

## **EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2012-13)**

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Nineteenth Report (16<sup>th</sup> Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE  
(2017-18)**

**EIGHTY FOURTH REPORT**

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**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

## EIGHTY FOURTH REPORT

### PUBLIC ACCOUNTS COMMITTEE (2017-18)

(SIXTEENTH LOK SABHA)

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[Action Taken by the Government on the Observations/Recommendations of  
the Committee contained in their Nineteenth Report (16<sup>th</sup> Lok Sabha)]



*Presented to Lok Sabha on:* 18/12/2017

*Laid in Rajya Sabha on:* 18/12/2017

LOK SABHA SECRETARIAT  
NEW DELHI

December, 2017 /Agrahayana, 1939 (Saka)

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## COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2017-18)

Shri Mallikarjun Kharge

Chairperson

### MEMBERS

#### LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Subhash Chandra Baheria
4. Shri Prem Singh Chandumajra
5. Shri Nishikant Dubey
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rioh
10. Shri Abhishek Singh
11. Prof. Ram Shanker
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udas
15. Dr. P. Venugopal

#### RAJYA SABHA

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

#### SECRETARIAT

1. Shri A.K. Singh	Additional Secretary
2. Shri Jaya Kumar	Director
3. Smt. Anju Kukreja	Under Secretary

\* Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 28 July, 2017.

† Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017.

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2017-18), having been authorized by the Committee, do present this Eighty-fourth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Nineteenth Report (Sixteenth Lok Sabha) on 'Excesses Over Voted Grants and Charged Appropriations (2012-13)' relating to various Ministries/Departments concerned.

2. The Nineteenth Report was presented to Lok Sabha and laid in Rajya Sabha on 29<sup>th</sup> April, 2015. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Eighty-fourth Report at their sitting held on 6<sup>th</sup> October, 2017. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

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

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Nineteenth Report (Sixteenth Lok Sabha) is given at Appendix-II.

NEW DELHI;  
4 December, 2017  
13 Agra-hayana, 1939 (Saka)

SHRI MALLIKARJUN KHARGE  
Chairperson,  
Public Accounts Committee.

## REPORT

### PART - I

#### INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Nineteenth Report (16<sup>th</sup> Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2012-13)" relating to various Ministries/Departments concerned.

2. The Nineteenth Report (16<sup>th</sup> Lok Sabha), which was presented to Lok Sabha and laid in Rajya Sabha on 29<sup>th</sup> April, 2015 contained 22 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from Ministries/ Departments concerned are broadly categorized as under:

(i) Observations/Recommendations which have been accepted by the Government:

*Para Nos. 1-22*

*Total: 22*

*Chapter - II*

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

*Para Nos. Nil*

*Total: NIL*

*Chapter - III*

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

*Para Nos. Nil*

*Total: NIL*

*Chapter - IV*

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

*Para Nos. Nil*

*Total: NIL*

*Chapter - V*

3. The Nineteenth Report dealt with the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways, for the financial year 2012-13. The Report highlighted that the total excess expenditure of ₹6591.30 crore was incurred in 19 cases of 16 Grants/Appropriations. The defaulting Ministries were Ministry of Defence (5 cases under four Grants i.e. Grant No. 21-Defence Pensions, Grant No. 22-Defence Services-Army, Grant No. 23-Defence Services Navy and Grant No. 24-Defence Services-Air Force), Ministry of Finance (Appropriation No. 34-Interest Payments), Department of Indian Audit and Accounts (Grant No. 40-Indian Audit and Accounts Department), Department of Urban Development (Grant No. 101-Department of Urban Development), Ministry of Communications and Information Technology (Grant No. 13-Department of Posts) and the Ministry of Railways (10 cases under 8 Grants/Appropriations i.e. Grant No. 8-Operating Expenses-Rolling Stock and Equipment, Grant No. 10-Operating Expenses-Fuel, Grant No. 13-Working Expenses-Provident Fund, Pension and other Retirement Benefits, Appropriation No. 03-Working Expenses-General Superintendence and Services, Appropriation No. 04-Working Expenses-Repairs and Maintenance of Permanent Way and Works, Appropriation No. 05-Working Expenses-Repairs and Maintenance of Motive Powers, Appropriation No. 07-Working Expenses-Repairs and Maintenance of Plant and Equipment, Appropriation No. 08-Operating Expenses-Rolling Stock and Equipment, Appropriation No. 11-Working Expenses-Staff Welfare and Amenities and Appropriation No. 13-Working Expenses Provident Fund, Pension and other Retirement Benefits). The Committee had accordingly given the observations/recommendations in their Report. The gists of important Observations/Recommendations contained in the Report are given as under:

- i) The Committee emphasized on the need for scrupulous scrutiny of the budget proposals, rigorous monitoring of the pace of expenditure and

strict compliance of General Financial Rules so as to eliminate the possibility of excess expenditure.

- ii) The Committee urged upon the Ministry of Finance to take the issue of excess expenditure with utmost seriousness and find innovative steps for establishing sound budgetary mechanism whereby the expenditure management of any Grant/ Appropriation is made more accurate and practicable and the scarce financial resources are utilized appropriately.
- iii) The Committee recommended that the Ministries/Departments evolve an effective mechanism in coordination with the Ministry of Finance (Department of Economic Affairs), Comptroller and Auditor General of India and the Controller General of Accounts in the Department of Expenditure by which the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by Parliament despite having Supplementary Grants.
- iv) Taking a serious view of the callous attitude on the part of the Ministry of Railways for delay in presentation of Appropriation Accounts of Railways for the financial year 2012-13, the Committee recommended the Ministry to take urgent corrective action to timely present the Appropriation Accounts to Parliament so that regularisation of excess expenditure incurred during a particular financial year can be done promptly.
- v) Noting that the Department of Posts is implementing an "IT Modernisation Project" through which real-time budgetary information would be available, which would streamline the expenditure and budgetary control and instill fiscal discipline. The project is likely to complete its implementation phase by the end of October, 2016, the

Committee hoped that the project was implemented within the prescribed time limit and the Department of Posts will be consistent in their efforts to ensure no expenditure is incurred in excess of the authorized limits under this Grant in future.

vi) The Committee recommended that the Ministry of Railways should evolve a mechanism to assess and project realistic requirement of funds both at Budgetary and Supplementary stages so that timely action is taken to ensure that the excess expenditure could be avoided as far as possible.

4. The Action Taken Notes furnished by the Ministries/ Departments concerned in respect of all Observations and Recommendations of the Committee have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on the Observations and Recommendations made in the Original Report which either need reiteration or merit comments.

#### Excess expenditure despite obtaining Supplementary Grants

(Recommendation Para No.6)

5. The Committee were constrained to observe that out of total 19 cases of excess registering Grants/Appropriations, an excess expenditure of ₹6420.17 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/Appropriations to the extent of ₹8596.33 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 Grants/Appropriations ranged from 2.52 percent (Grant No. 40-Indian Audit and Accounts Department) to 4596.70 percent (Appropriation No. 03-Working Expenses-General Superintendence and Service) and in 9 cases this percentage was more than 100 percent. In respect of nine Grants and Appropriations the quantum of excess expenditure incurred has been even higher than the

Supplementary Grants sought. The Committee deplored the tendency of the defaulting Ministries/Departments in incurring excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What was more astonishing was that these Ministries/Departments could not realistically project their requirement of funds even after obtaining of Supplementary Grants at various stages. This was a clear indication of the pervading malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement despite availability of ample opportunities for seeking approval of Parliament. It was, therefore, imperative that the Ministries/Departments should keep a close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministries/Departments to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee recalled that only last year, they had emphasized that the Supplementary Budget should normally be for unexpected items of expenditure or schemes taken up for compelling public interest. However, the Ministries went on incurring excess expenditure, year after year, in spite of ample provisions available for supplementary demands for grants to obtain Parliament's approval to meet unexpected expenditure. Based on other fiscal federal models the Finance Ministry should evolve modalities enshrined on prudent financial principles which will enable the sanctity of budgetary provisions ensuring the reach and superintendence of Parliament on appropriation outgoes. The Committee had also urged that the Ministry of Finance should initiate a study of the best International Practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The Secretary (Department of Economic Affairs) had submitted that in the next four-five months they would try to do a paper of the best international practices and present it to PAC. The

Committee regretted that such a study was not initiated. The Committee desired that the said study be completed within the timeframe as stated by the Ministry. The Committee also recommended that the Ministries/Departments should evolve an effective mechanism in coordination with the Ministry of Finance (Department of Economic Affairs), Comptroller and Auditor General of India and the Controller General of Accounts in the Department of Expenditure by which the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure do not overshoot the limit authorized by Parliament despite having Supplementary Grants.

6. The Ministry of Finance (Department of Economic Affairs) in their Action Taken Reply have stated as under:

"The recommendations of the Committee made in para 6 of 92nd Report has already been accepted and the action taken on this recommendation has been submitted to the Committee vide our letter dt. 2.6.2016 (copy enclosed). The study, as recommended by the Committee, has been made in consultation with the office of the Controller General of Accounts and the office of the Comptroller & Auditor General of India.

Office of the Comptroller & Auditor General has conveyed that there already exists a healthy mechanism of monitoring of expenditure under the scheme 'Integrated Financial Adviser' which has further been redefined by Ministry of Finance (Department of Economic Affairs) in June, 2006. Under this scheme, the Financial Adviser is responsible to the administrative Ministry and the Ministry of Finance being overall in-charge of Budget and Accounts in addition to Internal Finance Section. In this system, Financial Adviser in coordination with Chief Controller of Accounts/Controller of Accounts of the Ministry needs to ensure that the Ministry not only maintains accounts of expenditure against the grants/appropriations, but also obtains figures of expenditure incurred by

the subordinate offices so that the Ministry has a complete month-to-month picture of the entire expenditure and to monitor the same vis-à-vis authorised grants/appropriations.

With the introduction of modified exchequer control based expenditure management system, it has been mandatory to all Ministries/Departments to prepare Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEP) and send the same to Cash Management Cell of the Ministry of Finance, Department of Economic Affairs for better monitoring and compliance of the guidelines regarding expenditure management. Thus, by following the extant measures already in place and closely monitoring the monthly expenditure vis-à-vis authorised grants/appropriations and also with the information technology, the phenomenon of excess over the above the authorised appropriation can be arrested.

Office of the Controller General of Accounts has made similar suggestions like periodical review of expenditure of Ministries/Departments, strict adherence to Monthly Expenditure Plan, obtaining supplementary appropriations at appropriate stages, etc. to avoid excess expenditure."

7. In their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha), the Committee had desired that the Ministry of Finance should initiate a study of the best international practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The Committee regret to note that the said study has not been conducted so far. In that Report, the Committee also recommended that the Ministries / Departments should evolve an effective mechanism in coordination with the Ministry of Finance (Department of Economic Affairs), C&AG of India and the CGA in the Department of

Expenditure so that the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure including Supplementary Grants does not overshoot the limit authorized by Parliament. In their Action Taken Note, the Ministry of Finance (Department of Economic Affairs) stated that the Ministry was in consultation with Office of C&AG and CGA of expenditure for evolving a mechanism by which the progress of expenditure can be monitored and timely action taken to avoid excess expenditure. This also includes identifying international best practices, conducting a study and replicating the system in India. In this regard, the Ministry have now apprised the Committee that since Offices of C&AG and CGA have emphasized on the existing system of monitoring, strict adherence to monthly expenditure plans and timely seeking appropriations from the Parliament through Supplementary Grants, it has been decided to follow the existing system of monitoring strictly and vigorously for avoiding the excess expenditure. Office of C&AG has also conveyed to the Ministry that there already existed a healthy mechanism of monitoring of expenditure under the Scheme 'Integrated Financial Adviser' which has further been redefined by Ministry of Finance (Department of Economic Affairs) in June, 2006. The Committee was surprised to note that the study of best international practices has yet to be conducted by the Ministry of Finance and no steps are being undertaken to ensure effectiveness in monitoring of expenditure. Noting that no changes have been brought in the monitoring system since June, 2006 and expenditure is overshooting its limits year after year, the Committee are of the view that the existing monitoring system is ineffective and review of the system is necessary for stringent monitoring. Besides ATNs do not indicate any information about the study of best international practices conducted either by the Ministry or by C&AG/CGA. The Committee are unable to understand as to how in the absence of such study, the Ministry can claim

that the existing mechanism of monitoring of expenditure is healthy and adequate enough for avoiding the excess expenditure. Since instances of excess expenditure have been recurring year after year specially with regard to key Ministries like Finance, Defence and Railways, it is clear that the matter is being considered only in a routine manner and the Government is not making serious efforts to ensure financial discipline. In view of the persistent trend of excess expenditure going unchecked, the Committee strongly recommend that the Government should undertake a thorough review in the matter, while overhauling the existing mechanism for better monitoring of expenditure. The Committee also reiterate their earlier recommendation regarding undertaking of study of best international practices to avoid excess expenditure in future. The Committee further desire that their recommendations in this regard must be implemented strictly so that excess expenditure is completely avoided in future.

#### Recurring phenomenon of Excess expenditure

(Recommendation Para No. 7)

8. The Committee found that the incurrence of excess expenditure is 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 scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in all the sectors the excess expenditure which was reduced to a considerable extent during the year 2007-08 had again showed an upward trend during the year 2008-09. From 2009-10 to 2012-13 it had again showed a decreasing trend. However, during the year under review i.e. 2012-13, while the excess expenditure under Civil, Defence Services and Postal Services had shown a

downward trend, it had increased in case of Railways both in respect of amount as well as number of excess registering Grants/Appropriations. Similarly, overall excess expenditure had also been reduced from ₹8563.14 crore in 2011-12 to ₹6597.02 crore during the fiscal 2012-13 even though number of excess registering Grants/Appropriations has increased from 11 in 2011-12 to 16 in 2012-13. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years period i.e. from 2008-09 to 2012-13 it had been found that in 9 Grants/Appropriations (Grant No. 21-Defence Pensions, Grant No. 13-Department of Posts and Grants/Appropriations Nos 3,4,5,6,8,12 & 13 operated by the Ministry of Railways) persistent excess occurred in at least three years out of five years. It was further observed that the Ministry of Defence under Grant No. 21-Defence Pensions, had incurred excess expenditure of more than Rs 3000 crore recurring for the last four years i.e. from 2009-10 to 2012-13 (₹8999.54 crore in 2009-10, ₹3336.31 crore in 2010-11, ₹3568.81 crore in 2011-12 and ₹3863.71 crore in 2012-13). Similarly, the Department of Posts under Revenue-Voted Section of Grant No. 13-Postal Services had incurred excess expenditure of more than ₹100 crore for the years 2009-10 to 2012-13 (₹818.13 crore in 2009-10, ₹366.63 crore in 2010-11, ₹400.04 crore in 2011-12 and ₹160.14 crore in 2012-13). Further, in case of Grants/Appropriations operated by the Ministry of Railways it was seen that out of 16 Grants/Appropriations, recurring excess expenditure under two Grants/Appropriations namely Grant No. 13-Provident Fund, Pension and other Retirement Benefits and Appropriation No. 03-General Superintendence and Services had been incurred for the last four years i.e. from 2009-10 to 2012-13. The fact that the excess expenditure persisted, year after year, despite repeated exhortations of the Committee and issuance of instructions by the Ministry of Finance from time to time only led the Committee to conclude that the matter had not been viewed by the Ministries/Departments with the seriousness it deserved. The Committee desired that Ministries bear in mind that excess expenditure is 'unauthorized expenditure'.

betraying lack of financial discipline. The only situation in which the excess expenditure is understandable is when a need for unforeseen or unavoidable expenditure had arisen suddenly which could not be anticipated and with no time left for the Ministry/Department to approach Parliament for a Supplementary Grant. Only last year, the Committee in Para 6 of their 92<sup>nd</sup> Report (15<sup>th</sup> Lok Sabha) had desired that the Government should earnestly undertake case studies of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years. However, no such study seems to have been conducted by the Government in this regard. In view of the persistent trend in the incurring of excess expenditure going unchecked, the Committee once again recommended the Government to undertake a case study of the instances of excess expenditure incurred recurrently for the last five years with a view to looking into the reasons as to why the existing mechanism for control of expenditure has failed to effectively check the unabated trend of excess expenditure. Steps should also be initiated to constitute a high-level Inter-Ministerial Group under the Chairmanship of the Cabinet Secretary to examine this recurring issue and apprise the Committee about the steps taken to rectify the problems. The Comptroller and Auditor General of India also need to be closely associated with this process. Considering the fact that the Committee had been asking the Government to take steps to minimize the recurring excess expenditure, the Committee desired to be apprised about the corrective measures taken along with the specific results achieved during the last ten years as a follow-up of PAC's recommendations in the matter. Non-implementation of recommendations, if any, should be clearly indicated in the Action Taken Notes required to be furnished to the Committee.

9. The Ministry of Finance (Department of Economic Affairs) in their Action Taken Reply have stated as under:

"The observations of the Public Accounts Committee have been noted.

The recommendations of the Committee made in para 6 of 92nd Report has already been accepted and the action taken on this recommendation has been submitted to the Committee vide our letter dt. 2.6.2016 (copy enclosed). The study, as recommended by the Committee, has been made in consultation with the office of the Controller General of Accounts and the office of the Comptroller & Auditor General of India.

Office of the Comptroller & Auditor General has conveyed that there already exists a healthy mechanism of monitoring of expenditure under the scheme 'Integrated Financial Adviser' which has further been redefined by Ministry of Finance (Department of Economic Affairs) in June, 2006. Under this scheme, the Financial Adviser is responsible to the administrative Ministry and the Ministry of Finance being overall in-charge of Budget and Accounts in addition to Internal Finance Section. In this system, Financial Adviser in coordination with Chief Controller of Accounts/Controller of Accounts of the Ministry needs to ensure that the Ministry not only maintains accounts of expenditure against the grants/appropriations, but also obtains figures of expenditure incurred by the subordinate offices so that the Ministry has a complete month to month picture of the entire expenditure and to monitor the same vis-à-vis authorised grants/appropriations.

With the introduction of modified exchequer control based expenditure management system, it has been mandatory to all Ministries/Departments to prepare Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEP) and send the same to Cash Management Cell of the Ministry of Finance, Department of Economic

Affairs for better monitoring and compliance of the guidelines regarding expenditure management. Thus, by following the extant measures already in place and closely monitoring the monthly expenditure vis-à-vis authorised grants/appropriations and also with the information technology, the phenomenon of excess over the above the authorised appropriation can be arrested.

Office of the Controller General of Accounts has made similar suggestions like periodical review of expenditure of Ministries/Departments, strict adherence to Monthly Expenditure Plan, obtaining supplementary appropriations at appropriate stages, etc. to avoid excess expenditure."

10. The Committee are constrained to observe that the Ministry of Finance (Department of Economic Affairs) have submitted the same reply on the Committee's observations/recommendations at Para No.6 & 7 of the 19<sup>th</sup> Report. The Committee are shocked to note that the Ministry of Finance (Department of Economic Affairs) have not undertaken thorough scrutiny of recurring instances of excess expenditure over the last five years with a view to looking into the reasons for failure of the existing mechanism to effectively check the unabated trend of excess expenditure. Further, no steps were initiated towards constituting a high-level Inter Ministerial Group under the Chairmanship of the Cabinet Secretary to examine the recurring phenomenon of excess expenditure. It is apparent that the Ministry of Finance (Department of Economic Affairs) which is a nodal Ministry for monitoring excess expenditure is not sincere about introspecting and finding solutions to the ever recurring unjustified excess expenditure. While strongly criticizing such a cavalier attitude, the Committee reiterate their earlier recommendation impressing upon the Ministry of Finance (Department of Economic Affairs) to undertake

thorough scrutiny of the instances of recurring excess expenditure and to constitute a high-level Inter Ministerial Group under the Chairmanship of Cabinet Secretary to find out the solutions for this recurring malaise and to ensure observance of strict fiscal discipline should be prudently addressed in the coming years.

#### Excess expenditure incurred by Ministry of Railways

(Recommendation No. 16)

11. The Committee's examination of the Indian Railways Appropriation Accounts for the Financial year 2012-13 revealed that the Ministry of Railways incurred a total excess expenditure of ₹ 1675.96 crore (after misclassification) in 10 cases of 8 excess registering Grants/Appropriations. The Committee noted that while there was some decline in the excess expenditure as well as excess registering Grants/Appropriations during the year 2011-12 in comparison to the year 2010-11, it had again reversed during the year 2012-13 when the amount of excess expenditure as well as the number of cases of Grants/Appropriations had increased from ₹1049.86 crore in 4 Grants/Appropriations during 2011-12 to ₹1675.96 crore in 8 Grants/Appropriations during the year 2012-13. The Committee were astonished to note that out of the total excess expenditure incurred by the Ministry of Railways during the fiscal 2012-13, the excess expenditure of more than ₹ 600 crore was incurred under two Grants viz ₹ 658.82 crore under Grant No. 10-Working Expenses -operating Expenses-Fuel and ₹981.95 crore under Grant No.13-Working Expenses-Provident Fund, Pension and Other Retirement Benefits. According to the Ministry of Railways, the excess expenditure of ₹ 1674.66 crore under Revenue (Voted) Section of Grant Nos. 8, 10 and 13 was incurred due to incurring more expenditure towards staff cost, more contractual payments, increase in prime cost of HSD oil and more consumption of HSD oil, increase in rate of energy purchased from outside, receipt of more debits from Pension disbursing authorities on account of

implementation of MACPS and dearness allowance hike, more ex-gratia pension, more cases of death cum retirement gratuity, leave encashment of pension optees and more government contribution for new pension scheme. Apparently, most of these items were not such as to crop up suddenly or which could not be anticipated at the time of budget/revised estimates by an experienced organization like the Railways. Further, under Revenue (Charged) section of Appropriation Nos. 3,4,5,7,8,11 & 13 the excess expenditure of ₹1.29 crore was incurred due to decretal payments. The Committee desired to know when exactly the decretal payments made in all the cases and whether provisions for these payments could have been provided for at the time of revised budget allocation. It, however appeared that no attempt was made to provide for them in a Supplementary appropriation for authorization by Parliament during the year itself. Deploring the tendency of excess expenditure by the Ministry of Railways, the Committee in their earlier report had expected that the Ministry should look into the recurrent lapses on this account with a view to fixing responsibility at the appropriate level so that the existing deficiencies and shortcomings in the prevailing expenditure review system were rectified and recurrence of excess expenditure was avoided. The fact that the Ministry had not taken due care despite the Committee's directive was regrettable. The Committee therefore, emphasized that through proper control over expenditure and with more accurate estimation of expenditure and liabilities, much of the excess expenditure could be avoided. The Committee desired to be apprised of the concrete action taken in this regard by the Ministry within six months.

12. The Ministry of Railways in their Action Taken Reply have stated as under:

"In 2012-13 most of the excess has been registered under Demand Nos.10 & 13. In these Demands it was quite difficult to assess the actual requirement.

Demand No. 10 is for expenditure related to fuel for traction consisting of high speed diesel and electrical energy. The price of HSD oil cannot be forecast exactly, as the price of HSD oil which includes local taxes vary from state to state. As far as electric energy is concerned, there is also wide variation in rate of electric energy purchased from various power supply agencies. Besides, consumption of both diesel and electrical energy is directly related to traffic carried and train operations. Given the complexity involved, despite best efforts to accurately estimate the expenditure, the variation with grant can never be entirely ruled out. As far as pension projection is concerned while trends & other known factors like anticipated retirements etc. are factored at budgetary stages, it is very difficult to assess the exact requirement due to large number of railway pensioner settled across the country and irregular pattern in raising of pension debits by the banks.

The 6th CPC has an inbuilt mechanism of pension revisions due to pensioners attaining certain age when the basic rate itself goes up or pay commission implications like granting an extra increment to staff whose date of natural increment was falling between February to June, with retrospective effect, revision of Fixed Medical Allowance rate. Apart from normal retirees due to superannuation, pensions payable on the railways get changed due to implementation of new schemes like MACPs, LARSGESS, more than earlier cases of DCRG etc. also contributed to difficulty in assessing the requirement under Demand No. 13. It is also to be mentioned here that the excess under Demand No.13 in 2012-13 is only 4.7% which is less than the 5% mark which is the limit stipulated by the committee.

Budget estimates includes activities, functions, and complex coordination among a large number of departments on railways field units spread across the country. Fixing of responsibility on any one officer is not feasible unless there is a case of malafide or deliberate act of negligence involved.

Railway is making all efforts to control expenditure within the sanctioned grant. 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. As far as information under Charged Appropriations is concerned the same is being collected from Zonal Railways and will appropriately be communicated to the committee. Considering the vastness of the railway system both in size and the accounting/budgeting units involved as also the number of transactions taking place on the railway system, including intra-railway, inter-railway debits & credits, the incidence of excess expenditure in a few grants cannot be ruled out. It is to be mentioned here that railway is putting all possible efforts to control the expenditure within the sanctioned grant. All the Zonal Railways have been cautioned to assess their requirement of funds accurately and timely at various stages. Certain decisions like progressive updation and computerization of pension masters, PPOs and implementation of pension software 'ARPAN' would in due course reduce excess in this grant also and make the budgeting process more effective. It is reiterated here that due to systems put in place, like 'ARPAN', 'VPN-based Rail Budget System', 'e-reconciliation the excess in all Grants in 2014-15 is nil.'

13. The vetted comments of Audit on the replies of the Ministry are as under:

"MoR needs to improve methodology of assessing the requirement of funds more accurately and regular monitoring of the expenditure trend. Use of IT applications in budgeting and accounting and its interlinking with the all field units, divisions, workshop and Zonal Railways, the total expenditure and budget allotment under different grants/appropriations could be seen at every stage and finally at Railway Board level. Adequate Supplementary demand can also be taken if all the units are interlinked and the assessment of funds requirement is done accurately and promptly by the field units. Ministry of Railways is requested to interlink all the units/divisions/workshops to their zonal railways and all zonal railways to Railway Board to get the benefit of computerization in maintaining financial discipline. Ministry of Railways is also requested to intimate the PAC regarding constraints/limitations in assessing the actual requirement of funds to meet the liability of decretal payments arising due to award of court decrees and exact period of payment made towards court decrees by the Zonal Railways.

14. In response to the vetted comments of Audit, the Ministry of Railways have stated as under:

"The recommendations of the audit have been noted. MOR has already been closely monitoring the expenditure vis-à-vis the proportionate budget on a monthly basis. The MOR is also taking progressive steps in the domain of IT applications like putting in the systems 'ARPAN', 'VPN based Rail Budget System', 'e-reconciliation' to beef up the connectivity across the units for maintaining the financial discipline.

As far as decretal payments are concerned, it is the difficulty in estimating the timings of the courts' decrees which impedes the exact

assessment of the requirement of funds. The details of the payment made in all the cases of decretal payments in 2012-13 are enclosed herewith."

15. The Committee appreciate the measures taken by the Ministry of Railways in the domain of IT applications like introduction of Advanced Railway Pension Access Network (ARPAN), Virtual Private Network (VPN) based Rail Budget System, e-reconciliation to strengthen connectivity and real time monitoring of all railway zones and units across the country and ensure financial discipline. The Committee also note that excess expenditure under voted Grants operated by the Ministry of Railways during 2014-15 is nil. While agreeing with the view of the Ministry that it is difficult to estimate the timings of the court decrees and subsequently not feasible to make an exact assessment on the requirement of funds for decretal payments, the Committee however desire that in all future budgeting process the Ministry take into account factors like number of pending court cases, amount involved in these cases, stages of these pending cases etc. so as to prepare a realistic budget proposal. This exercise will ensure minimal excess expenditure in respect of decretal payments.

#### Misclassification of expenditure by the Ministry of Railways

(Recommendation Para No.20)

16. The Committee regretted that during the year 2012-13 there was misclassification of expenditure of ₹ 571,55,478 under Grant No. 8 – Working Expenses – Operating Expenses- Rolling Stock and Equipment operated by the Ministry of Railways. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2012-13 was ₹ 1675.96 crore instead of ₹ 1670.24 crore as indicated in Indian Railways Appropriation Account (2012-13). The Committee were distressed to

find despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in their accounts. During the last 10 financial years, the Committee came across 56 cases of misclassification of expenditure. Further, scrutiny of cases of misclassification of expenditure during the last five years revealed that though the misclassification of expenditure during the year 2011-12 had reduced to ₹ 174,75,509 in 2 cases in comparison to the misclassification of ₹ 29,70,49,848 in 9 cases in the year 2010-11, it had again increased to ₹ 571,55,478 in one case in 2012-13. It seemed that no tangible action was taken by the Ministry of Railways either to fix the responsibility against the officers for such glaring mistakes or to revamp their existing accounting system as had been repeatedly recommended by the Public Accounts Committee. The Committee took a serious view of such callous approach on the part of the Ministry of Railways for not timely detecting such mistakes which led to derail the budgetary exercise. As major functions of Accounts Department of Ministry of Railways were stated to be computerized with several applications to strengthen the various accounting activities, the Committee hoped that the Ministry would be able to overcome systemic lacunae/ loopholes and progressive elimination of the misclassification syndrome in future.

17. The Ministry of Railways in their Action Taken Reply have stated as under:

"The concern of Public Accounts Committee regarding misclassification of expenditure is noted for strict compliance. Detailed codal provisions exist for allocation of expenditure. Instructions are also issued to the Railways from time to time for further strengthening/tightening the systems to restrict the factors contributing to misclassifications and mistakes in accounting, to reduce instances of misclassifications besides fixing responsibilities for lapses at suitable levels. However, due to enormity of transactions of varied nature, some items of misclassification/mistakes escape detection, despite all

precautions and checks. It is pertinent to mention that the number of misclassification/mistakes is 0.004% approx. of total number of accounting transactions handled over Indian Railways during 2012-13. Review of internal check mechanism is a continuous process and all efforts are being made to overcome systemic lacunae/ loopholes which are likely to result in misclassification of expenditure. Ministry of Railways is committed for computerization of various accounting activities to bring about efficiency and expediency in its functioning. It shall always remain the endeavour of Ministry of Railways to avoid 'Misclassifications/Mistakes' altogether."

18. The Committee are distressed to find that a large number of cases of misclassification of expenditure under various grants/appropriations had been a recurring phenomenon in the Railways. Upon noticing that major functions of Accounts Department of Ministry of Railways were stated to be computerized with several applications to strengthen the various accounting activities, the Committee in their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) had expressed hope that the Ministry would be able to overcome systemic lacunae/loopholes and progressive elimination of misclassification syndrome in future. The Committee however find that misclassification of expenditure by Ministry of Railways is a recurring feature in the successive years also. Now, in their Action Taken Notes, the Ministry have submitted that due to enormity of transactions of varied nature, some items of misclassification/mistakes escape detection, despite all precautions and checks. Taking note of the recurring trend of misclassifications, the Committee strongly recommend the individual Railway/Unit to take measures to prevent misclassification of expenditure in frequently recurring cases. Besides, the Committee desire that the cases of misclassification should be divided into two categories viz those arising out of wrong interpretation of rules and those resulting from lack of

adequate care at the time of preparation of vouchers. As regards the cases which arise due to different perceptions, Zonal Railways/units may be instructed to make efforts to discuss and sort out such cases in consultation with their Audit. For cases which arise as a result of lack of care and which could have been avoided, responsibility of concerned staff/officers may be fixed for the lapses. The Committee would like to be apprised of the concrete action taken by the Ministry of Railways in this regard.

**NEW DELHI;**  
**4 December, 2017**  
**13 Agrahayana, 1939 (Saka)**

**SHRI MALLIKARJUN KHARGE**  
Chairperson,  
Public Accounts Committee