

**EXCESSES OVER VOTED GRANTS AND
CHARGED APPROPRIATIONS (2014-15)**

**PUBLIC ACCOUNTS COMMITTEE
(2016-17)**

SIXTY EIGHTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE (2016-17)

(SIXTEENTH LOK SABHA)

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Presented to Lok Sabha on:

31.03.2017

Laid in Rajya Sabha on:

31.03.2017

**LOK SABHA SECRETARIAT
NEW DELHI**

March 2017/ Chaitra 1938 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2016-2017)

Prof. K.V. Thomas

- Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Shri Richard Hay
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Janardan Singh Sigriwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri ShivKumar C. Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. *Shri Bhupender Yadav
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ajay Sancheti

*Elected w.e.f. 09.08.2016 vice Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016

SECRETARIAT

- | | | | |
|----|---------------------|---|----------------------|
| 1. | Shri A.K. Singh | - | Additional Secretary |
| 2. | Shri S.C. Chaudhary | - | Joint Secretary |
| 3. | Smt T. Jayakumar | - | Director |
| 4. | Smt Anju Kukreja | - | Under Secretary |

INTRODUCTION

I, the Chairperson, Public Accounts Committee, having been authorised by the Committee, do present on their behalf this Sixty Eighth Report (Sixteenth Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2014-15)".

2. The Union Government Appropriation Accounts (Civil) 2014-15; the Union Government Appropriation Accounts (Postal Services) 2014-15; the Union Government Appropriation Accounts of the Defence Services 2014-15; and the Report of the Comptroller & Auditor General of India for the year ended March 2015, No. 50 of 2015 for the year 2014-15, Union Government (Accounts of the Union Government) were laid on the Table of the House on 23 December, 2015, 12 May 2015, 17 December, 2015 and 22 December, 2015 respectively. The Indian Railways Appropriation Accounts Part-I — Review, 2014-15; the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts, 2014-15; the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts (Annexure-G), 2014-15; and the Report of the Comptroller & Auditor General of India for the year ended March 2015, Report No. 53 of 2015, Union Government (Railways) Railways Finances were laid on the Table of the House on 29 April, 2016.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Power, Defence, Communications and Information Technology (Department of Posts) and Railways of the Union Government in the 2014-15 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 17 March, 2017. Minutes of the sittings are given at Appendix-I.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type 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 Power, Defence, Ministries of Communications and Information Technology (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;
27 March, 2017
06 Chaitra, 1939 (Saka)

PROF. K.V. THOMAS
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 choose 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 (2014-15)

8. The details of the four Union Government Appropriation Accounts (2014-15) 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 are highlighted
1.	Civil	23.12.2015	108	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 50 of 2015, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	17.12.2015	6	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 50 of 2015, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	12.05.2015	1	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 50 of 2015, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	29.04.2016	16	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 50 of 2015, Union Government, Accounts of the Union Government, (Financial Audit) and Chapter 2 of C&AG's Report No. 53 of 2015, Union Government (Railways) Railways Finances
Total No. of Grants/Appropriations:			131	

9. In this Report, the Committee have examined the cases of those Grants/Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2014-15 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 (2014-15)

10. Scrutiny of the four Appropriation Accounts (2014-15) revealed that, there was an excess disbursement of ₹ 16201,32,63,138 (₹ 16201.33 crore) over the authorization from the CFI during 2014-15. There was an excess disbursement of ₹ 15640,54,83,430 (₹ 15640.55 crore) in five segments of three Grants/Appropriations in Civil Ministries/Departments, ₹ 13,498 (₹ 0.13 lakh) in one segment of one Grant of Defence Services; ₹ 70,40,85,092 (₹ 70.41 crore) in one segment of one grant of Posts and ₹ 490,36,81,118 (₹ 490.37 crore) in six segments of six Grants/Appropriations of the Ministry of Railways. These are illustrated below in a tabular form:

(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	3	5	15640,54,83,430
2.	Defence Services	1	1	13,498
3.	Posts	1	1	70,40,85,092
3.	Railways	6	6	490,36,81,118
Total		11	13	16201,32,63,138

(a) Details of Excess Disbursement over Voted Grants/Charged Appropriations (2014-15)

11. The details of 13 cases of 11 Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2014-15 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 Pensions	Defence	O-50999,30,00,000 S- T-50999,30,00,000	60435,20,46,976	9435,90,46,976	18.50
Revenue (Charged)						
2.	20- Ministry of Defence	Defence	O-51,00,000 S-58,00,000 T-1,09,00,000	7,77,87,167	6,68,87,167	613.64
3.	21- Defence Pensions	Defence	O-70,00,000 S-9,30,00,000 T-10,00,00,000	14,54,50,236	4,54,50,236	45.45
Capital (Voted)						
4.	77-Ministry of Power	Power	O-2986,50,00,000 S-1,00,000 T-2986,51,00,000	9179,91,87,250	6193,40,87,250	207.38
Capital (Charged)						
5.	20-Ministry of Defence	Defence	O- S-6,73,00,000 T-6,73,00,000	6,73,11,801	11,801	0.02
Total (Civil) -			54003,63,00,000	69644,17,83,430	15640,54,83,430	28.96
II – APPROPRIATION ACCOUNTS – DEFENCE SERVICES						
Revenue (Charged)						
6.	26-Defence Services – Research and Development	Defence	O-61,00,000 S- T-61,00,000	61,13,498	13,498	0.22
	Total (Defence)		61,00,000	61,13,498	13,498	0.22
III – APPROPRIATION ACCOUNTS – POSTAL SERVICES						
Revenue (Voted)						
7.	13-Department of Posts	Posts	O-18141,35,00,000 S-3,44,66,00,000 T-18486,01,00,000	18556,41,85,092	70,40,85,092	0.38
	Total (Postal Services)		18486,01,00,000	18556,41,85,092	70,40,85,092	0.38

IV APPROPRIATION ACCOUNTS - RAILWAYS						
Revenue (Voted)						
8.	02- Miscellaneous Expenditure (General)	Railways	O-831,45,00,000 S-0 T-831,45,00,000	901,52,58,724	70,07,58,724	8.43
9.	14- Appropriation to Funds- Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund	Railways	O-41478,74,00,000 S-2814,72,00,000 T-44293,46,00,000	44679,93,94,144	386,47,94,144	0.87
Revenue (Charged)						
10.	03-Working Expenses- General Superintendence and Services-	Railways	O-0 S-1,37,33,000 T-1,37,33,000	1,37,56,862	23,862	0.17
11.	07-Working Expenses- Repairs and maintenance of Plant and Equipment	Railways	O-0 S-3,15,000 T-3,15,000	49,61,509	46,46,509	1475.08
12.	13- Working Expenses- Provident Fund, Pension and other Retirement benefits	Railways	O-55,50,000 S-10,13,000 T-65,63,000	86,64,513	21,01,513	32.02
Capital (Voted)						
13.	16-Assets- Acquisition, Construction and Replacement- Railway Safety Fund	Railways	O-2198,00,00,000 S-1,89,65,000 T-2199,89,65,000	2233,03,21,366	33,13,56,366 [†]	1.51
Total (Railways)			47326,86,76,000	47817,23,57,118	490,36,81,118	1.04
Grand Total			119817,11,76,000	136018,44,39,138	16201,32,63,138	13.52

12. The above statement reveals that out of three cases of excess expenditure incurred under the Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Defence under Grant No. 21 - Defence Pensions incurred excess

[†] There was an excess expenditure of ₹ 33,13,56,366 under this Grant. However, taking into account the misclassification of ₹ 6,62,56,108 the actual excess expenditure requiring regularization works out to ₹ 39,76,12,474.

expenditure of ₹ 9435.90 crore which is 60.33% of total excess expenditure incurred by the Civil Ministries/Departments during the year 2014-15. Further, Ministry of Power under Capital-voted Section of Grant No. 77 also incurred excess expenditure of ₹ 6193.41 crore which is 39.59 % of the total excess expenditure incurred by the Civil Ministries/Departments. In case of Postal Services, an excess of ₹ 70.41 crore was incurred under Grant No. 13- Department of Posts which is 0.45 percent of total excess expenditure incurred. In the case of Grants/Appropriations administered by the Ministry of Railways, an excess expenditure of ₹ 490.40 crore (Before misclassification of expenditure) i.e. 3.03% of total excess expenditure was incurred in 6 cases.

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

13. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2014-15 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 expenditure of ₹ (+) 6,62,56,108 under Grant No. 16 - Assets-Acquisition Construction and Replacement -Railway Safety Fund. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2014-15 works out to ₹ 496,99,37,226 instead of ₹ 490,36,81,118 as indicated in Indian Railways Appropriation Accounts (2014-15).

(c) Total Actual Excess Expenditure for the financial year 2013-14 requiring regularization under Article 115(1)(b) of the Constitution.

14. Thus, the total amount of actual excess expenditure incurred during the financial year 2014-15, which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 16207,95,19,246 incurred in 13 cases of 11 excess registering Grants/Appropriations.

15. While furnishing the reasons for incurring excess expenditure during the year 2014-15, the Ministries/Departments concerned in their written replies submitted as follows:-

(d) Explanation of the Ministry of Power (Grant No. 77)

The excess expenditure under this Grant was occurred due to issue of bonus debentures by National Thermal Power Corporation of India Limited.

II. DEFENCE SERVICES

Explanation of the Ministry of Defence (Grant No. 26 Defence Services - Research and Development)

The excess expenditure under this Grant was occurred mainly due to settlement of more number of Court cases than anticipated.

III. POSTAL SERVICES

Explanation of the Department of Posts (Grant No. 13 - Department of Posts)

The excess expenditure under this Grant was incurred mainly due to increased expenditure under Pay and Dearness Allowance, Wages, Domestic Travel Expenses, Office Expenses, Rents, Rates and Taxes, Revision of Mail Rates, higher number of retirements etc.

III. RAILWAYS

Explanation of the Ministry of Railways on excess expenditure under Grants No. 02,14 & 16 Railway Safety Fund and Appropriations No. 03,07 and 13 is given as under:

(i) Grant No. 02 - Miscellaneous Expenditure (General)

Due to incurrence of more expenditure towards staff cost and retirement benefits during the year than anticipated, more expenditure towards staff cost than anticipated and more expenditure towards Miscellaneous charges, than anticipated.

(ii) Grant No. 14 - Appropriation to Funds- Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund

Due to availability of higher surplus by the end of the year.

(iii) Grant No. 16 - Assets- Acquisition, Construction and Replacement- Railway Safety Fund

Due to more progress of some works over various Zonal Railways during the year, than anticipated.

(iv) The excess expenditure under Appropriations No. 03, 07 and 13 - was incurred due to materialization of more decretal payments, than anticipated.

(c) Excess Expenditure despite obtaining Supplementary Grants

16. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2014-15, out of 13 cases of excess registering Grants/Appropriations, the excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in the following 10 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(charged)				
1.	20- Ministry of Defence	58,00,000	6,68,87,167	1153.23
2.	21-Defence Pensions	9,30,00,000	4,54,50,236	48.87
Capital (Voted)				
3.	77-Ministry of Power	1,00,000	6193,40,87,250	61934087.25
Capital (charged)				
4.	20-Ministry of Defence	6,73,00,000	11,801	0.02
Total (Civil)		1662,00,000	6204,64,36,454	37332.39
II. APPROPRIATION ACCOUNTS - POSTAL SERVICES				
Revenue (Voted)				
5.	13-Department of Posts	3,44,66,00,000	7040,85,092	20.43
Total (Posts)		3,44,66,00,000	70,40,85,092	20.43
III. APPROPRIATION ACCOUNTS - RAILWAYS				
Revenue (Voted)				
6.	14- Appropriation to Funds- Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund	2814,72,00,000	386,47,94,144	13.73
Revenue (Charged)				
7.	03-Working Expenses-General Superintendence and Services	1,37,33,000	23,862	0.17

8.	07-Working Expenses-Repairs and maintenance of Plant and Equipment	3,15,000	46,46,509	1475.08
9.	13-Working Expenses-Provident Fund, Pension and other Retirement Benefits	10,13,000	21,01,513	207.45
Capital (Voted)				
10.	16-Assets-Acquisition, Construction and Replacement-Railway Safety Fund	189,65,000	33,13,56,366	1747.20
TOTAL (Railways)		2818,12,26,000	420,29,22,394	14.91
Grand Total		3179,40,26,000	6695,34,43,940	210.58

17. Scrutiny of the above statement has revealed that in the fiscal year 2014-15, relatively huge amount of excess expenditure was incurred even after obtaining large sums as Supplementary Grants. Supplementary Grants to the tune of ₹ 16.62 crore was allocated for the three excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 6204.64 crore. In Postal Services, Supplementary Grants to the tune of ₹ 344.66 crore was allocated for one excess registering Grant, yet an excess expenditure of ₹ 70.41 crore was incurred. In respect of Railways, out of 6 cases of excess registering Grants/Appropriation, Supplementary Grant of ₹ 2818.12 crore was obtained in 5 cases, still an excess expenditure of ₹ 6695.34 crore was incurred.

(f) Recurring Excess Expenditure

18. 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)
2005-06	8	97062.69	2	44.84	1	97.65	11	2322.46	22	99527.64
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	3066.86	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 (year under review)	3	15640.55	1	0.001	1	70.41	6	496.99	11	16207.95

19. 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. It is further revealed that though there had been considerable decline in excess expenditure incurred by the Civil Ministries/Departments during the year 2013-14 there was an increase during the year 2014-15.

(g) Persistent excess in Grants/Appropriations

20. A scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2010-11 to 2014-15 revealed that in six segments of five Grants/Appropriations persistent excesses occurred in 2014-15 and at least in three years out of previous four years' period for which analysis was made. The Grant-wise and year-wise details of persistent excesses against allocations are given below:

(Amount in ₹)

Sl.No.	Description of Grant/Appropriation	2010-11	2011-12	2012-13	2013-14	2014-15
Civil Revenue (Voted)						
1.	21- Defence Pensions Excess- Expenditure- Grant-	3336,30,72,983 37336,05,72,983 33999,75,00,000	3568,81,46,182 37568,56,46,182 33999,75,00,000	3863,71,24,944 43362,89,24,944 39499,18,00,000	--	9435,90,46,976 60435,20,46,976 50999,30,00,000
Revenue (Charged)						
2.	21- Defence Pensions Excess- Expenditure- Appropriation-	10,74,960 35,74,960 25,00,000	28,54,467 82,54,467 54,00,000	3,99,60,400 4,81,60,400 82,00,000	74,86,943 4,97,86,943 4,23,00,000	4,54,50,236 14,54,50,236 10,00,00,000
Railways Revenue (Charged)						
3.	03- General Superintendence and Services Excess- Expenditure- Appropriation-	20,97,842 36,49,842 15,52,000	27,29,201 30,34,201 3,05,000	41,82,995 42,73,995 91,000	38,47,888 88,78,888 50,31,000	23,862 1,37,56,862 1,37,33,000
4.	07- Repairs and Maintenance of Plant and Equipment Excess- Expenditure- Appropriation-	1,49,045 4,64,045 3,15,000	--	2,11,968 2,28,968 17,000	385 61,385 61,000	46,46,509 49,61,509 3,15,000
5.	13 - Provident Fund, Pension & other Retirement Benefits Excess- Expenditure- Appropriation-	--	4,09,113 62,67,113 58,58,000	15,63,329 73,83,329 58,20,000	16,38,105 74,45,105 58,07,000	21,01,513 86,64,513 65,63,000
Posts Revenue (Voted)						
6.	13 - Department of Posts Excess- Expenditure- Appropriation-	366,63,29,167 13793,26,29,167 13426,63,00,000	400,03,82,246 14162,36,82,246 13762,33,00,000	160,13,57,173 15480,62,57,173 15320,49,00,000	--	70,40,85,092 18556,41,85,092 18486,01,00,000

21. Scrutiny of the above statement revealed that the Ministry of Defence under Grant No. 21 Defence Pensions, had incurred excess expenditure recurringly for the years 2010-11 to 2014-15 under Revenue-Charged Section of the Grant. Further, under Revenue - Voted section of this Grant, the Ministry of Defence incurred excess

expenditure of more than ₹ three thousand crore during the years 2010-11 to 2012-13 and more than ₹ nine thousand crore in 2014-15. In the case of Postal Services, Department of Posts under Grant No. 13 incurred recurring expenditure for the years 2010-11 to 2012-13 and 2014-15. In the case of Grants/Appropriations operated by the Ministry of Railways it has been observed that recurring excess expenditure under Appropriation No. 03 – General Superintendence & Services had been incurred for the last five years i.e. from 2010-11 to 2014-15. Grant No. 13 – Provident Fund, Pension and other Retirement Benefits had also incurred recurring excess expenditure during the years 2011-12 to 2014-15.

(h) Recurring excess expenditure by the Ministry of Defence

22. Scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last ten financial years i.e. 2005-06 to 2014-15 indicated that the Ministry of Defence had been incurring recurring excess expenditure under the Grants/Appropriations operated by them as detailed below:

Sl. No.	Year	No. & Name of Grant/ Appropriation	(In unit of ₹) Amount of Excess Expenditure
1.	2005-06	23 – Defence Services - Army (Revenue-Charged)	2,08,34,112
		25 – Defence Services - Air Force (Revenue Voted)	42,75,63,997
2.	2006-07	22 – Defence Services -Army (Revenue-Voted)	667,16,95,590
3.	2007-08	22 – Defence Services -Army (Revenue-Voted)	71,18,78,075
4.	2008-09	19- Ministry of Defence (Revenue Voted)	27,49,86,122
		20 – Defence Pensions (Revenue-Voted)	13,32,985
		23- Defence Services – Air Force (Revenue-Voted)	610,36,59,389
		24- Defence Ordnance Factories (Revenue-Voted)	132,24,87,268
5.	2009-10	20 – Ministry of Defence (Revenue-Voted)	95,31,73,097
		21 – Defence Pensions (Revenue-Voted)	8999,54,01,305
		22 – Defence Services -Army (Revenue-Voted)	2464,11,11,895

		23 – Defence Services -Navy (Revenue-Voted)	150,51,03,457
		22 – Defence Services -Army (Revenue-Charged)	60,42,498
6.	2010-11	21 –Defence Pensions (Revenue-Voted)	3336,30,72,983
		21 – Defence Pensions (Revenue-Charged)	10,74,960
		22 – Defence Services -Army (Revenue-Voted)	2864,01,52,379
		23 – Defence Services -Navy (Revenue-Voted)	138,84,60,256
		25 – Defence Ordnance Factories (Revenue-Charged)	1,16,34,961
		27-Capital Outlay on Defence Services	1235,31,94,576
7.	2011-12	21 –Defence Pensions (Revenue-Voted)	3568,81,46,182
		21 – Defence Pensions (Revenue-Charged)	28,54,467
		24 – Defence Services –Air Force (Revenue-Voted)	567,90,83,321
8.	2012-13	21 – Defence Pensions (Revenue – Voted)	3863,71,24,944
		21 – Defence Pensions (Revenue – Charged)	3,99,60,400
		22 – Defence Services – Army (Revenue – Charged)	176,60,35,739
		23 – Defence Services – Navy (Revenue – Charged)	9,56,80,239
		24 – Defence Services – Air Force (Revenue -Charged)	9,36,28,914
9.	2013-14	20 – Ministry of Defence (Revenue – Voted)	35,88,89,749
		21 – Defence Pensions (Revenue – Charged)	74,86,943
		23 – Defence Services – Navy (Revenue – Voted)	120,40,30,532
		24 – Defence Services – Air Force (Revenue -Voted)	186,72,28,987
		25 – Defence Ordnance Factories – (Revenue -Voted)	425,73,40,471
		25- Defence Ordnance Factories (Revenue –Charged)	85,94,831
10.	2014-15 (Year under Review)	20 – Ministry of Defence (Revenue – Charged)	6,68,87,167
		20 – Ministry of Defence (Capital – Charged)	11,801
		21 – Defence Pensions (Revenue – Voted)	9435,90,46,976

	21 – Defence Pensions – (Revenue – Charged)	4,54,50,236
	26 – Defence Services – Research and Development	13,498

(C) EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

23. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2014-15 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon, Explanatory Notes furnished by the Ministries/Departments concerned and the written replies received from the Ministries/Departments concerned.

(a) APPROPRIATION ACCOUNTS – CIVIL

24. An excess disbursement of ₹ 15640.55 crore was incurred in 3 Grants/Appropriations pertaining to the Civil Ministries/Departments during the Financial Year 2014-15. The Grant/Appropriation-wise details and the contributory reasons for the excess expenditure as stated by the Ministries/Departments concerned are as follows:

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred (₹ in crore)	Contributory reasons as stated by the Ministry/Department concerned
Revenue (Voted)			
1.	21- Defence Pensions	9435.90	Due to induction of more number of retirees and booking of pending pension scrolls received from banks to clear amount under suspense.
Revenue (Charged)			
2.	20-Ministry of Defence	6.69	Due to requirement of additional funds towards salaries owing to Court's order.
3.	21- Defence Pensions	4.55	Mainly due to judgement of court cases.
Capital- Voted			
4.	77 – Ministry of Power	6193.41	Due to issue of bonus debentures by National Thermal Power Corporation of India Limited.
Capital (Charged)			
5.	20-Ministry of Defence	0.001	Due to settlement of full payment of contractors as per court directives.
Total		15640.55	

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

25. During the Financial Year 2014-15, the Ministry of Defence incurred an excess expenditure of ₹ 9435.90 crore under Revenue (Voted) section of Grant No. 21- Defence Pensions.

26. Under Revenue Section (Voted) of Grant No. 21 – Defence Pensions (Civil) for 2014-15, the total provision was ₹ 50999.30 crore. Against the total Grant, the expenditure of ₹ 60435.20 crore was incurred resulting in excess expenditure of ₹ 9435.90 crore. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced at Annexure-I to this Report.

27. 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 ₹ 104890.54 crore less total savings of ₹ 1053.64 crore under various Sub-Heads of the Grant. The Sub-Heads under which the excess expenditure of ₹ 5.00 lakh and above incurred and reasons thereof as attributed by the Ministry of Defence are given below:

Sl. No.	Sub-Head	Amount of excess expenditure incurred (₹ in crore)	Contributory reasons as stated by the Ministry
1.	2071.02.101.01 Pension and other Retirement Benefits	9486.99	Due to induction of more number of retirees and booking of Pending Pension scrolls received from banks to clear amount under suspense.
2.	2071.02.102.01 - Pension and other Retirement Benefits	363.28	Due to booking of Pending Pension scrolls received from banks to clear amount under suspense.
3.	2071.02.102.03 - Leave Encashment	22.05	Due to more earned leave at credit of retirees.
4.	2071.02.103.01 - Pension and other Retirement Benefits	584.72	Due to booking of pending Pension Scrolls received from banks to clear amount under suspense.
5.	2071.02.103.03 - Leave Encashment	32.50	Due to requirement of additional funds towards re-fixation of pay, stepping up of cases and increase in number of final settlement, Modified Assured

			Career Progression Scheme, Local discharge and death cases.
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28. In their 36th Report (16th Lok Sabha), the Committee had observed that existing budgeting mechanism in Ministry of Defence still suffers from various loopholes and lacunae which are negating the attempts of the Government to exercise strict control on the progress of expenditure.

29. In response thereto, the Ministry of Defence in their Action Taken Note submitted as under:

- (i) New computer application for pension sanction is being developed to create pension data base at the time of issue of PPOs.
 - (ii) In order to automate disbursement and accounting of pension payments made by department PDA i.e. DPDO, a web based on line application has been implemented in all 61 DPDOs.
 - (iii) Pension disbursement agencies viz. Banks have been approached for transmission of pension payment data electronically so as to enable PCDA (P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification & accounting system.
- The latest instructions to avoid excess expenditure were issued by MoD(Fin) vide ID No. 2(6)/MO/2013-14/656 dated 30.09.2013, vide MoD(Fin) ID No. 2(6)/MO/2013/848 dated 22.10.2014 & subsequently vide MoD (Fin) ID No. 2(6)/MO/2015 dated 04.09.2015 advising the user Department to adopt utmost caution and accuracy while estimating requirement of funds for Budget Estimates and Revised Estimates after taking into account the instructions issued by Ministry of Finance from time to time and adhere to the expenditure control during the current/ensuing financial year as well. Further it was also advised to (i) ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure & (ii) detailed reasons, by giving the numerical impact in respect of each components of the respective details/sub-head, should invariably be

recorded where the estimation are increased or decreased by 10 per cent or more with reference to the actual expenditure during the last financial year.

- Also, as per the directions of Ministry of Finance, to review the existing arrangement of Reporting and Accounting of Defence Pensions, an Internal Audit was conducted by O/O the CGDA, and a brief report was furnished vide their letter No. A/B/I/9130-Study Report.2012 dated 11.05.2012 wherein various measures to improve the system were suggested by O/o the CGDA. The report was forwarded to Ministry of Finance vide this Office ID No.2(8)/REBE/MO/2009/187 dated 19.06.2012. The following recommendations/suggestions contained in the Report have been initiated:

- (i) The issue of incorrect or invalid PPO Nos. missing details in the scrolls has been taken up with banks specifically with SBI, the largest PDA.
 - (ii) PCDA(P), Allahabad has been asked to take into account pending scrolls of the previous years while estimating budget for the next years.
 - (iii) The office has undertaken an exercise, named 'Project Sangam', in order to create an up-to-date Pensions database in collaboration with PCDA(P), Allahabad and various pension disbursing agencies.
 - (iv) PCDA (P) has taken up with Banks to provide Pension payment scrolls on electronic format.
 - (v) Further, Department of Banking, Ministry of Finance, GOI has proposed to form a committee for working out uniform format for transfer of pension payment data by the banks on electronic format and manner of data exchange.
- Regarding completion of digitization of up-to-date pension database of 23 lakh pensioners, it is mentioned that O/o the CGDA vide their letter No. A/B/I/0107/AA-DP/2013-14 dated 14/10/2014 intimated that the digitization process has been completed during the month of September 2014. Regarding implementation of 'Pension Accounting System' it is mentioned that the application for using electronic scrolls has been successfully implemented by PCDA(P) Allahabd w.e.f. November 2013.
 - In short, implementation of the following measures to strengthen budgetary mechanism, will significantly reduce the time-lag between

payment of pensions by the banks, the receipt of scrolls and accounting thereof by the PCDA(P) Allahabad and also improve preparation of budget estimates for Defence pensions:

(a) Computerized Database of Pensioners

Computerization of pensioners data in respect of old defence pensioners has been completed, implementing "Project Sangam", which aimed at issue of Corrigendum PPOs in respect of pre-2006 defence pensioners. Further, pension sanction system has been fully computerized and implemented in PCDA (P) Allahabad. This database of pensioners is available for improved budget estimation and accounting.

(b) Pension Accounting System

E-pension accounting system using electronic scrolls has been successfully implemented by PCDA (P) Allahabad w.e.f. November 2013. Out of 29 banks disbursing defence pensions, three major banks accounting for 70 percent (approx.) pension payments namely State Bank of India, Punjab National Bank and Allahabad Bank are submitting e-scrolls regularly in proper format and expenditure is being booked on current basis through the computerized system. Out of total 29 Public Sector Banks covered under Pension Accounting System, 22 banks have fully implemented submission of electronic scrolls while the remaining 7 banks are in the process. This will ensure a robust and efficient pension accounting system.

(c) Statutory audit by C&AG on "Accounting system of Defence Pensions"

Moreover, Ministry of Finance also favoured a statutory audit to be done by C&AG on "Accounting system of Defence Pensions", so that any lack of control in the financial reporting is clearly brought out through the audit process. Audit by C&AG would also assist the Government in taking necessary corrective action to address any lack of internal controls in the Pension reporting system. The advise of the Ministry of Finance has been agreed to by Ministry of Defence (Fin.) and presently O/o DGA DS is conducting a statutory audit on 'Accounting system of Defence Pensions', the outcome of the same is yet to be received by this Ministry.

Grant No. 77 - Ministry of Power

30. During the Financial year 2014-15, the Ministry of Power incurred an excess expenditure of ₹ 6193.41 crore under Capital (Voted) section of Grant of 77 - Ministry of Power.

In the capital section of the grant, although Supplementary Grant of ₹ 1.00 lakh was obtained in March 2015 and an amount of ₹ 1532.36 crore was surrendered, the expenditure exceeded the sanctioned provision by ₹ 6193.41 crore. The Explanatory Note furnished by the Ministry of Power in this regard has been reproduced at Annexure - II to this Report.

Scrutiny of Appropriation Accounts revealed that the excess expenditure under this section of the Grant occurred under the following major heads:-

- (i) Under Major Head "4801" - "Diesel/Gas Power Generation - Investments in Public Sector and other undertakings - North Eastern Electric Power Corporation" - excess of ₹ 41.03 crore (against nil provision) was due to re-appropriation of funds from Major Head "4552" to functional heads for utilisation on projects/schemes for the benefit of North Eastern Region and Sikkim.
- (ii) Under Major Head "6801" - Loans to Public Sector and other undertakings - Loans to National Thermal Power Corporation of India Ltd." - excess of ₹ 7725.77 crore (against Nil provision) was due to issue of Bonus debentures by National Thermal Power Corporation of India Limited at the fag end of the year.

31. Explaining the reasons for the aforesaid excess expenditure, the Ministry of Power in their explanatory notes have submitted as under:

"National Thermal Power Corporation limited (NTPC) has issued Bonus Debentures to its share holders in the ratio of one debenture of ₹ 12.50 each, for every equity share of faco value of ₹ 10.00 each. On the date of issue of these bonus debenture Government of India had 74.96% share (₹ 6180.61 crore) in the total paid up capital (₹ 8245.46 crore) of NTPC. Hence total 618,06,14, Bonus Debenture amounting to ₹ 77,2576,87,250/- were received by Government of India on 26th March 2015.

It is once again emphasized that the receipt under the major head 4000 and expenditure under the major head 6801 are notional as well as counter balanced and no actual cash has been received or disbursed. But the

transaction has resulted into actual loan to NTPC from Government of India. NTPC as on date owes an amount of ₹ 7725.77 crore to Government of India with applicable rate of interest.

The excess is purely on account of receipt of Bonus Debenture from NTPC. There has not been any actual cash outgo in excess of the approved budget."

(b) APPROPRIATION ACCOUNTS - POSTAL SERVICES
Grant No - 13 - Department of Posts

32. Under Revenue (voted) section of Grant No - 13 Department of Posts for the year 2014-15, the original provision was ₹ 18141.35 crore. This was augmented to ₹ 18486.01 crore by obtaining Supplementary Grant of ₹ 344.66 crore. Against this, the expenditure of ₹ 18556.42 crore was incurred resulting in excess expenditure of ₹ 70.41 crore.

33. The sub-heads under which the excess expenditure of ₹ 5 crore and above incurred and reasons thereof are explained as under:

Sl. No.	Sub-Head	Amount of excess expenditure incurred (₹ in crore)	Contributory reasons as stated by the Ministry
1.	3201-01-101-03 - Postal Divisions	90.05	Due to increase in the expenditure on account of hike in dearness allowance, annual increment, MACP, Leave encashment for LTC etc.
2.	3201-02-101-01 - Existing Post Offices	116.83	Due to increase in rate of electricity charges, cost of Stationery, increased expenditure under wages for outsourced work etc.
3.	3201-02-101-10 - Gramin Dak Sewak	175.44	Due to higher payment under salaries head on account of increase in allowances and commissions etc.
4.	3201-02-103-02-01 - Air Professional Services for ordinary Services	10.79	Due to rise in traffic and revision of mail rates by CAB (Cost Advisory Board) of the Ministry of Finance

5.	3201-02-103-04 - Department Mail Motor Services (Ordinary Services)	5.77	Due to increase in cost of fuel and other materials
6.	3201-02-103-06 - Department Mail Motor Services (others)	15.61	Due to higher expenditure under salaries, office expenses, PPS, OC etc than anticipated.
7.	3201-03-101-03 - Small Saving work in Head Post Offices	21.61	Due to more expenditure than anticipated under salaries head on account of hike in dearness allowances, annual increment, Leave Travel Concession claims, Modified Assured Career Progressive Scheme etc.
8.	3201-04-101-01 - Cost of Pay and allowance of Audit Staff	14.14	Due to more than anticipated expenditure under salaries, dearness allowances, annual increment, Leave encashment during LTC etc.
9.	3201-04-101-03 - Deduct Amount transferred to AG Audit suspense (Internal Branch Transfer)	11.19	Due to actual adjustment as per prescribed share of Pay & allowances paid to P&T Audit staff.
10.	3201-05-053-01 - Building Maintenance	11.73	Due to increase in labour cost and material cost for repairs and maintenance of large number of buildings (both PO staff quarters and Administrative)
11.	3201-07-101-01 Superannuation and retirement allowances	84.82	Due to higher number of retirements on VRS and hike of dearness allowances rates than anticipated.
12.	3201-07-101-03 Pension - Payment to Pensioners of erstwhile combined P&T	5.17	Due to actual adjustment/pension revision.
13.	3201-07-107-01 - Family Pension	87.01	Due to higher expenditure on account of number of family Pensioners which could not be anticipated by the circles.

Apprising about the remedial action taken to eliminate instances of excess expenditure under the Grant operated by them, the Department of Posts in their written submission stated 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."

(c) APPROPRIATION ACCOUNTS -RAILWAYS

34. During the financial year 2014-15, the Ministry of Railways incurred an excess expenditure of ₹ 496.99 crore (after misclassification) in 6 cases of 6 Grants/Appropriations. The details of these excess registering Grants/Appropriations have already been given in Paragraph 11 of this Report. The Explanatory Notes furnished by the Ministry of Railways in this regard have been reproduced at Annexure -IV to this Report.

35. Scrutiny of the Explanatory Notes revealed that out of the total excess expenditure of ₹ 496.99 incurred by the Ministry of Railways during the fiscal 2014-15, the excess expenditure of more than ₹ 300 crore (₹ 386.48 crore) was incurred under Grant No. - 14 Appropriation to Funds - Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund. Detailed scrutiny of Grant No. 14 is given as under:

Grant No. 14 – Appropriation to Funds - Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund,

36. Under Grant No. 14 – Appropriation to Funds - Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund, Ministry of Railways obtained an Original Grant of ₹41478.74 crore. Subsequently, a Supplementary Grant of ₹ 2814.72 crore was obtained in March, 2015 mainly for higher appropriation to Railway Funds anticipated on account of expected improvement in the internal resource generation during the year. Against this the actual expenditure was ₹ 44679.94 crore registering thereby an excess expenditure of ₹ 386.48 crore.

37. Scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that excess expenditure under this Grant was mainly incurred under the following Funds:

- (a) Appropriation to Railway Development Fund (₹ 116.51 crore), mainly due to availability of higher surplus by the end of the year.
- (b) Appropriation to Capital Fund (₹ 314.33 crore) mainly due to availability of higher surplus by the end of the year.
- (v) 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:

Sl No.	Financial Year	No. of cases of Grants/Appropriations which recorded excesses	Amount of excess expenditure (₹ in crore)
1.	2005-06	11	2322.46
2.	2006-07	8	365.16
3.	2007-08	8	51.22
4.	2008-09	8	532.12
5.	2009-10	9	1922.84
6.	2010-11	10	3056.86
7.	2011-12	4	1049.86
8.	2012-13	8	1675.96
9.	2013-14	19	2734.91
10.	2014-15 (year under review)	6	496.99

39. Upon noticing that out of 16 Grants/Appropriations of the Ministry of Railways, 3 Grants/Appropriations have witnessed the excess expenditure consecutively for a period of three years or more, the Committee asked about the reasons thereof. In this regard, the Ministry of Railways in their written submission stated as follows:

"The excess expenditure occurred due to decretal payments not anticipated earlier/more decretal payments materialised. An Expert Group comprising senior railway officers has been notified recently dated 20.07.2016 to study persistent trend of excess expenditure with a view to find out reasons for the same and evolve a mechanism to curb instances of excess expenditure."

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

40. The Scrutiny of Explanatory Note furnished by the Ministry of Railways revealed that during the year 2014-15, there was one case of misclassification of expenditure of ₹ 6,62,56,108 under Grant No. 16 – Assets - Acquisition, Construction and Replacement - Railway Safety Fund. The comparative figures of misclassification for the last 10 years is as follows:

Sl No.	Financial Year	No. of cases of misclassification of expenditure under excess registering Grants/Appropriations	Amount involved in the misclassification of expenditure (₹ in crore)
1.	2005-06	6	26,89,31,649
2.	2006-07	5	209,80,86,273
3.	2007-08	3	1,12,71,617
4.	2008-09	6	23,54,57,552
5.	2009-10	7	30,92,58,533
6.	2010-11	9	29,70,49,848
7.	2011-12	2	174,75,509
8.	2012-13	1	571,55,478
9.	2013-14	13	15,15,23,021
10.	2014-15 (year under review)	1	6,62,56,108

PART-II

Observations/Recommendations

1. The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2014-15 has revealed that a total expenditure of ₹ 16207.95 crore was incurred in 13 cases of 11 excess registering Grants/Appropriations. The Ministries/Departments which have incurred excess expenditure during the year 2014-15 are the Ministry of Power (Grant No. 77 - Ministry of Power), the Ministry of Defence (five cases under three Grants/Appropriations i.e. Grant No. 20, 21, and 26), the Ministry of Communications and Information Technology Grant No. 13 - Department of Posts and the Ministry of Railways (six cases under five Grants/Appropriations i.e. Grant Nos. 2 and 14 and Appropriation Nos. 3, 7, 13 & 16 - Railway safety funds). The Committee note that bulk of the excess expenditure was on the Civil side viz. ₹ 15640.55 crore which is 96.50 percent of total excess expenditure incurred during the year 2014-15. The Committee further find that in the Civil side the major contributor of excess expenditure was Ministry of Defence which incurred excess expenditure of ₹ 9435.90 crore under Revenue - Voted section of Grant No. 21 - Defence Pensions which is 60.32 percent of total excess expenditure incurred by the Civil Ministries/Departments. Further, Ministry of Power under Capital - Voted section of Grant No. 77 also incurred excess expenditure of ₹ 6193.41 crore which is 39.75 percent of the total excess expenditure incurred by the Civil Ministries/Departments.

The Committee observe that the various Civil Ministries/Departments, Ministry of Defence and the Ministry of Railways have been incurring excess expenditure continuously for the last ten fiscals. However, while the excess expenditure incurred by the Ministry of Defence and Ministry of Railways has shown a considerable decline in comparison to previous year, the excess expenditure incurred by the Civil Ministries/Departments has increased from ₹ 39.59 crore in 2013-14 to ₹ 15640.55 crore in 2014-15. The Department of Posts which had not at all incurred excess expenditure during the year 2013-14, has witnessed excess expenditure to the tune of ₹ 70.41 crore during the year

2014-15. The Committee are concerned to note that in two cases pertaining to Ministries of Defence and Power, the excess expenditure was more than ₹ 5000 crore, in one case of Ministry of Railways it was more than ₹ 300 crore and in five cases (one pertaining to Department of Posts and other four to Ministry of Railways) it was more than ₹ 20 crore. Though the Committee are aware of the difficulties faced by the Ministries/Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring excess expenditure to the tune of thousands of crore, year after year, despite the provision for obtaining supplementary Grants three times in a financial year is untenable and cannot be attributed to unforeseen factors or the extra ordinary situations alone. While deprecating the persisting trend of excess expenditure the Committee recommend that the Ministry of Finance make it incumbent upon the Financial Advisers and Budget Controlling Authorities to monitor the pace of expenditure and to invoke the provision of supplementary demands judiciously to ensure observance of strict fiscal discipline in order to avoid recurrence of excess expenditure in future.

In order to obviate recurring phenomenon of excess expenditure, the Public Accounts Committee in their 36th Report (16th Lok Sabha) had desired to immediately constitute an Expert Group in each Ministry/Department representing all the budget controlling authorities with a mandate to submit its findings within a period of six months. The Committee also desired that the Expert Group should undertake a thorough study of the instances where expenditure had exceeded the budgetary allocations during the last five years. However, no steps in this regard have been taken to by the Government, so far. In case, if any, Ministry/Department has constituted such Group, no report of the Expert Group has been furnished to the Public Accounts Committee. While taking a serious view on the attitude of the Ministries in ignoring its recommendation, the Committee once again impress upon the Ministry/Department concerned to constitute such Expert Groups in each and every Ministry and furnish Report thereof to the Committee indicating the reasons for such a high excess expenditure and suggestions to obviate the same in future.

2. The Committee further observe that in six cases the percentage of excess expenditure over the total budgeted Grant was exceedingly high. These are 1475.08 percent in Appropriation No. 7 - Working Expenses - Repairs and maintenance of Plant and Equipment, 613.64 percent in Revenue - Charged Section of Grant No. 20 - Ministry of Defence, 207.38 percent in Capital - Voted section of Grant No. 77 - Ministry of Power, 45.45 percent in Revenue charged section of Grant No. 21 - Defence Pensions, 32.02 percent in Appropriation No. 13 - Working Expenses - Provident Fund, Pension and other Retirement benefits and 18.50 percent in Revenue-Voted Section of Grant No. 21 - Defence Pensions over and above the budgetary provisions sanctioned by the Parliament. Although the Constitution as well as the General Financial Rules clearly stipulate that no expenditure shall be incurred over and above the total grants or appropriations authorised by Parliament for a financial year, the Committee are constrained to observe that some Ministries/Departments still continue to display callous attitude towards the provisions of the constitution/rules laid down for containing the expenditure within the authorised limits. The Committee caution that expenditure over and above the budgetary provision sanctioned by the Parliament at different stages of the budget is a clear violation of the provisions of the Constitution, detrimental to fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. While viewing this state of affairs with grave concern, the Committee would like to emphasize that the Ministry of Finance (Department of Economics Affairs) should establish a suitable mechanism at their own level and issue instructions to all Ministries/Departments so that stricter exchequer control could be exercised by them. The Committee exhort that the Ministry of Finance may seek explanation from the defaulting Ministries/Departments for the rampant incidence of incurring excess expenditure. The Committee would also like to be apprised of the progress made in this regard within four months of the presentation of this report in Parliament.

3. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2014-15 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 expenditure of ₹ (+) 6,62,56,108 under Grant No. 16 - Assets - Acquisition, Construction and Replacement - Railway Safety Fund. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2014-15 works out to ₹ 496,99,37,226 instead of ₹ 490,36,81,118 as indicated in Indian Railways Appropriation Accounts (2014-15). Thus, the total amount of actual excess expenditure incurred during the financial year 2014-15 which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 16207,95,19,246 (₹ 16207.95 crore) incurred in 13 cases of 11 excess registering Grants/Appropriations.

4. The Committee are perturbed to observe that out of 13 cases of excess registering Grants/Appropriations the excess expenditure had been incurred even after obtaining Supplementary Grant in as many as 10 cases. The percentage of excess expenditure over the Supplementary Grant in respect of these 10 cases ranged from 0.17 percent in Appropriation No. 03 - Working Expenses - General Superintendence and Services to 61934087.25 percent under Grant No. 77 - Ministry of Power. In one case this percentage was more than six thousand percent, in three cases it was more than one thousand percent, in one case it was more than 100 percent and in three cases it was more than 10 percent. To illustrate the sector-wise details, Supplementary Grants to the tune of ₹ 16.62 crore was allocated for the three excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 6204.64 crore. In Postal Services Sector, Supplementary Grants to the tune of ₹ 344.66 crore were allocated, for one excess registering Grant yet an excess expenditure of ₹ 70.41 crore was incurred. In respect of Railways, out of 6 cases of excess registering Grants/Appropriations, supplementary Grant of ₹ 2818 crore was obtained in five cases, still an excess expenditure of ₹ 6695.34 crore was incurred. In respect of three Appropriations operated by Ministry of Railways, the quantum of excess expenditure incurred was even higher than the Supplementary Appropriation sought.

The Committee also observe that in most of these cases, the Supplementary provisions were obtained in March 2015 i.e. at the fag end of the financial year. This clearly indicates that some Ministries/Departments were unable to assess their actual requirement of funds even in the last month of the financial year. What is more perplexing is that these Ministries/Departments could not realistically assess their actual requirement of funds even after three stages of obtaining Supplementary Grant. This is a clear indication of bad budgeting as well as of the deeply pervading malice in the extant budgeting mechanism, which has resulted in lack of proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking Parliamentary approval. Thus, the Committee feel that the Ministries/Departments have been resorting to obtaining the supplementary Grants/Appropriations without conducting a proper scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee, therefore, recommend that the Ministries/Departments concerned should probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of obtaining supplementary Grants more realistic and budget controlling officers be made responsible for this act of omission. The Committee would also like the Ministry of Finance (Department of Economic Affairs) to give serious attention to this aspect and evolve an effective mechanism in coordination with budget cell of all the Ministries/Departments, C&AG of India and CGA in the Ministry of Finance (Department of Expenditure) to restrict the use of Supplementary demands only to rare and emergent cases. The Committee be apprised of the steps taken in this direction within three months of the presentation of the Report.

5. The record relating to incurring of excess expenditure during the last ten years has revealed that during the last five years i.e. from 2009-10 to 2013-14, although the excess expenditure has shown a declining trend, however, during the year under review i.e. 2014-15 the position has reversed as excess expenditure has again increased by 462% over the previous year. During the year 2014-15, though there had been decline in excess expenditure incurred by the Ministry of Defence under Appropriation Accounts - Defence Services and

Ministry of Railways, it has shown considerable increase in case of Grants/Appropriations operated by Civil Ministries/Departments. In case of Postal Services while there was no excess expenditure incurred during the year 2013-14, it has shown ₹ 70.41 crore increase during the year 2014-15. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years i.e. from 2010-11 to 2014-15, it has been found that in six segments of five Grants/Appropriations persistent excesses occurred in the year 2014-15 and at least in three years out of previous four years' period. It has further been observed that the Ministry of Defence under Grant No. 21 - Defence Pensions, had incurred excess expenditure recurringly for the year 2010-11 to 2014-15 under Revenue - Charged section of the Grant. Further, under Revenue - Voted Section of this Grant, the Ministry of Defence incurred excess expenditure of more than ₹ three thousand crore during the years 2010-11 to 2012-13 and 2014-15. In case of Grants/Appropriations operated by the Ministry of Railways, it has been observed that recurring excess expenditure under Appropriation No. 03 - General Superintendence and Services had been incurred for the last five years i.e. from 2010-11 to 2014-15. Grant No. 13 - Provident Fund, Pension and other Retirement Benefits has also incurred recurring excess expenditure during the years 2011-12 to 2014-15. What is further disquieting to observe is that despite the oft repeated concerns expressed by the Committee on the lack of financial discipline by the Ministries/Departments and issue of necessary instructions from time to time by the Ministry of Finance to strengthen their procedure, the incurring of large scale excess expenditure is a recurring phenomenon. Expressing their concern over this state of affairs, the Committee desire that a detailed review of the existing system be undertaken, particularly by the Ministry of Defence and Railways, to devise suitable and effective measures targeting inherent defects in the existing system. In their earlier Report, the Committee had desired for constitution of a high level inter-Ministerial Group under the Chairmanship of the Cabinet Secretary and the C&AG of India was also to be associated with this process. Keeping in view the recurring phenomenon of the excess expenditure, the Committee earnestly desire that observe that no concrete measures have been initiated so far in this direction. The Committee would like the Ministry of Finance

(Department of Economic Affairs) to give serious attention to this aspect and apprise the Committee of the action taken in this regard within a period of three months.

6. The scrutiny of Grants/Appropriations operated by the Ministry of Defence revealed that the incurring of excess expenditure is a recurring feature by the Ministry under the Grants operated by them. For the past five years, the Ministry of Defence incurred excess expenditure of ₹ 7575.76 crore in five Grants in 2010-11, ₹ 4137.01 crore in two Grants in 2011-12, ₹ 4063.24 crore in four Grants in 2012-13 and ₹ 770.36 crore in five Grants in 2013-14 and ₹ 9447.14 crore in 2014-15. The Committee are perturbed to note that during these five years, the major contributor for excess expenditure is Grant No. 21 - Defence Pensions. Clearly, the Ministry of Defence have not drawn any lessons from their past experience and often repeated assurance made by them to the oft-reiterated criticism by the Committee. This is rather regrettable and indicative of the fact that corrective steps were also not taken to check recurrence of excess expenditure under Grants operated by the Ministry of Defence. Had the Ministry of Defence exercised greater budgetary discipline and kept a closer watch over the expenditure under the Grants operated by them, the Committee are confident that the excess expenditure could have been avoided to a large extent. The Committee wonder as to why a crucial Ministry like the Ministry of Defence responsible for the defence of the country would remain so insensitive for such a long period and would continuously be wanting in their budgetary exercise. The Committee are constrained to feel that the Ministry of Defence have no stringent mechanism to check or minimize the excess expenditure under the Grants operated by them. The Committee would, therefore, expect that a high-level Committee be constituted consisting the budget controlling authorities of Ministry of Defence, Ministry of Finance (Department of Economic Affairs) as well as the officers from the CGA (Department of Expenditure) to identify loopholes in the budgeting procedures of the Ministry of Defence and to obviate the same in order to avoid the recurring phenomenon of excess expenditure under the Grants operated by them.

7. A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the financial year 2014-15, the Ministry of Defence incurred an excess expenditure of ₹ 9440.45 crore (₹ 9435.90 crore under Revenue Section and ₹ 4.55 crore under Revenue-Charged section) of Grant No. 21 – Defence Pensions. Excess expenditure of ₹ 9435.90 crore under Revenue-Voted Section of the Grant was the net effect of total excesses of ₹ 10489.53 crore less total savings of ₹ 1053.62 crore under various Sub-Heads of the Grant. The Committee are displeased to observe that no Supplementary Grant was obtained in this case. According to the Ministry of Defence, the excess expenditure under this section of the Grant was due to induction of more number of retirees and booking of pending pension scrolls received from banks to clear the amount under suspense. The Committee cannot accept the Ministry's reply as these are not the reasons that could not be assessed even at the supplementary Grant stage. As regards the remedial action taken by the Ministry of Defence to avoid excess expenditure under this Grant, the Committee have been informed that necessary instructions dated 04.09.2015 had been issued 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 to an optimum level and necessary remedial measures should be taken promptly. It was also suggested to adopt e-governance model to utilize the information technology services/tools so as to establish a centralised database of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in the particular year. The Committee are astonished to note that incurring of excess expenditure of huge magnitude under this Grant has not been incurred for the first time. It is a recurring feature of the Ministry since 2008-09 and the Ministry are contented to issue similar instructions every year, which never result into obviation of excess expenditure.

The Committee further observe that in response to their recommendation contained in 36th Report (16th Lok Sabha), the Ministry of Defence undertook several measures to avoid excess expenditure under this Grant such as (i) New computer application for pension sanction is being developed to create pension data base at the time of issue of PPOs. (ii) In order to automate disbursement and

accounting of pension payments made by department PDA i.e. DPDO, a web based online application has been implemented in all 61 DPDOs. (iii) Pension disbursement agencies viz. Banks have been approached for transmission of pension payment data electronically so as to enable PCDA (P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification & accounting system. Besides, the Ministry have undertaken an exercise, named 'Project Sangam' in order to create an up-to-date Pensions database in collaboration with PCDA (P), Allahabad and various pension disbursing agencies. Out of total 29 Public sector banks covered under Pension Accounting System, 22 banks have fully implemented submission of electronic scrolls while the remaining 7 banks are in the process. Moreover, Ministry of Finance also favoured a statutory audit to be done by C&AG on "Accounting system of Defence Pensions", so that any lack of control in the financial reporting is clearly brought out through the audit process. The advice of the Ministry of Finance has been agreed to by Ministry of Defence (Fin) and presently O/o DGA DS is conducting a statutory audit on 'Accounting system of Defence Pensions', the outcome of the same is yet to be received by this Ministry. While appreciating this, the Committee would hope that there would not be any recurrence of excess expenditure of such huge amounts under this Grant in future.

8. The Committee are concerned to note that excess expenditure to the tune of ₹ 70.41 crore, had been incurred under Revenue-Voted Section of Grant No. 13- Department of Posts during the year 2014-15. Astonishingly, the excess expenditure under this Grant was incurred despite obtaining Supplementary Grant of ₹ 344.66 crore. The contributory reasons as stated by the Department of Posts for incurring excess expenditure are increased expenditure under Pay and Dearness Allowance, Wages, Domestic Travel Expenses, Office Expenses, Rents, Rates and Taxes, Revision of Mail Rates, higher number of retirements etc. The reasons are those which could be foreseen at the budget/revised estimates stage. What is more astonishing is that the Department of Posts could not realistically assessed their actual requirement of funds even at the Supplementary Grants stage even after claiming that all heads of Circles are 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. The Committee cannot accept the hollow claim of the Department of Posts as excess expenditure under this Grant has not been incurred for the first time. Department of Posts incurred recurring expenditure for the years 2010-11 to 2012-13 and 2014-15 with the same contributory reasons. Several steps are now stated to be initiated to eliminate instances of excess expenditure under this Grant such as a review of expenditure was carried out to implement stringent monitoring mechanism to ensure fiscal discipline in future, subordinate units have been instructed to project realistic demand for funds. Apart from this, necessary action is being taken to watch the funds and expenditure ratio closely and alert the budget holders. Keeping in view the recurrent excess expenditure incurred under this Grant, the Committee feel that these measure are far from satisfactory and not effective to obviate excess expenditure under this Grant. They urge upon the Department to overhaul their prevailing expenditure review mechanism whereby a system is evolved to provide sufficient checks and balance against any possible want on sanction and utilization of funds under the Grant. Besides, the budget Controlling authorities should be held personally responsible in case where the expenditure exceeded the budgetary allocations. The Committee desire that prompt and effective action be taken in this regard at the earliest.

9. The Committee's examination of Indian Railways Appropriation Accounts for the Financial year 2014-15 has revealed that the Ministry of Railways incurred an excess expenditure of ₹ 496.99 crore (after misclassification) in 6 cases of 6 Grants/Appropriations. The Committee note that while there was increase in the excess expenditure as well as excess registering Grants/Appropriations during the year 2013-14, it has reduced to a considerable extent during the year 2014-15 in terms of excess expenditure as well as excess registering Grants/Appropriations. However, the Committee are pained to note that out of the total excess expenditure of ₹ 496.99 crore incurred by the Ministry of Railways during the year 2014-15, the excess expenditure of more than ₹ 300 crore was incurred under Grant No. 14 - Appropriation to Funds - Depreciation Reserve

Fund, Development Fund, Pension Fund and Capital Fund. Further, the excess expenditure of more than ₹ 30 thousand was incurred under two Grants viz. ₹ 70.08 crore under Revenue - Voted section of Grant No. 02 - Miscellaneous Expenditure (General) and ₹ 33.14 crore under Capital - Voted Section of Grant No. 16 - Assets - Acquisition, Construction and Replacement - Railway Safety Fund. The contributory reasons as attributed by the Ministry for incurring excess expenditure under Grant No. 02, 14 and 16 - Capital are more expenses under staff cost and retirement benefits, more expenditure under Mumbai Urban Transport Project (MUTP) surcharge, availability of higher surplus by the end of the year, more progress of work, materialization of more contractual payments and adjustment of more store bills etc. However, the excess expenditure under Appropriation Nos. 03, 07 and 13 was incurred due to materialisation of more decretal payments, than anticipated. Deploing that these activities are routine in nature and requirement for those factors could have been realistically planned/assessed at the budget/revised estimate stage, the Committee in their 36th Report (16th Lok Sabha) had desired the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements. According to the Action Taken Note, a number of steps including introducing IT application and e-governance in accounts and budgeting have been taken to strengthen the accounting and budgeting process by the Ministry of Railways. All the zonal Railways have been cautioned to assess their requirement of funds accurately and timely at various stages. Obviously, these steps have failed to yield desired results. The Committee, therefore, reiterate that the Ministry to look into the matter and take some stringent measures apart from the above to tighten their budgetary control so as to leave little scope for excess expenditure being incurred under various Grants/Appropriations operated by them.

10. The Committee note that out of 6 cases of excess registering Grants/Appropriations operated by the Ministry of Railways an excess expenditure of ₹ 420.29 crore was incurred in as many as five cases even after obtaining Supplementary Grants/Appropriations to the extent of ₹ 2818.12 crore. The percentage of excess expenditure over the Supplementary Grants ranged from 0.17 percent in Appropriation No. 03 - Working Expenses - General

Superintendence and services to 1747.20 percent in Grant No. 16-Assets-Acquisition, Construction and Replacement - Railway Safety Fund and in Appropriation No. 7 - Working Expenses - Repairs and Maintenance of Plant and Equipment, it was also more than 1000 percent i.e. 1475.08 percent. The Committee's scrutiny also revealed that under Appropriation No. 03 & 07, the original provisions were not available, only Supplementary Grants were obtained. In respect of three Grants/Appropriations, the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. In fact that Supplementary provision in all these cases were too meager as compared to excesses noticed subsequently which goes to prove that Supplementary Grants were ill conceived without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. However, in response to the Committee's recommendation in their earlier Report, the Committee have been informed that from 2014-15, Railway Board has introduced a system whereby the Supplementary Demands for Grants would be obtained on the basis of Final Modification Estimates (FME) submitted by the zonal Railways through a new system i.e. Virtual Private Network (VPN) enabled Rail Budget system. The Committee trust that with these measures the incidences of excess expenditure under the Grants/Appropriations operated by Ministry of Railways despite obtaining Supplementary Grants would be eliminated in future.

11. The Committee note with profound concern that excess expenditure has been incurred recurrently under Grant No. 13 and Appropriation No. 03 operated by the Ministry of Railways. Grant No. 13 - Provident Fund, Pension and other Retirement Benefits witnessed excess expenditure during the years 2011-12 (₹ 4.09 lakh), 2012-13 (₹ 15.63 lakh), 2013-14 (₹ 16.38 lakh) and 2014-15 (₹ 21.01 lakh). Similarly, there was excess expenditure of ₹ 20.98 lakh in 2010-11, ₹ 27.29 lakh in 2011-12, ₹ 41.83 lakh in 2012-13, ₹ 38.48 lakh in 2013-14 and ₹ 0.24 lakh in 2014-15 incurred recurringly under Appropriation No. 03 - General Superintendence and Services. In this regard, the Committee have been apprised that an Expert Group comprising senior railway officers has been constituted on 20.07.2016 to study

persistent trend of excess expenditure with a view to find out reasons for the same and evolve a mechanism to curb instances of excess expenditure. The Committee would like to be apprised of the findings/recommendations of that Expert Group to curb the tendency of recurring expenditure under the Grants/Appropriations operated by the Ministry of Railways in future.

12. The Committee further note that there was one case of misclassification of Expenditure of ₹ 6.63 crore under Grant No. 16 - Assets - Acquisition, Construction and Replacement - Railway Safety Fund by the Ministry of Railways. The Committee are also concerned to note that although the number of Grants/Appropriations under which misclassification occurred has reduced to one during the year 2014-15, the amount of misclassification has not been reduced to a considerable extent. Only last year, while observing a large number of cases of misclassification year after year despite having a separate and dedicated Indian Railways Accounts Service with huge workforce, the Committee had desired to know the total number of persons deployed for this service (as on February 2016) and number of officers therefrom. The Committee had also desired the Ministry of Railways to organize training Programmes regularly so as to keep the staff/officers update of the rules/procedures of Accounting. In their Action Taken Note, the Ministry submitted that a copy of Observation/Recommendations ibid was sent to FA&CAOs, all Zonal Railways/Production Units requesting them to advise corrective action taken to restrict the instances of misclassification and the position in regard to total number of persons deployed (as on Feb, 2016) for Indian Railway Accounts Service. The reply thereto is still awaited from Railways. ATN will be finalised on the basis of feed-back/information received from Zonal railways. Obviously, the Committee are led to the inescapable conclusion that the Ministry of Railways have not taken effective steps to tackle the problem of misclassification of expenditure and to devise fool-proof measures to obviate recurrence of such cases that vitiates sound budgetary control. The Committee, therefore, desire the Ministry to identify and fix responsibility for such patent errors, as soon as they occur so that there is greater caution and due diligence in classification of

expenditure in future. The Committee would also desire that the Ministry of Railways furnish the details as sought by them in their earlier Report.

13. The Ministries/Departments are required to furnish to the Committee explanatory notes in respect of excess registering Grants/Appropriations immediately after the presentation of relevant Appropriation Accounts to the House. The Committee observe that while the explanatory note on Grant No. 13, - Department of Post and Grants/Appropriations operated by the Ministry of Railways were received within time, the Ministry of Defence and Ministry of Power have furnished their Explanatory Note with inordinate delay. The Committee owe an explanation from the Ministry of Defence & Power for this inordinate delay and desire that responsibility be fixed for the laxity shown in this regard. The Committee, however, would like the Ministry of Finance (Department of Expenditure), which is the coordinating Ministry in this regard, to look into the matter and take suitable measures to ensure timely submission of explanatory notes in future. The Committee would further caution that whenever the excess expenditure is noticed under any Grant/Appropriation, no time should be lost by the concerned Ministry/Department in preparing and forwarding the Explanatory Notes to Audit for vetting. The objections, if any, raised by Audit should be resolved on top priority basis. The Committee also desire that a time schedule be laid down for taking action at various stages involving finalisation/vetting of these Explanatory Notes, which would result in eliminating delay on this count.

14. In their 19th Report (16th Lok Sabha) the Committee had desired the Department of Personnel and Training (DoPT) to look into the recurrent lapses in observing financial discipline and the same should be reflected in the Annual Performance Appraisal Reports of the budget controlling authorities as well as the Financial Advisors of the Ministry/Department concerned so as to ensure strict adherence to the financial discipline thereby eliminating the recurrent phenomenon of excess expenditure. The Department of Personnel and Training vide their letter dated 18th January, 2017 have issued instructions to all the Ministries/Departments of Government of India and stated that there already exist various tools in the existing Performance Assessment Report (PAR) formats to

assess the attributes and performance of the officers by reporting, reviewing and accepting authorities including observance of financial discipline. Therefore, whenever instances of recurring financial lapses come to light, those may be brought to the attention of the Reporting/Reviewing/Accepting Authority so that they may include such instances in the PAR of the Concerned officer of the relevant year. While appreciating the instructions issued by the DoPT to all the Ministries/Departments to keep check on the recurring financial lapses, the Committee would hope that these instructions will be followed by all the Ministries/Departments in letter and spirit. The Committee would, therefore, like to be apprised of the outcome of these instructions.

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

NEW DELHI;
27 March, 2017
06 Chaitra, 1939 (Saka)

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

MINUTES OF THE TWENTY-EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17) HELD ON 17th MARCH, 2017.

The Committee sat from 1500 hrs. to 1720 hrs. on Friday, the 17th March, 2017 in Committee Room "D", Parliament House Annexe, New Delhi.

PRESENT

Prof. K. V. Thomas - **Chairperson**

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Prof. Richard Hay
4. Shri Bhartruhari Mahtab
5. Smt. Riti Pathak
6. Shri Neiphiu Rio
7. Shri Janardan Singh Sigriwal
8. Shri Abhishek Singh
9. Shri Anurag Singh Thakur
10. Dr. P. Venugopal

RAJYA SABHA

11. Shri Bhupender Yadav
12. Shri Bhubaneswar Kalita
13. Shri Sukhendu Sekhar Roy
14. Shri Ajay Sancheti

LOK SABHA SECRETARIAT

- | | |
|--------------------------|------------------------|
| 1. Shri A.K. Singh | - Additional Secretary |
| 2. Shri S.C. Chaudhary | - Joint Secretary |
| 3. Shri T. Jayakumar | - Director |
| 4. Smt. Bharti S. Tuteja | - Deputy Secretary |

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

- | | | |
|----|-------------------|---------------------------------|
| 1. | Shri Rakesh Jain | Dy. CAG (RC/LB) |
| 2. | Shri V.Kurian | Director General (Commercial) |
| 3. | Shri Manish Kumar | Principal Director (PC) |
| 4. | Smt. Parama Sen | Principal Director (Commercial) |

2. **** **** ****. It was further stated that the agenda of the day
also includes three draft reports for consideration and adoption. **** ****

- | | | | |
|----|------|------|------|
| 3. | **** | **** | **** |
| 4. | **** | **** | **** |
| 5. | **** | **** | **** |
| 6. | **** | **** | **** |
| 7. | **** | **** | **** |
| 8. | **** | **** | **** |
| 9. | **** | **** | **** |

10. The Committee, thereafter, took agenda for consideration and adoption of
following three draft Reports:

(i) **** **** ****

(ii) Draft Report on "Excesses over Voted Grants and Charged Appropriations
(2014-15)"; and

(iii) **** **** ****

11. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the draft Reports, the Committee adopted draft Reports at Sl. No. (i) and (ii) without any modifications/ amendments. **** **

12. The Committee authorized the Chairperson to present/ lay the adopted Reports to the Lok Sabha/Rajya Sabha.

A copy of the verbatim proceedings of the Sitting has been kept on record.

The Committee then adjourned.

APPENDIX II

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No. (Part II)	Ministry/Department concerned	Observations/Recommendations
1	1	Economic Affairs	<p>The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2014-15 has revealed that a total expenditure of ₹ 16207.95 crore was incurred in 13 cases of 11 excess registering Grants/Appropriations. The Ministries/Departments which have incurred excess expenditure during the year 2014-15 are the Ministry of Power (Grant No. 77 - Ministry of Power), the Ministry of Defence (five cases under three Grants/Appropriations i.e. Grant No. 20, 21, and 26), the Ministry of Communications and Information Technology Grant No. 13 - Department of Posts and the Ministry of Railways (six cases under five Grants/Appropriations i.e. Grant Nos. 2 and 14 and Appropriation Nos. 3, 7, 13 & 16 - Railway safety funds). The Committee note that bulk of the excess expenditure was on the Civil side viz. ₹ 15640.55 crore which is 96.50 percent of total excess expenditure incurred during the year 2014-15. The Committee further find that in the Civil side the major contributor of excess expenditure was Ministry of Defence which incurred excess expenditure of ₹ 9435.90 crore under Revenue - Voted section of Grant No. 21 - Defence Pensions which is 60.32 percent of total excess expenditure incurred by the Civil Ministries/Departments. Further, Ministry of Power under Capital - Voted section of Grant No. 77 also incurred excess expenditure of ₹ 6193.41 crore which is 39.75 percent of the total excess expenditure incurred by the Civil</p>

		<p>Ministries/Departments.</p> <p>The Committee observe that the various Civil Ministries/Departments, Ministry of Defence and the Ministry of Railways have been incurring excess expenditure continuously for the last ten fiscals. However, while the excess expenditure incurred by the Ministry of Defence and Ministry of Railways has shown a considerable decline in comparison to previous year, the excess expenditure incurred by the Civil Ministries/Departments has increased from ₹ 39.59 crore in 2013-14 to ₹ 15640.55 crore in 2014-15. The Department of Posts which had not at all incurred excess expenditure during the year 2013-14, has witnessed excess expenditure to the tune of ₹ 70.41 crore during the year 2014-15. The Committee are concerned to note that in two cases pertaining to Ministries of Defence and Power, the excess expenditure was more than ₹ 5000 crore, in one case of Ministry of Railways it was more than ₹ 300 crore and in five cases (one pertaining to Department of Posts and other four to Ministry of Railways) it was more than ₹ 20 crore. Though the Committee are aware of the difficulties faced by the Ministries/Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring excess expenditure to the tune of thousands of crore, year after year, despite the provision for obtaining supplementary Grants three times in a financial year is untenable and cannot be attributed to unforeseen factors or the extra ordinary situations alone. While deprecating the persisting trend of excess expenditure the Committee recommend that the Ministry of Finance make it incumbent upon the Financial Advisers and Budget Controlling Authorities to monitor the pace of expenditure and to</p>
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			<p>invoke the provision of supplementary demands judiciously to ensure observance of strict fiscal discipline in order to avoid recurrence of excess expenditure in future.</p> <p>In order to obviate recurring phenomenon of excess expenditure, the Public Accounts Committee in their 36th Report (16th Lok Sabha) had desired to immediately constitute an Expert Group in each Ministry/Department representing all the budget controlling authorities with a mandate to submit its findings within a period of six months. The Committee also desired that the Expert Group should undertake a thorough study of the instances where expenditure had exceeded the budgetary allocations during the last five years. However, no steps in this regard have been taken to by the Government, so far. In case, if any, Ministry/Department has constituted such Group, no report of the Expert Group has been furnished to the Public Accounts Committee. While taking a serious view on the attitude of the Ministries in ignoring its recommendation, the Committee once again impress upon the Ministry/Department concerned to constitute such Expert Groups in each and every Ministry and furnish Report thereof to the Committee indicating the reasons for such a high excess expenditure and suggestions to obviate the same in future.</p>
2.	2	Economic Affairs	<p>The Committee further observe that in six cases the percentage of excess expenditure over the total budgeted Grant was exceedingly high. These are 1475.08 percent in Appropriation No. 7 - Working Expenses - Repairs and maintenance of Plant and Equipment, 613.64 percent in Revenue - Charged Section of Grant No. 20 - Ministry of Defence, 207.38 percent in Capital - Voted section of Grnat No. 77 -</p>

			<p>Ministry of Power, 45.45 percent in Revenue charged section of Grant No. 21 - Defence Pensions, 32.02 percent in Appropriation No. 13 - Working Expenses - Provident Fund, Pension and other Retirement benefits and 18.50 percent in Revenue-Voted Section of Grant No. 21 - Defence Pensions over and above the budgetary provisions sanctioned by the Parliament. Although the Constitution as well as the General Financial Rules clearly stipulate that no expenditure shall be incurred over and above the total grants or appropriations authorised by Parliament for a financial year, the Committee are constrained to observe that some Ministries/Departments still continue to display callous attitude towards the provisions of the constitution/rules laid down for containing the expenditure within the authorised limits. The Committee caution that expenditure over and above the budgetary provision sanctioned by the Parliament at different stages of the budget is a clear violation of the provisions of the Constitution, detrimental to fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. While viewing this state of affairs with grave concern, the Committee would like to emphasize that the Ministry of Finance (Department of Economics Affairs) should establish a suitable mechanism at their own level and issue instructions to all Ministries/Departments so that stricter exchequer control could be exercised by them. The Committee exhort that the Ministry of Finance may seek explanation from the defaulting Ministries/Departments for the rampant incidence of incurring excess expenditure. The Committee would also like to be apprised of the progress made in this regard within four months of the</p>
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			presentation of this report in Parliament.
3.	3	Railways	<p>A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2014-15 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 expenditure of ₹ (+) 6,62,56,108 under Grant No. 16 - Assets - Acquisition, Construction and Replacement - Railway Safety Fund. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2014-15 works out to ₹ 496,99,37,226 instead of ₹ 490,36,81,118 as indicated in Indian Railways Appropriation Accounts (2014-15). Thus, the total amount of actual excess expenditure incurred during the financial year 2014-15 which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 16207,95,19,246 (₹ 16207.95 crore) incurred in 13 cases of 11 excess registering Grants/Appropriations.</p>
4.	4	Power/Posts/Railways	<p>The Committee are perturbed to observe that out of 13 cases of excess registering Grants/Appropriations the excess expenditure had been incurred even after obtaining Supplementary Grant in as many as 10 cases. The percentage of excess expenditure over the Supplementary Grant in respect of these 10 cases ranged from 0.17 percent in Appropriation No. 03 - Working Expenses - General Superintendence and Services to 61934087.25 percent under Grant No. 77 - Ministry of Power. In one case this percentage was more than six thousand percent, in three cases it was more than one thousand percent, in one case it was</p>

		<p>more than 100 percent and in three cases it was more than 10 percent. To illustrate the sector-wise details, Supplementary Grants to the tune of ₹ 16.62 crore was allocated for the three excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 6204.64 crore. In Postal Services Sector, Supplementary Grants to the tune of ₹ 344.66 crore were allocated, for one excess registering Grant yet an excess expenditure of ₹ 70.41 crore was incurred. In respect of Railways, out of 6 cases of excess registering Grants/Appropriations, supplementary Grant of ₹ 2818 crore was obtained in five cases, still an excess expenditure of ₹ 6695.34 crore was incurred. In respect of three Appropriations operated by Ministry of Railways, the quantum of excess expenditure incurred was even higher than the Supplementary Appropriation sought.</p> <p>The Committee also observe that in most of these cases, the Supplementary provisions were obtained in March 2015 i.e. at the fag end of the financial year. This clearly indicates that some Ministries/Departments were unable to assess their actual requirement of funds even in the last month of the financial year. What is more perplexing is that these Ministries/Departments could not realistically assess their actual requirement of funds even after three stages of obtaining Supplementary Grant. This is a clear indication of bad budgeting as well as of the deeply pervading malice in the extant budgeting mechanism, which has resulted in lack of proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking Parliamentary approval. Thus, the Committee feel that the Ministries/Departments have been resorting to obtaining the supplementary</p>
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			<p>Grants/Appropriations without conducting a proper scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee, therefore, recommend that the Ministries/Departments concerned should probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of obtaining supplementary Grants more realistic and budget controlling officers be made responsible for this act of omission. The Committee would also like the Ministry of Finance (Department of Economic Affairs) to give serious attention to this aspect and evolve an effective mechanism in coordination with budget cell of all the Ministries/Departments, C&AG of India and CGA in the Ministry of Finance (Department of Expenditure) to restrict the use of Supplementary demands only to rare and emergent cases. The Committee be apprised of the steps taken in this direction within three months of the presentation of the Report.</p>
5.	5	Defence/Railways/Economic Affairs	<p>The record relating to incurring of excess expenditure during the last ten years has revealed that during the last five years i.e. from 2009-10 to 2013-14, although the excess expenditure has shown a declining trend, however, during the year under review i.e. 2014-15 the position has reversed as excess expenditure has again increased by 462% over the previous year. During the year 2014-15, though there had been decline in excess expenditure incurred by the Ministry of Defence under Appropriation Accounts - Defence Services and Ministry of Railways, it has shown considerable increase in case of Grants/Appropriations operated by Civil Ministries/Departments. In case of Postal Services while there was no excess expenditure incurred during</p>

		<p>the year 2013-14, it has shown ₹ 70.41 crore increase during the year 2014-15. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years i.e. from 2010-11 to 2014-15, it has been found that in six segments of five Grants/Appropriations persistent excesses occurred in the year 2014-15 and at least in three years out of previous four years' period. It has further been observed that the Ministry of Defence under Grant No. 21 - Defence Pensions, had incurred excess expenditure recurringly for the year 2010-11 to 2014-15 under Revenue - Charged section of the Grant. Further, under Revenue - Voted Section of this Grant, the Ministry of Defence incurred excess expenditure of more than ₹ three thousand crore during the years 2010-11 to 2012-13 and 2014-15. In case of Grants/Appropriations operated by the Ministry of Railways, it has been observed that recurring excess expenditure under Appropriation No. 03 - General Superintendence and Services had been incurred for the last five years i.e. from 2010-11 to 2014-15. Grant No. 13 - Provident Fund, Pension and other Retirement Benefits has also incurred recurring excess expenditure during the years 2011-12 to 2014-15. What is further disquieting to observe is that despite the oft repeated concerns expressed by the Committee on the lack of financial discipline by the Ministries/Departments and issue of necessary instructions from time to time by the Ministry of Finance to strengthen their procedure, the incurring of large scale excess expenditure is a recurring phenomenon. Expressing their concern over this state of affairs, the Committee desire that a detailed review of the existing system be undertaken, particularly by the Ministry of Defence and Railways, to devise suitable and effective measures targeting inherent defects in the</p>
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			<p>existing system. In their earlier Report, the Committee had desired for constitution of a high level inter-Ministerial Group under the Chairmanship of the Cabinet Secretary and the C&AG of India was also to be associated with this process. Keeping in view the recurring phenomenon of the excess expenditure, the Committee earnestly desire that observe that no concrete measures have been initiated so far in this direction. The Committee would like the Ministry of Finance (Department of Economic Affairs) to give serious attention to this aspect and apprise the Committee of the action taken in this regard within a period of three months.</p>
6.	6	Defence/Economic Affairs/Department of Expenditure	<p>The scrutiny of Grants/Appropriations operated by the Ministry of Defence revealed that the incurring of excess expenditure is a recurring feature by the Ministry under the Grants operated by them. For the past five years, the Ministry of Defence incurred excess expenditure of ₹ 7575.76 crore in five Grants in 2010-11, ₹ 4137.01 crore in two Grants in 2011-12, ₹ 4063.24 crore in four Grants in 2012-13 and ₹ 770.36 crore in five Grants in 2013-14 and ₹ 9447.14 crore in 2014-15. The Committee are perturbed to note that during these five years, the major contributor for excess expenditure is Grant No. 21 - Defence Pensions. Clearly, the Ministry of Defence have not drawn any lessons from their past experience and often repeated assurance made by them to the oft-reiterated criticism by the Committee. This is rather regrettable and indicative of the fact that corrective steps were also not taken to check recurrence of excess expenditure under Grants operated by the Ministry of Defence. Had the Ministry of Defence exercised greater budgetary discipline and kept a closer watch over the expenditure under the</p>

			<p>Grants operated by them, the Committee are confident that the excess expenditure could have been avoided to a large extent. The Committee wonder as to why a crucial Ministry like the Ministry of Defence responsible for the defence of the country would remain so insensitive for such a long period and would continuously be wanting in their budgetary exercise. The Committee are constrained to feel that the Ministry of Defence have no stringent mechanism to check or minimize the excess expenditure under the Grants operated by them. The Committee would, therefore, expect that a high-level Committee be constituted consisting the budget controlling authorities of Ministry of Defence, Ministry of Finance (Department of Economic Affairs) as well as the officers from the CGA (Department of Expenditure) to identify loopholes in the budgeting procedures of the Ministry of Defence and to obviate the same in order to avoid the recurring phenomenon of excess expenditure under the Grants operated by them.</p>
7.	7	Defence	<p>A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the financial year 2014-15, the Ministry of Defence incurred an excess expenditure of ₹ 9440.45 crore (₹ 9435.90 crore under Revenue Section and ₹ 4.55 crore under Revenue-Charged section) of Grant No. 21 – Defence Pensions. Excess expenditure of ₹ 9435.90 crore under Revenue-Voted Section of the Grant was the net effect of total excesses of ₹ 10489.53 crore less total savings of ₹ 1053.62 crore under various Sub-Heads of the Grant. The Committee are displeased to observe that no Supplementary Grant was obtained in this case. According to the Ministry of Defence, the excess expenditure under this section of the</p>

		<p>Grant was due to induction of more number of retirees and booking of pending pension scrolls received from banks to clear the amount under suspense. The Committee cannot accept the Ministry's reply as these are not the reasons that could not be assessed even at the supplementary Grant stage. As regards the remedial action taken by the Ministry of Defence to avoid excess expenditure under this Grant, the Committee have been informed that necessary instructions dated 04.09.2015 had been issued 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 to an optimum level and necessary remedial measures should be taken promptly. It was also suggested to adopt e-governance model to utilize the information technology services/tools so as to establish a centralised database of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in the particular year. The Committee are astonished to note that incurring of excess expenditure of huge magnitude under this Grant has not been incurred for the first time. It is a recurring feature of the Ministry since 2008-09 and the Ministry are contented to issue similar instructions every year, which never result into obviation of excess expenditure.</p> <p>The Committee further observe that in response to their recommendation contained in 36th Report (16th Lok Sabha), the Ministry of Defence undertook several measures to avoid excess expenditure under this Grant such as (i) New computer application for pension sanction is being developed to create pension data base at the time of issue of PPOs. (ii) In order to</p>
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			<p>automate disbursement and accounting of pension payments made by department PDA i.e. DPDO, a web based online application has been implemented in all 61 DPDOs. (iii) Pension disbursement agencies viz. Banks have been approached for transmission of pension payment data electronically so as to enable PCDA (P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification & accounting system. Besides, the Ministry have undertaken an exercise, named 'Project Sangam' in order to create an up-to-date Pensions database in collaboration with PCDA (P), Allahabad and various pension disbursing agencies. Out of total 29 Public sector banks covered under Pension Accounting System, 22 banks have fully implemented submission of electronic scrolls while the remaining 7 banks are in the process. Moreover, Ministry of Finance also favoured a statutory audit to be done by C&AG on "Accounting system of Defence Pensions", so that any lack of control in the financial reporting is clearly brought out through the audit process. The advice of the Ministry of Finance has been agreed to by Ministry of Defence (Fin) and presently O/o DGA DS is conducting a statutory audit on 'Accounting system of Defence Pensions', the outcome of the same is yet to be received by this Ministry. While appreciating this, the Committee would hope that there would not be any recurrence of excess expenditure of such huge amounts under this Grant in future.</p>
8.	8	Department of Posts	<p>The Committee are concerned to note that excess expenditure to the tune of ₹ 70.41 crore, had been incurred under Revenue-Voted Section of Grant No. 13-Department of Posts during the year 2014-15. Astonishingly, the excess expenditure</p>

		<p>under this Grant was incurred despite obtaining Supplementary Grant of ₹ 344.66 crore. The contributory reasons as stated by the Department of Posts for incurring excess expenditure are increased expenditure under Pay and Dearness Allowance, Wages, Domestic Travel Expenses, Office Expenses, Rents, Rates and Taxes, Revision of Mail Rates, higher number of retirements etc. The reasons are those which could be foreseen at the budget/revised estimates stage. What is more astonishing is that the Department of Posts could not realistically assessed their actual requirement of funds even at the Supplementary Grants stage even after claiming that all heads of Circles are 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. The Committee cannot accept the hollow claim of the Department of Posts as excess expenditure under this Grant has not been incurred for the first time. Department of Posts incurred recurring expenditure for the years 2010-11 to 2012-13 and 2014-15 with the same contributory reasons. Several steps are now stated to be initiated to eliminate instances of excess expenditure under this Grant such as a review of expenditure was carried out to implement stringent monitoring mechanism to ensure fiscal discipline in future, subordinate units have been instructed to project realistic demand for funds. Apart from this, necessary action is being taken to watch the funds and expenditure ratio closely and alert the budget holders. Keeping in view the recurrent excess expenditure incurred under this Grant, the Committee feel that these measure are far from satisfactory and not effective to obviate excess expenditure under this Grant.</p>
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9.	9	Railways	<p>The Committee's examination of Indian Railways Appropriation Accounts for the Financial year 2014-15 has revealed that the Ministry of Railways incurred an excess expenditure of ₹ 496.99 crore (after misclassification) in 6 cases of 6 Grants/Appropriations. The Committee note that while there was increase in the excess expenditure as well as excess registering Grants/Appropriations during the year 2013-14, it has reduced to a considerable extent during the year 2014-15 in terms of excess expenditure as well as excess registering Grants/Appropriations. However, the Committee are pained to note that out of the total excess expenditure of ₹ 496.99 crore incurred by the Ministry of Railways during the year 2014-15, the excess expenditure of more than ₹ 300 crore was incurred under Grant No. 14 - Appropriation to Funds - Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund. Further, the excess expenditure of more than ₹ 30 thousand was incurred under two Grants viz. ₹ 70.08 crore under Revenue - Voted section of Grant No. 02 - Miscellaneous Expenditure (General) and ₹ 33.14 crore under Capital - Voted Section of Grant No. 16 - Assets - Acquisition, Construction and Replacement - Railway Safety Fund.</p>

			<p>The contributory reasons as attributed by the Ministry for incurring excess expenditure under Grant No. 02, 14 and 16 - Capital are more expenses under staff cost and retirement benefits, more expenditure under Mumbai Urban Transport Project (MUTP) surcharge, availability of higher surplus by the end of the year, more progress of work, materialization of more contractual payments and adjustment of more store bills etc. However, the excess expenditure under Appropriation Nos. 03, 07 and 13 was incurred due to materialisation of more decretal payments, than anticipated. Deploring that these activities are routine in nature and requirement for those factors could have been realistically planned/assessed at the budget/revised estimate stage, the Committee in their 36th Report (16th Lok Sabha) had desired the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements. According to the Action Taken Note, a number of steps including introducing IT application and e-governance in accounts and budgeting have been taken to strengthen the accounting and budgeting process by the Ministry of Railways. All the zonal Railways have been cautioned to assess their requirement of funds accurately and timely at various stages. Obviously, these steps have failed to yield desired results. The Committee, therefore, reiterate that the Ministry to look into the matter and take some stringent measures apart from the above to tighten their budgetary control so as to leave little scope for excess expenditure being incurred under various Grants/Appropriations operated by them.</p>
10.	10	Railways	<p>The Committee note that out of 6 cases of excess registering Grants/Appropriations</p>

		<p>operated by the Ministry of Railways an excess expenditure of ₹ 420.29 crore was incurred in as many as five cases even after obtaining Supplementary Grants/Appropriations to the extent of ₹ 2818.12 crore. The percentage of excess expenditure over the Supplementary Grants ranged from 0.17 percent in Appropriation No. 03 - Working Expenses - General Superintendence and services to 1747.20 percent in Grant No. 16-Assets-Acquisition, Construction and Replacement - Railway Safety Fund and in Appropriation No. 7 - Working Expenses - Repairs and Maintenance of Plant and Equipment, it was also more than 1000 percent i.e. 1475.08 percent. The Committee's scrutiny also revealed that under Appropriation No. 03 & 07, the original provisions were not available, only Supplementary Grants were obtained. In respect of three Grants/Appropriations, the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. In fact that Supplementary provision in all these cases were too meager as compared to excesses noticed subsequently which goes to prove that Supplementary Grants were ill conceived without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. However, in response to the Committee's recommendation in their earlier Report, the Committee have been informed that from 2014-15, Railway Board has introduced a system whereby the Supplementary Demands for Grants would be obtained on the basis of Final Modification Estimates (FME) submitted by the zonal Railways through a new system i.e. Virtual Private Network (VPN) enabled Rail Budget system. The Committee trust that with these measures the incidences of excess expenditure</p>
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			under the Grants/Appropriations operated by Ministry of Railways despite obtaining Supplementary Grants would be eliminated in future.
11.	11	Railways	<p>The Committee note with profound concern that excess expenditure has been incurred recurrently under Grant No. 13 and Appropriation No. 03 operated by the Ministry of Railways. Grant No. 13 - Provident Fund, Pension and other Retirement Benefits witnessed excess expenditure during the years 2011-12 (₹ 4.09 lakh), 2012-13 (₹ 15.63 lakh), 2013-14 (₹ 16.38 lakh) and 2014-15 (₹ 21.01 lakh). Similarly, there was excess expenditure of ₹ 20.98 lakh in 2010-11, ₹ 27.29 lakh in 2011-12, ₹ 41.83 lakh in 2012-13, ₹ 38.48 lakh in 2013-14 and ₹ 0.24 lakh in 2014-15 incurred recurrently under Appropriation No. 03 - General Superintendence and Services. In this regard, the Committee have been apprised that an Expert Group comprising senior railway officers has been constituted on 20.07.2016 to study persistent trend of excess expenditure with a view to find out reasons for the same and evolve a mechanism to curb instances of excess expenditure. The Committee would like to be apprised of the findings/recommendations of that Expert Group to curb the tendency of recurring expenditure under the Grants/Appropriations operated by the Ministry of Railways in future.</p>
12.	12	Railways	<p>The Committee further note that there was one case of misclassification of Expenditure of ₹ 6.63 crore under Grant No. 16 - Assets - Acquisition, Construction and Replacement - Railway Safety Fund by the Ministry of Railways. The Committee are also concerned to note that although the number of Grants/Appropriations under which misclassification occurred has reduced to</p>

		<p>one during the year 2014-15, the amount of misclassification has not been reduced to a considerable extent. Only last year, while observing a large number of cases of misclassification year after year despite having a separate and dedicated Indian Railways Accounts Service with huge workforce, the Committee had desired to know the total number of persons deployed for this service (as on February 2016) and number of officers therefrom. The Committee had also desired the Ministry of Railways to organize training Programmes regularly so as to keep the staff/officers update of the rules/procedures of Accounting. In their Action Taken Note, the Ministry submitted that a copy of Observation/Recommendations ibid was sent to FA&CAOs, all Zonal Railways/Production Units requesting them to advise corrective action taken to restrict the instances of misclassification and the position in regard to total number of persons deployed (as on Feb, 2016) for Indian Railway Accounts Service. The reply thereto is still awaited from Railways. ATN will be finalised on the basis of feed-back/information received from Zonal railways. Obviously, the Committee are led to the inescapable conclusion that the Ministry of Railways have not taken effective steps to tackle the problem of misclassification of expenditure and to devise fool-proof measures to obviate recurrence of such cases that vitiates sound budgetary control. The Committee, therefore, desire the Ministry to identify and fix responsibility for such patent errors, as soon as they occur so that there is greater caution and due diligence in classification of expenditure in future. The Committee would also desire that the Ministry of Railways furnish the details as sought by them in their earlier Report.</p>
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13.	13	Defence/Power/Expenditure/Economic Affairs	<p>The Ministries/Departments are required to furnish to the Committee explanatory notes in respect of excess registering Grants/Appropriations immediately after the presentation of relevant Appropriation Accounts to the House. The Committee observe that while the explanatory note on Grant No. 13, - Department of Post and Grants/Appropriations operated by the Ministry of Railways were received within time, the Ministry of Defence and Ministry of Power have furnished their Explanatory Note with inordinate delay. The Committee owe an explanation from the Ministry of Defence & Power for this inordinate delay and desire that responsibility be fixed for the laxity shown in this regard. The Committee, however, would like the Ministry of Finance (Department of Expenditure), which is the coordinating Ministry in this regard, to look into the matter and take suitable measures to ensure timely submission of explanatory notes in future. The Committee would further caution that whenever the excess expenditure is noticed under any Grant/Appropriation, no time should be lost by the concerned Ministry/Department in preparing and forwarding the Explanatory Notes to Audit for vetting. The objections, if any, raised by Audit should be resolved on top priority basis. The Committee also desire that a time schedule be laid down for taking action at various stages involving finalisation/vetting of these Explanatory Notes, which would result in eliminating delay on this count.</p>
14.	14	Economic Affairs	<p>In their 19th Report (16th Lok Sabha) the Committee had desired the Department of Personnel and Training (DoPT) to look into the recurrent lapses in observing financial discipline and the same should be reflected in the Annual Performance Appraisal Reports of the budget controlling authorities as well as the</p>

			<p>Financial Advisors of the Ministry/Department concerned so as to ensure strict adherence to the financial discipline thereby eliminating the recurrent phenomenon of excess expenditure. The Department of Personnel and Training vide their letter dated 18th January, 2017 have issued instructions to all the Ministries/Departments of Government of India and stated that there already exist various tools in the existing Performance Assessment Report (PAR) formats to assess the attributes and performance of the officers by reporting, reviewing and accepting authorities including observance of financial discipline. Therefore, whenever instances of recurring financial lapses come to light, those may be brought to the attention of the Reporting/Reviewing/Accepting Authority so that they may include such instances in the PAR of the Concerned officer of the relevant year. While appreciating the instructions issued by the DoPT to all the Ministries/Departments to keep check on the recurring financial lapses, the Committee would hope that these instructions will be followed by all the Ministries/Departments in letter and spirit. The Committee would, therefore, like to be apprised of the outcome of these instructions.</p>
15.	15	Economic Affairs	<p>Subject to the observations/recommendations made in the preceding Paragraphs, the Committee recommend that the expenditure referred to in Paragraph 14 of Part - I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.</p>