (against the sanctioned provision of ₹ 5,43,05 lakh) was due to payment of committed liabilities during previous financial year in respect of M/s Rosobaron Export, Russia against the machineries supplies for the Fin Stabilized Armour Piercing Discarding Sabot (FSAPDS) Project.

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

5. In order to avoid recurrence of any savings/ excess, 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.



(R. K. Karna)

Addl. FA & Joint Secretary.



## APPENDIX II

## STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No. (Part II)	Ministry/Department concerned	Observations/Recommendations
1	1	Finance (Economic Affairs and Revenue) and Defence	<p>The Committee's examination of the four Appropriation Accounts of Union Government relating to Civil Sector, Defence Services, Postal Services and Railways for the Financial year 2019-20 reveals that a total excess expenditure of ₹ 32637.78 crore was incurred in three sections of three Grants/Appropriations (as against ₹ 5204.57 crore during 2018-19). The Ministries at fault are the Ministry of Finance (Department of Revenue) and the Ministry of Defence. The Committee are astonished to note that the bulk of excess expenditure was recorded under two Grants i.e. Grant No. 31- Department of Revenue (₹ 31934.48 crore) operated by Ministry of Finance (Department of Revenue) under Appropriation Accounts – Civil and Grant No. 20 – Capital outlay on Defence Services (₹ 701.31 crore) operated by Ministry of Defence under Appropriation Accounts – Defence Services. The Committee find it to be a matter of concern that the excess expenditure incurred under Grant No.-31 of Department of Revenue had accounted for over 97.85 percent of the total excess expenditure incurred during the year under review i.e. 2019-20. An analysis of the reasons as given by the Ministry of Finance (Department of Revenue) and Ministry of Defence for incurring excess expenditure during 2019-20 reveals that like in the past, lack of continuous watch over the flow of expenditure, lack of timely review of financial requirements and failure to properly anticipate the requirement of additional funds continue to be the main reasons for the excess expenditure. Attributing the same causes</p>

			<p>for the excesses persisting year after year is a pointer towards the fact that the matter has not been addressed with due seriousness by the Ministries/Departments concerned, especially the Ministry of Defence, which has been incurring a high amount of excess expenditure recurringly for the last ten years (except 2015-16) in respect of various Grants/Appropriations operated by them. Though the Committee have been repeatedly pointing out in their Reports that the system of estimation of and control over expenditure is faulty, yet year after year, Parliament is being presented with a 'fait accompli' of unremitting phenomenon of excess expenditure. Viewing this fact with grave concern, the Committee urge the Ministry of Finance (Department of Economic Affairs) to devise suitable and foolproof mechanism for tightening the control over the exchequer and to deal sternly with such cases where any slackness in following the prescribed financial Rules is noticed. The Committee, nevertheless are pleased to note that the Department of Posts (during the years 2017-18 to 2019-20) and Ministry of Railways (during the years 2017-18 and 2019-20) had not incurred excess expenditure under the Grants/Appropriations operated. The Committee feel that when the Department of Posts and Ministry of Railways which have a large network throughout the country could manage their Grants in an effective way to altogether eliminate incurring excess expenditure for atleast two or three years, the other Ministries /Departments too could manage in equal measure. The Committee would, therefore, emphasize that all other Ministries/Departments should also follow the trend set by the Department of Posts as well as the Ministry of Railways for revamping their existing budgetary</p>
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			mechanism and financial control in consultation with the Ministry of Finance (Department of Economic Affairs) and Controller General of Accounts in the Ministry of Finance (Department of Expenditure) to altogether eliminate excess expenditure or ensuring containing excessive expenditure to the barest minimum under the Grants/Appropriations operated by them.
2.	2	Finance (Economic Affairs and Revenue) and Defence	The Committee further observe that in pursuance of their recommendations made in the past, National Institute of Financial Management (NIFM) have undertaken a study of the excess expenditure incurred by various Ministries/Departments during the period from 2000-2001 to 2017-18 and submitted their Report containing 12 recommendations, targeting different sectors of financial control. The recommendations as contained in NIFM Report are at various stages of implementation by the Ministry of Finance (Department of Economic Affairs) as well as the other Ministries/Departments. Considering the unabated trend of incurring excess expenditure, the Committee emphasize that in pursuance of the NIFM recommendations, necessary steps may be taken by the Ministry of Finance (Department of Economic Affairs) to implement the same at the earliest so that tendency of incurring high amount of excess expenditure year after year is curbed. Necessary guidelines need to be framed and instructions issued in this regard to all the Ministries/Departments. The Committee would desire to be apprised of the specific measures initiated in this connection.
3.	3	Finance (Economic Affairs and Revenue) and Defence	The Committee note with concern that during the Financial Year 2019-20, excess expenditure was incurred in respect of all the three Grants/Appropriations even after obtaining high amounts of Supplementary

			<p>Grants by the Ministries/Departments concerned to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these cases ranged from 10.04 percent (Grant No-20-Capital Outlay on Defence Services (Capital-Charged) to 79.77 percent [Grant No.31 - Department of Revenue (Revenue-Voted)]. From the scrutiny of Grant-wise position of obtaining Supplementary Grants and excess expenditure incurred thereafter, the Committee notice that the Supplementary Grant to the tune of ₹ 3.34 crore was allocated for Grant No-21 operated by the Ministry of Defence in the Civil Sector but this amount was short by ₹ 2.00 crore. In case of Grant No. 31 operated by Ministry of Finance (Department of Revenue) under Civil Sector, though Supplementary Grant of ₹ 40030.77 crore was obtained, yet an excess expenditure of ₹ 31934.48 crore was incurred. Similarly, the only excess registering Grant pertaining to Defence services i.e. Grant No-20-Capital Outlay on Defence Services obtained a Supplementary Grant of ₹ 6988.46 crore. Despite the grant, the actual expenditure exceeded the budgetary provision by ₹ 701.31 crore. The trend of incurring excess expenditure even after obtaining Supplementary Grants persists year after year despite the recourse to obtaining Supplementary Grants on three occasions. The Committee are astonished to note that budget provisions are still not made with requisite precision even at the Supplementary Grants stage. This is despite the recommendations of PAC and instructions issued by the Ministry of Finance (Department of Economic Affairs) in this regard as follow up. From the Action Taken Note on Para 1 of 24th Report of PAC (17th Lok Sabha), the Committee find that the Ministry of</p>
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			<p>Finance (Department of Economic Affairs) did not agree with the recommendation of NIFM regarding restricting the number of Supplementary Grants in a year, as, according to them, this will restrict expenditure on New Services/New Instruments of Services. In their Action Taken Report thereon [50th Report (17th Lok Sabha)] while observing that Ministry of Finance are unable to check this recurring phenomenon of incurring excess expenditure even after obtaining Supplementary Grants, the Committee opined that if Ministries/Departments work with prudence, expenditure on New Services/New Instruments of Services can be planned and included in the Budgetary/ Supplementary Grants provisions and the need for three Supplementary Grants in a year can be avoided. The Committee, therefore, emphasized that the recommendation made by NIFM in this regard should be taken in right spirit and with due seriousness and necessary arrangements made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&amp;AG and Controller General of Accounts. While reiterating this recommendation, the Committee would like to be apprised of the Action Taken by the Ministry of Finance in this regard and desire that the Ministry should formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained. Strict instructions be given to the Budget Controlling Authorities of the defaulting Ministries/Departments to scrupulously adhere to this principle.</p>
4.	4	Finance (Economic Affairs) and Defence	<p>The Committee find that in contravention of Article 114 (3) of the Constitution and General Financial Rule (GFR) 52(3), the incurrence of excess expenditure has</p>

			<p>been a recurring phenomenon in the past. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in Civil sector, the excess expenditure which was reduced to a considerable extent i.e. from ₹ 92461.31 crore in 2017-18 to ₹ 0.22 crore in 2018-19 escalated to ₹ 31934.48 crore during the Year under review i.e. 2019-20. Further, in regard to the trend of excess expenditure incurred under the Grants/Appropriation operated by Ministry of Defence during the last four years, the Committee observe that recurring excess expenditure under Grant No. 21- Capital outlay on Defence Services had incurred during the years, 2016-17 to 2019-20. The excess expenditure which was ₹ 104.55 crore under this Grant during the year 2016-17, witnessed a sudden increase to the tune of ₹ 3552.72 crore during 2017-18. Though, it was reduced to ₹ 1257.29 in 2018-19 nevertheless, the amount has been in excess of ₹ 1000 crore. Now, during the year under review, the amount of excess expenditure under this Grant has been reduced to ₹ 701.31 crore, which is not very low. Thus, the scrutiny of excess expenditure incurred during the last ten years is indicative of the fact that sincere and effective measures remain to be taken by the Ministries/Departments concerned to make their budgetary mechanism strong enough to avoid excess expenditure under the Grants/Appropriations operated by them. The Committee would also like to be kept informed of the measures taken by each Ministry/Department to implement the recommendations of NIFM with a view to tightening their financial control and avoid recurring excess expenditure in future.</p>
5.	5	Finance (Revenue)	As brought out in the preceding paragraphs, during the financial year

			<p>2019-20, the Ministry of Finance (Department of Revenue) incurred an excess expenditure of ₹ 31934.48 crore under Revenue-Voted section of Grant No-31 - Department of Revenue. Excess expenditure under Revenue- Voted section of this Grant incurred even though Supplementary Grant of ₹ 40030.77 crore was obtained. According to the Ministry of Finance (Department of Revenue), as per GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on bi-monthly basis to the States/UTs. The quantum of GST compensation required is based upon collection trends of SGST/IGST and the subsumed tax collection by States/UTs. Therefore, it is difficult to assess the actual budget requirement, as the same is dependent upon variable data received from States on a bi-monthly basis. The Committee further observe that the Department of Revenue took only one Supplementary Grant of ₹ 40030.77 crore in March, 2020 i.e. at the fag end of the financial year. The Committee are perturbed to note that the reply of the Ministry is silent on the reasons for not assessing their actual requirement of funds on a continuous basis in the financial year and also at the stage of seeking Supplementary Grant. The Committee are of the view that had a precise assessment of funds required to cover the impending excess expenditure been made and adequate supplementary provisions sought from Parliament in the first two occasions, the excess expenditure under this Grant could very well have been avoided. Unfortunately, the Supplementary Grant i.e. Rs.40030.77 crore finally obtained could not meet the additional requirement under this Grant thereby leaving the balance amount for regularization by Parliament. Barring unforeseen circumstances, it is not</p>
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			<p>expected of any Ministry to cross their financial limits even after having huge amounts of Supplementary Provisions as has happened in this case. The Committee are again astonished to note that the Ministry of Finance (Department of Revenue) also surrendered ₹ 1420.59 crore under this Grant. While taking a serious view of the apparently casual attitude of the Ministry of Finance (Department of Revenue) in operating this Grant, the Committee desire that the reasons for failure in making realistic assessment of funds requirement be analysed so as to enable in taking timely action for ensuring adequate provision of funds under this Grant and monitor the progress of expenditure and smooth flow of expenditure within the provisions sanctioned by Parliament in future. As regards the action taken to avoid excesses under this Grant, the Ministry in their Explanatory Note, have submitted that apportionment of entire unsettled IGST between Centre and States/UTs in the ratio of 50:50 at the end of each financial year will ensure non-occurrence of such expenditure in future. While taking note of the assurance given by the Ministry to prevent such excesses in future, the Committee express hope that the Ministry would surely be able to overcome this situation of incurring excess expenditure in future.</p>
6.	6	Defence	<p>During the financial year 2019-20, the Ministry of Defence incurred an excess expenditure of ₹ 701.31 crore under Capital-Voted section of Grant No. 20-Capital outlay on Defence services. The excess of ₹ 701.31 crore was the net effect of total excesses of ₹ 1502.08 crore and total savings of ₹ 800.76 crore. The Committee are constrained to observe that the excess expenditure under Capital Voted section of this Grant was incurred even after obtaining Supplementary Grant</p>

			<p>of ₹ 6988.46 crore. The Committee feel that operation of this Grant is not being done conducively. The contributory reasons as submitted by the Ministry of Defence for this excess expenditure are Payments made for committed liabilities as well as initial payments for the New Scheme contracted; more expenditure on custom duty; Progress of Annual Maintenance Work plan; obligatory contractual Payments towards new ship-building contracts and higher outgo than anticipated towards milestone Payments of ongoing projects than anticipated; Obligatory contractual foreign Payments through letter of Credit (LC) as well as exchange rate variations; fast progress of works and liability of completion of critical projects on time etc. The Committee are not convinced with the reasons attributed by the Ministry of Defence for incurring excess expenditure under this Grant as these do not fall under the category of 'unforeseen' or 'unanticipated expenditure' which cannot be predicted at the time of either approaching for BE/RE stage or at the time of seeking Supplementary Grants. As the Supplementary Grant obtained by the Ministry of Defence under this Grant is too high, the Committee feel that there is some inherent defect in the operation of this Grant because the Ministry could not assess their actual requirement of funds even at the stage of Supplementary Grant year after year. The Committee are therefore, inclined to conclude that adequate attention has not been paid by the Ministry of Defence to streamline and strengthen the extant mechanism for operation of this Grant so as to tighten the budgetary control to effectively check the trend of incurring excess expenditure under this Grant.</p>
7.	7	Defence	<p>The Committee are perturbed to note that the Ministry of Defence recurringly</p>

			<p>incurred excess expenditure under this Grant during the last four years i.e. ₹ 104.55 crore in 2016-17, ₹ 3552.72 crore in 2017-18, ₹ 1257.29 crore during 2018-19 and ₹ 701.31 crore during 2019-20. Having noticed the recurring phenomenon of excess expenditure by the Ministry of Defence under this Grant, the Committee, in Para 8 of 24<sup>th</sup> Report (17th Lok Sabha) had recommended the Ministry to overhaul their budgeting mechanism and evolve an effective means to bring continual and progressive improvement in operation of their Grants in future. In their ATN on this recommendation, the Ministry of Defence apprised the Committee that they had decided to create a separate instance/Parallel Chapter in PFMS in consultation with Controller General of Accounts and in this regard an evolutionary mode of Software Development and simultaneous processing of activities is being carried out with a view to expedite the project. The Committee would like to be apprised as to whether the parallel chapter has since been created in the PFMS and outcome thereof.</p> <p>As regards the steps taken to avoid recurrence of excess expenditure under this Grant, the Committee note that the Ministry of Defence have issued routine instructions, as in the previous years, which have not produced the desired results. Thus, the Committee feel that the routine instructions issued in the past have had hardly any effect in improving the budgetary procedures and financial control under this Grant and the fresh instructions issued may also meet the same fate unless earnest measures are taken to ensure effective implementation of the instructions issued. The Committee therefore, urge Ministry of Defence to examine critically the specific steps taken towards effective implementation of the</p>
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			instructions and identify additional measures to contain/curtail the recurring phenomenon of excess expenditure under this Grant.
8.	8	Finance (Revenue) and Defence	<p>The Committee observe that the Ministry of Finance (Department of Revenue) under Revenue-Voted Section of Grant No - 31 and Ministry of Defence under Capital-Voted Section of Grant No. 20 have surrendered the funds during the financial year 2019-20 despite having incurred excess expenditure under these Grants. In case of Grant No.- 31 - Department of Revenue the Ministry of Finance (Department of Revenue) while incurring an excess expenditure of ₹ 31934.48 crore also surrendered Rs.1420.69 crore. Further, in Grant No.20 - Capital outlay on Defence Services, the Ministry of Defence surrendered ₹ 0.01 crore and incurred excess expenditure of ₹ 701.31 crore. The Committee are also perturbed to note that in both the cases, huge amounts were also obtained as supplementary grants. This clearly indicates that both the Ministries have completely failed in assessing their actual requirement of funds under these Grants. To their utter dismay, the Committee find that surrendering of funds, despite incurring excess expenditure, under the Grant No. 20 - Capital outlay on Defence Services has been a recurring feature since the financial Year 2017-18. On earlier two occasions, the Committee had emphasized upon the Ministry of Defence to devise suitable and effective measures with a view to removing inherent defects in the existing system. However, no improvement has been made in this direction. Since surrendering of funds despite having Supplementary Grant and incurring excess expenditure is a clear indication of poor budgeting and is also indicative of failure on the part of Budget Controlling Authorities, the Committee</p>

			once again urge the Ministries/Departments concerned to revamp their prevailing expenditure review mechanism so that surrendering of funds could be avoided in future.
9.	9	Finance (Economic Affairs and Revenue) and Defence	Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 12 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.