

**REVISION IN THE FORMAT OF  
UNION GOVERNMENT APPROPRIATION  
ACCOUNTS (CIVIL)**

**MINISTRY OF FINANCE  
(DEPARTMENT OF EXPENDITURE)**

**PUBLIC ACCOUNTS  
COMMITTEE  
1997-98**

**ELEVENTH LOK SABHA**

**TWENTY-FIRST REPORT  
PUBLIC ACCOUNTS COMMITTEE  
(1997-98)**

**(ELEVENTH LOK SABHA)**

**REVISION IN THE FORMAT OF UNION  
GOVERNMENT APPROPRIATION  
ACCOUNTS (CIVIL)**

**MINISTRY OF FINANCE  
(DEPARTMENT OF EXPENDITURE)**

*[Action Taken on 100th Report of Public Accounts Committee  
(10th Lok Sabha)]*



*Presented to Lok Sabha on 20 Nov., 1997  
Laid in Rajya Sabha on.....*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*November, 1997/Kartika, 1919 (Saka)*

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(1997-98)

Dr. Murlī Manohar Joshi—*Chairman*

MEMBERS

*Lok Sabha*

2. Shri Anandrao Vithoba Adsul
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21. Shri Surinder Kumar Singla
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2. Shri P.D.T. Achary — *Joint Secretary*
3. Shri P. Sreedharan — *Deputy Secretary*
4. Shri Rajeev Sharma — *Under Secretary*

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\*Expired on 24 May, 1997.

\*\*Cameo to be member of the Committee on her appointment as Minister of State  
w.e.f. 3.6.1997.

## INTRODUCTION

1. The Chairman of the Public Accounts Committee having been authorised by the Committee, do present on their behalf, this Twenty-First Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundredth Report (Tenth Lok Sabha) on Revision in the Format of Union Government Appropriation Accounts (Civil).

2. This Report was considered and finalised by the Public Accounts Committee at their sitting held on 13 November, 1997. Minutes of the sitting form Part II of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

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

NEW DELHI;  
17 November, 1997

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26 Kartika, 1919 (Saka)

DR. MURLI MANOHAR JOSHI,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I REPORT

This Report of the Committee deals with the action taken by Government on the observations/recommendations of the Committee contained in their Hundredth Report (10th Lok Sabha) on Revision in the Format of Union Government Appropriation Accounts (Civil).

2. The Hundredth Report was presented to Lok Sabha on 28 April, 1995 and contained two recommendations. Action Taken notes on both the recommendations have been received from the Ministries/Departments concerned and the same are reproduced in Chapter-II. A scrutiny of these Action Taken Notes reveals that the recommendations of the Committee made in their earlier Report have been accepted by Government.

3. Earlier, the Controller General of Accounts (CGA) in the Ministry of Finance (Department of Expenditure) had in February, 1995 submitted a note soliciting leave of the Public Accounts Committee to bring to their notice certain changes in the working principles which his Organisation intended to bring out in the presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94 and onwards. These changes in the revision of Format of Appropriation Accounts (Civil) related to enhancement in financial limits with a view to highlighting saving/excesses under specific heads of accounts.

4. While agreeing with the proposed changes in the working principles in the presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94 and onwards as contained in the aforesaid note of the CGA, the Committee in paragraph 9 of their Hundredth Report had also recommended as follows:

“The Committee have been given to understand that the Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services are not in line with the aforesaid proposal made by the Controller General of Accounts for presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94. The Committee, therefore, recommend that the authorities responsible for preparation of Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services may take suitable steps to adopt changes as introduced in Appropriation Accounts of Union Government (Civil) atleast from the year 1994-95 and onwards after obtaining the advice of the Comptroller and Auditor

General of India so that parity could be maintained in presentation of all Appropriation Accounts of the Union Government. The Committee would like, in due course, to be apprised of the precise action taken by the authorities concerned in this regard."

5. In their action taken note furnished to the Committee the Ministry of Railways stated as under:

"Recommendations of P.A.C. for taking suitable steps to adopt changes as introduced in Appropriation Accounts of Union Government (Civil) have been noted. The monetary limit from Rs. 10 lakhs to Rs. 50 lakhs in case of Railways Revenue Grants Nos. 1 to 15 and From Rs. 10 lakhs to Rs. 100 lakhs in the case of Works Grant No. 16 has been enhanced to bring parity in presentation of Appropriation Accounts of the Union Government. No change in these limits in terms of percentages (viz. 5% in case of Revenue Grants and 10% in case of Works Grant) has been made. This will take effect from the financial year 1994-95."

6. While forwarding their vetting comments on the aforesaid Action Taken Note, the Audit in their letter dated 11 September, 1996 *inter alia* observed as follows:—

"in so far as the Railway Appropriation Accounts are concerned, these were not found to be in parity with the Civil Appropriation Accounts while applying the financial limits as follows:—

- (i) The financial limits are applied at the minor head level instead of sub-head level.
- (ii) The financial limits were applied to explain variations only in respect of Column 4.
- (iii) The internal Codes of the Ministry prescribe application of financial limits both at Zonal Railways' level and at the Ministry (Railway Board) level, even though the Parliament sanctions the grants for the entire Ministry.
- (iv) Even the enhanced financial limits adopted by the Ministry subsequent to the recommendations of the Public Accounts Committee has not ensured parity with the civil side and this fact was communicated to the Ministry vide U.O. No. 111-RA-III-RR/1-10-95 dated 26-12-95.
- (v) The Railways Appropriation Accounts did not incorporate the additional reporting criteria.

These issues were under continuous correspondence with the Ministry. In paragraph 1.8 (iv) of the Report of the Comptroller and Auditor General of India, Union Government (Railways), No. 10 of 1996, these issues have also been highlighted. The



Ministry in their letter dated 8.3.96, had agreed to submit a proposal to the Public Accounts Committee for obtaining necessary approval for the deviations. However in their subsequent letter of 3-7-96, the Ministry contended that dispensation of the Public Accounts Committee in this regard was not necessary. The matter was further discussed between the Deputy Comptroller and Auditor General of India and the Additional Member (Finance) on 14-8-96. Finally, the Ministry had agreed to submit a detailed note to the Public Accounts Committee seeking permission for the deviations. The Ministry has also simultaneously requested Audit for presentation of the Appropriation Accounts 1995-96 in the old format."

7. Subsequently, the Ministry of Railways submitted a Memorandum on their Appropriation Accounts for consideration by the Public Accounts Committee. The complete text of the Memorandum is reproduced at Appendix-I to this Report.

8. In their further comments on the aforesaid Memorandum, the Audit *inter alia* observed *vide* their letter dated 10 October, 1997 as under:—

"xxx

xxx

xxx

xxx

7. It is not appropriate to say that expenditure in the Railway Accounts in the budget is shown in greater details at the Minor Head level than in the Civil Accounts at the sub-head level. On the Civil side, the accounts are presented under 5 tier classification in a structured way with complete co-relation with the Budget and the Plan Heads. Firstly the Sectoral classification corresponds to the nature of services, Major Head relates to the function. Minor Head identifies a programme, Sub-Head denote the schemes and Detailed Head classification refers to the object heads of expenditure. The reforms underline the shift in emphasis from the classification structure in merely securing item-wise control over expenditure to the need for classification structure to help monitoring and analysis of programmes, schemes and activities as well as control by objects of expenditure and to the extent possible, an assessment of the return on the expenditure incurred. This system is meant to facilitate appreciation of the resource allocation at the national level, provide a link between the budget outlays on the one hand and function, programmes and schemes on the other. As admitted by the Ministry, on the Railway side, the classification is also only at two tier level. This may perhaps be the reason as to why the Ministry has observed "It is quite difficult to visualise that variations in the sub heads of accounts could be of sufficient significance and interest in the context of Parliamentary financial control" and also "And, from the stand point of correlating expenditure with output, it is only the Minor

Heads of Accounts that are relevant, not the sub-heads". Therefore the basic issue to be decided now is how the present classification of Railways Accounts help in management accounting and Parliamentary financial control.

8. Whether the Ministry should prepare Appropriation Accounts at the Minor Head or at the Sub-head of accounting classification depend on two aspects:

- (i) relevance
- (ii) extra work load

The aspects of relevance has been covered in paragraph 7 above. In other words, since accounts are compiled from bottom level to the top, examination of variations at the sub-head level (of accounts) rather than Minor Head level (of accounts) which is above the Sub-head, should be of greater relevance to the Railway Management from the point of indepth budgetary control. It is also difficult to understand why the Ministry hesitates to undertake such budgetary and management control exercise at a lower level (Sub-head) than at a higher level (Minor Head), given the fact that compilation is done from lower to the higher levels.

Regarding the extra work load, a quick review undertaken by Audit has highlighted that the Ministry would need to explain to the Parliament the reasons for variations in their expenditure in respect of 435 Sub-heads instead of 149 Minor Heads, for the 1994-95 accounts. Hence the work load would increase by three-fold. Having regard to the definite addition to work load, the commercial nature of the Department and its operational compulsions, the Committee could consider whether in the Revenue grants, relating to day to day operations, the present system is adequate for Parliamentary accountability. In respect of the Capital grant (No. 16), however, the Appropriation Accounts could show Railway's implementation of Legislative intent in more details, by way of project wise explanations."

9. While agreeing with the changes proposed by the Controller General of Accounts in the working principles in the presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94 and onwards, the Committee in paragraph 9 of their Hundredth Report had also recommended that the authorities responsible for preparation of Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services might take suitable steps to adopt changes as introduced in the Appropriation Accounts of Union Government (Civil) atleast from the year 1994-95 and onwards after obtaining the advice of the Comptroller and Auditor General of India so that parity could be maintained in presentation of all Appropriation Accounts of the Union Government. The Committee express their satisfaction to note that the

Ministries/Departments concerned with preparation of Appropriation Accounts of the Union Government have accepted their recommendation to maintain parity in presentation of all Appropriation Accounts of the Union Government after consulting the Comptroller and Auditor General in the matter. The Committee however, observe from a Memorandum submitted to them by the Ministry of Railways on their Appropriation Accounts that the Ministry have a divergent view on suggestions made by the Audit for effecting changes in Railway Appropriation Accounts so as to provide explanations for variations between sanctioned funds and actual expenditure at sub-head level of accounting classification in consonance with the practice prevalent in the case of Civil Appropriation Accounts. The Committee have examined the submissions made by the Ministry of Railways in their Memorandum as well as the Audit observations thereon and they are of considered opinion that Railways, in terms of the provisions of Article 150 of the Constitution of India, should work out with the Comptroller & Auditor General of India the modalities for preparation and presentation of their Appropriation Accounts with a view to bringing uniformity amongst all Appropriation Accounts of the Union Government, as far as possible. The Committee would like to be apprised of the specific action taken in the matter within three months from the presentation of this Report.

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendations of the Committee**

The Committee agree to the proposed changes in the working principles in the presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94 and onwards as outlined in the note of Controller General of Accounts in the Ministry of Finance (Department of Expenditure).

The Committee have been given to understand that the Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services are not in line with the aforesaid proposal made by the Controller General of Accounts for presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94. The Committee, therefore, recommend that the authorities responsible or preparation of Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services may take suitable steps to adopt changes as introduced in Appropriation Accounts of Union Government (Civil) atleast from the year 1994-95 and onwards after obtaining the advice of the Comptroller and Auditor General of India so that parity could be maintained in presentation of all Appropriation Accounts of the Union Government. The Committee would like, in due course, to be apprised of the precise action taken by the authorities concerned in this regard.

[Sl. Nos. 1 and 2 (Paras 8 & 9) of Appendix III to 100th Report of PAC  
(10th Lok Sabha)]

#### **Action Taken**

Recommendations of P.A.C. for taking suitable steps to adopt changes as introduced in Appropriation Accounts of Union Government (Civil) have been noted. The monetary limit from Rs. 10 Lakhs to Rs. 50 Lakhs in case of Railways Revenue Grants Nos. 1 to 15 and from Rs. 10 Lakhs to Rs. 100 Lakhs in the case of Works Grant No. 16 has been enhanced to bring parity in presentation of Appropriation Accounts of the Union Government. No change in these limits in terms of Percentages (viz. 5% in case of Revenue Grants and 10% in case of Works Grant) has been made. This will take effect from the financial year 1994-95.

This has been seen and vetted by Audit vide their U.O.I. No. 18-RA.III-RR/12-2/95 dated 25.07.95.

Sd/-

(R.C. Magan)

Joint Director Finance (BC)

Railway Board.

[Ministry of Railways (Railway Board) O.M. No. 95-BC(PAC)/10/100 dated 9 August, 1995]

#### Action taken

The revised procedure for preparation of the Appropriation Accounts as recommended by the Public Accounts Committee *vide para* 9 of its Hundredth Report (Tenth Lok Sabha) has been adopted from the year 1994-95, so far as Grant No. 18 to 22 Ministry of Defence are concerned, and that the revised format in respect of these grants has also been vetted by the C&AG.

An extract from C&AG of India communication dated 4.8.95 in response to Ministry of Defence (Finance) Note No. 5 dated 20.7.95 on MoD File No. 11(11)/B-1/95 on the subject, is enclosed.

Sd-

(D. LAHIRI)

Addl. FA(D) & J.S.

[Ministry of Defence OM No. 11(11)/B-1/95 dated 15 September 1995]

#### OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA NEW DELHI

Ministry of Defence, (Finance) may please refer to their Note 5 dated 20.7.1995 regarding Changes in the format of Appropriation Accounts (Defence Services) for the year 1994-95 and onwards.

The Appropriation Accounts (Defence Services) may be prepared as per the guidelines contained in para 3 of CGA's Note No. G.25010/1/AA/93-94/Policy/936 dated 7.2.1995 besides highlighting the cases mentioned in clause (i) to (v) and (viii) of para 2 of the said Note irrespective of the amounts.

Sd/-

(S.S. GUPTA)

SR. ADMINISTRATIVE OFFICER (REPORT-C)

Ministry of Defence (Finance/Budget-II) New Delhi.

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CAG's Office U.O. No. 635/Rep(C)/104-95 dated: 4.8.1995.

### Action Taken

The Comptroller and Auditor General of India has concurred in the proposal for revision in the format of Appropriation Accounts of Department of Posts from the year 1994-95 subject to the following cases to be highlighted in the Appropriation Accounts irrespective of the Accounts.

- (i) All cases where overall savings in a grant exceeded the supplementary grants.
- (ii) Cases where the amounts surrendered exceeded the overall savings in a grant.
- (iii) Specific heads of accounts under which the entire supplementary grant remained unutilised.
- (iv) Specific heads of accounts under which the entire provision remained unutilised.
- (v) Specific heads of accounts under which 10% of supplementary grant or Rs. 5 lakhs, whichever is higher, remained unutilised.
- (vi) In case where individual "segments" of the grant *i.e.*, Revenue (Charged), Revenue (Voted), Capital (Charged) and Capital (Voted) was exceeded, the Appropriation Accounts indicated the excesses under those 'heads' which mainly contributed to the excess under the individual "segment".

The Department will take suitable action for change in the Appropriation Accounts for 1994-95 accordingly.

Sd/-  
Signature of Dy. Director General  
(PAF)

[Ministry of Communications (Deptt. of Post) O.M. No. 13-1(A)/95  
Bgt(PA) dated 26 October 1995]

### Action Taken

The matter was referred to Comptroller and Auditor General of India through Principal Director of Audit (P&T). The Comptroller and Auditor General of India has given his concurrence to the proposal for revision in the format of Appropriation Accounts of Department of Telecommunications from the year 1994-95 subject to the following cases to be highlighted in the Appropriation Accounts irrespective of the amounts.

- (i) All cases where overall savings in a grant exceeded the supplementary grant.
- (ii) Cases where the amounts surrendered exceeded the overall savings in a grant.
- (iii) Specific heads of accounts under which the entire supplementary grant remained unutilised.
- (iv) Specific heads of accounts under which the entire provision remained unutilised.
- (v) Specific heads of accounts under which 10% of supplementary grant or Rs. 5 lakhs, whichever is higher, remained unutilised.

- (vi) In cases where individual "segments" of the grant *i.e.*, Revenue (Charged), Revenue (Voted), was exceeded, the Appropriation Accounts indicated the excesses under those heads which mainly contributed to the excess under the individual "segment".

The Department will take suitable action for the Appropriation Accounts 1994-95 accordingly.

Sd/-

(Anita Soni)

Dy. Director General (B&A)

[Ministry of Communications (Deptt. of Telecommunications)

O.M. No. 41-8/95-TA-II/-AC 26 October, 1995]

### **CHAPTER III**

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE  
DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES  
RECEIVED FROM GOVERNMENT**

**-NIL-**



## **CHAPTER IV**

**RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH  
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH  
REQUIRE REITERATION**

**-NIL-**

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

-NIL-

NEW DELHI;  
17 November, 1997  

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26 Kartika, 1919 (Saka)

DR. MURLI MANOHAR JOSHI,  
*Chairman,*  
*Public Accounts Committee.*

## APPENDIX I

### MEMORANDUM TO THE PUBLIC ACCOUNTS COMMITTEE ON APPROPRIATION ACCOUNTS OF THE MINISTRY OF RAILWAYS

1. The Public Accounts Committee, 1994-95 (Tenth Lok Sabha) in their hundredth report had approved certain changes brought out in a note submitted by the Controller General of Accounts (CGA), in the working principles for presentation of the Union Government Appropriation Accounts (Civil) for the year 1993-94 and onwards. Essentially, the changes were in the financial limits for highlighting variations over sanctioned provisions under specific heads of accounts. These enhancements had been proposed keeping in view the increase in the amounts in the Appropriation Act and the expenditure incurred thereagainst, which resulted in increasing the amount of related variations in a number of heads. It was also proposed and approved that the changes do not in any way change the basic structure of appropriation accounts nor would they in any way limit the scope of Appropriation Audit which would continue to be reported to Parliament for the purposes of Rule 308 (2) (c) of Rules of Procedure and Conduct of Business in Lok Sabha.

2. In the case of Railways, the limits earlier in force were Rs. 10 lakh and Rs. 20 lakh, respectively, for Sub-head of Grants under the various grants. These were changed, with the vetting of the Comptroller and Auditor General of India, to Rs. 100 lakh, as approved by PAC, effective from the financial year 1994-95. An Action Taken Note was submitted to PAC, bringing out this position (copy enclosed).

3. The Committee had also recommended that the authorities responsible for the preparation of Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services may take suitable steps to adopt changes as introduced in Union Government Appropriation Accounts (Civil) at least from 1994-95 and onwards after obtaining the advice of the Comptroller and Auditor General of India so that parity could be maintained in presentation of all Appropriation Accounts of the Union Government. This has been complied with as indicated by the Ministry of Railways in their Action Taken Note submitted to the Committee. Further, at the instance of the C&AG while vetting the Action Taken Note, the Appropriation Accounts (Railways) for 1994-95 provided explanations for variations between the sanctioned provisions (including Supplementary Grants) and expenditure thereagainst, in modification of the earlier practice of explaining variations between Final Grant and actual expenditure. Before vetting them, however, C&AG called for certain other changes also, citing the above mentioned

recommendations of PAC. It is necessary here to refer only to the most important of these, namely, that for the purpose of giving explanations for variations, Sub-heads of accounting classification should be considered, rather than Minor Heads of accounting classification, which were all along reckoned for this purpose; these are the Sub-heads of grants, each comprising several Sub-heads of accounts. C&AG vetted the Appropriation Accounts of the Railways for 1994-95 on the understanding that approval of the PAC would be obtained for continuing with the existing procedure. In the course of further correspondence and dialogue since then, the C&AG has also indicated willingness to scrutinise the Appropriation Accounts of the Railways for 1995-96 on the same basis.

4. It has been pointed out by the C&AG recently again that the revised financial limits are required to be applied at the level of Sub-heads of accounts since Parliament sanctions the Budget at this level and further the Minor head level applies to 'Programmes' while the Sub-Head level refers to 'Schemes' and reasons for variations therein have to be submitted to Parliament.

5. For appreciating the position of the Railways in this regard it would be necessary to recall, first of all, that their Appropriation Accounts do not form part of the Union Government Appropriation Accounts (Civil) but are presented separately, with wide-ranging details. As is well known, Railway finances stand separated from the General finances since 1924 and separate Appropriation Acts are passed for each of these budgets, although the receipts and expenditure of the Railways are part of the total receipts and expenditure of the Government of India. Accordingly, the Appropriation Accounts of the Railways, comparing the accounts of actual expenditure with the amounts of Grants Voted by Parliament and Appropriations sanctioned by the President are prepared for presentation to the Public Accounts Committee, signed by the Chairman, Railway Board as Principal Secretary to the Government of India in the Ministry of Railways and by the Financial Commissioner (Railways) as Secretary to the Government of India, Ministry of Railways in financial matters. It is submitted in three volumes, the contents of which are enumerated in the annexure. Briefly stated, the Detailed Appropriation Accounts (Part II) contain the consolidated Grant accounts and several statements and annexures pertaining to individual Railways; the second volume of Part II brings out the Block Accounts, Balance sheets and the Profit and Loss Account of the Indian Government Railways. These are accompanied by a review in Part I, generally dealing with financial results of the year, changes in the procedure, form and classification of accounts, detailed review of receipts and expenditure, results of appropriation audit showing excesses over grants, irregular reappropriations, etc. requiring report to or ratification by the Parliament and miscellaneous subjects such as Block Accounts, Capital Statements, Balance sheet, Stores Balances, Railway Funds, Investments, etc.

6. It would be useful to give here a brief description of the structure of accounting classifications and of the Demands for Grants for Railways. This has evolved over a period of time, taking into account the recommendations of Parliamentary Committees as well as considerations of financial and management control appropriate to a vast commercial undertaking that is bound by the basic rules of government working. The present structure is one that has been adopted with the approval of the Estimates Committee, 1978-79, 6th Lok Sabha, in their 21st report. Earlier, the Railway Convention Committee, 1971 had recommended a comprehensive review of the form and contents of the Railway Budget and the number of Demands for Grants as well as the various documents accompanying it with a view to rationalizing and simplifying their contents in the interest of proper accountability to Parliament and the public. The Task Force that was set up in pursuance of the recommendation, with suitable terms of reference, drew up a scheme of revised Demands for Grants based on function-oriented analysis of working expenses and plan-head-wise analysis of works expenditure. At the instance of the Estimates Committee, the Ministry also obtained the comments of the Comptroller and Auditor General of India and all changes/modifications suggested by him were incorporated in the revised format of Demands for Grants. Demands 1 and 2 are in the nature of general 'on cost' covering all Railways, 14 and 15 are for appropriations to Railway Funds, Dividend to General Revenues, etc. The bulk of the transactions of expenditure occur under Demands 3 to 13 which cover the working expenses of the various Railways and Demand 16 which is for works expenditure. The Sub-heads of Demand represent major functions/activities and correspond to the main heads of accounting classification; at one level below, the detailed activity classification of the Demands for Grants align with Sub-heads of the accounting classification—a further break-up of the activity classification, identifying in greater details the 'why' of the expenditure. By means of 'primary units' the expenditure can be further identified in terms of salary, materials, etc. Another feature was that correlation between financial input and physical output under the restructured Sub-heads of Demands for Grants could be provided for the information of Parliament. The Estimates Committee also noted that the Ministry would not be able to reappropriate from one Demand to another and so "Parliamentary control has been strengthened"; under the restructured Works Grant, reappropriation is permissible between the Sub-heads of the Demand, i.e. the various Plan-heads, but not across the different sources of financing, i.e. Capital, Railway Funds and Revenue. Altogether, the restructured Demands for Grants are functionally oriented in such a manner as to facilitate responsibility accounting and performance budgeting with adequate safeguards for Parliamentary financial control.

7. The revised structure has been explained above in some detail to emphasise that the Demands for Grants identify homogeneous major areas of the activities of Railways and the Sub-heads of Demands their constituent major functions/activities. Correlation with physical output occurs at this level, which is the Minor head of accounting classification. The further breakdown thereof into Sub-heads of accounts represents further split-up of the activities in greater detail. In other words, the Minor Heads and Sub-Heads of accounting classification do not share the character of 'programmes' and 'schemes' respectively, as may be occurring in other civil estimates; but are merely different levels at which the broad functions represented by the Demands for Grants are shown in terms of their component activities. It is quite difficult to visualise that variations in the Sub-heads of accounts could be of sufficient significance and interest in the context of Parliamentary financial control. Reference to the descriptions of detailed activity classifications under the various Revenue Demands for Grants would make this clear. In the case of Demand 16 (Works Grant), it would be still clearer that the Sub-heads of accounting classification are intended basically to serve the purpose of internal requirements and that it is only the Minor Head (Plan Head) level that matters. And, from the standpoint of correlating expenditure with output, it is only the Minor heads of accounts that are relevant, not the sub-heads. It is also seen from the list of Major and Minor Heads of Accounts of Union and States issued by the Ministry of Finance the Major Head 3055 Road Transport Comprises six Minor Heads, one of which is 'other expenditure'; each Departmental undertaking is a Minor Head, and expenses are recorded under certain Sub-heads (with suitable detailed Heads thereunder) namely 'Management', 'Operation', 'Repairs and Maintenance', 'Users' facilities', 'Buildings and other expenditure' (to include interest on capital and contribution to funds). Expenditure on Railways under these captions is shown at the level of the Grant (in fact in more than one Grant) split up further to Minor Head and Sub-head levels of accounts. Thus, expenditure of a similar nature is shown in the Railways Accounts in greater detail at the Minor Head level than in the Civil Accounts at the Sub-head level.

8. It would be appreciated from the foregoing that explanations for variations at the Minor Head level are entirely appropriate as far as the Ministry of Railways are concerned. Any change in procedure requiring variations in individual Sub-heads of accounts to be explained would be an exercise that will add very greatly to the volume of work at all terms of the organisations not only of the Railways but of the Audit as well without any notable gains for Parliamentary financial control. It is the firm belief of the Ministry of Railways that the Appropriation Accounts of the Railways as rendered so far and as scrutinised by the Audit at the different levels as well as by the Public Accounts Committee have, over the decades,

adequately subserved that objective. There have all along been differences in the appropriation Accounts of Railways and other Ministries and, recalling that no change in the basic structure of Appropriation Accounts was intended while proposing or approving the changes in certain financial limits, it may not be either worthwhile or desirable to introduce a major change, merely to achieve a parity in form. In other words, Railways may be permitted to continue with the existing practice of offering explanations for variations at the level of Minor Heads of accounting classification.

Another point that has been raised recently by C&AG and desired by him to be featured in the proposal to the PAC, concerns the powers of reappropriation prevailing on the Railways. It has been pointed out that unlike the Civil side where reappropriation is limited in terms of amount at the Sub-head level, the extent of reappropriation on the Railways is not only unlimited but is permitted to be done at the level of zonal Managers instead of the Ministry.

The position obtaining in the Ministry of Railways, as briefly mentioned earlier, is that reappropriations have to be regulated within each individual grant and, so far as the works grant is concerned, these are also to be confined within each source of financing. Subject to these limitations both the Ministry of Railways and the Zonal Units have full powers of reappropriation. While the Ministry may order such reappropriation across the Zonal Railways, the General Managers may do so only within their Units. This flows from the fact that Parliament approves the amount of each Grant in the Railway Budget for the Ministry of Railways as a whole and the Ministry in turn divides each Grant among the different Zonal Railways. Such a scheme is consistent with the delegation of powers to the Zonal and other Units, each an independent administrative and profit centre, so as to carry out the various functions for maintenance of the infrastructure and the business of transportation. Unitary management of the huge Railways network, with advantages of vertical integration, horizontal coordination, uniformity of pricing and other policies and economies of scale is not possible without an attendant delegation of both administrative and financial powers. Principles and practices thereof have been evolved over the years with adequate safeguards to ensure accountability while permitting flexibility for meeting the exigencies of day to day operation. The financial and operating results of each Zone are reported to Parliament in the Budget documents and their functioning within the framework of various regulations and financial Grants reviewed by the Railways Board periodically. It will be appreciated, against this background, that the smooth working of such an arrangement, consistent with the needs of a service organisation, essentially requires full powers of reappropriation at the Zonal level. Consequently, it may not be realistic to hold that Railways should have powers of reappropriation as applicable to

other Civil Ministries. The Appropriation Accounts provide an opportunity for the Principal Directors of Audit of each Zone to scrutinise and comment on irregular reappropriations if instances arise within their domain. It is, therefore, proposed that the existing position be allowed to remain in respect of the powers of reappropriation for the Ministry of Railways and their Zonal Units.



## ANNEXURE

**Main contents:—** The consolidated Appropriation Accounts will consist of the following viz.

(i) A grand summary of the Appropriation Accounts by Grants and Appropriations in Form No. 440.

(ii) An Appropriation Account for each Grant in Form No. F 403, together with brief notes, giving under each sub-head explanations of variations between final Grants or Appropriations and actual expenditure, provided such variations are in excess of 5 percent of Rs. 50 lakhs whichever is less or in the case of works Grant No. 16, 10 percent or Rs. 100 lakhs whichever is less. If, however, the net excess or saving falls within the aforesaid limits but is made up of plus and minus variations exceeding those limits, the causes of such variations should be mentioned.

(iii) The accounts of the Depreciation Reserve Fund, Development Fund, Revenue Reserve Fund, Pension Fund and Accident Compensation, Safety & Passenger Amenities Fund showing (in thousands of Rupees) for ten years ending with the year under review.

- (1) Opening balance on 1st April.
- (2) Contribution/Appropriation to the Fund during the year.
- (3) Loans, if any, from General Revenues.
- (4) Interest on the Fund.
- (5) Expenditure from the Fund during the year.
- (6) Repayment of loans obtained from General Revenues.
- (7) Interest paid on loans from General Revenues.
- (8) Balance on 31st March.

Note:—Figures of strategic lines should be shown separately. Items (3), (6) & (7) will be given only where applicable.

(iv) A Stores Account showing the stores transactions and a Stock Adjustment Account showing the results of stock verification and revaluation of stores, by railways and a review of the stores transactions of all Railways collectively in a narrative form.

(v) A consolidated Profit and Loss Account of Railway Grain Shops.

(vi) A consolidated Profit and Loss Account of Railway catering.

(vii) A consolidated Statement of Balances outstanding under Suspense.

(viii) A consolidated Statement of Unsanctioned Expenditure ( to form Annexure A, A(i) and A(ii) to the consolidated Appropriation Accounts).

(ix) A statement of Under Charges detected by Accounts and recovered (to form Annexure B to the consolidated Appropriation Accounts) by Railways.

(x) A statement showing Remissions and Abandonment of Claims to Revenue (to form Annexure C to the consolidated Appropriation Accounts) by Railways.

(xi) A consolidated statement in respect of open line works provided in the budget the estimated cost of each of which is not less than Rs. 50 lakhs and in respect of works not provided in the budget the estimated cost of each of which is Rs. 20 lakhs and above (to form Annexure D to the consolidated Appropriation Accounts).

(xii) Two statements relating to Strategic Lines one showing working expenses and other showing expenditure on Open Line Works and New Constructions met from Capital Depreciation Reserve Fund, Development Fund, Open Line Works Revenue Fund. These should be prepared in the detail (to form Annexure E to the consolidated Appropriation Accounts).

(xiii) Annexure 'F' in the form F. 441.

(xiv) A Block Accounts, a Capital Statement (comprising Loan Accounts), a Balance Sheet and a Profit and Loss Account of all Railways in Form Nos. F 429 and in addition the Manufacturing Accounts and Outturn Statements of Railway Production Units (to form Annexure G to the consolidated Appropriation Accounts).

(xv) A statement of Losses, called Annexure 'H'.

(xvi) A statement showing Irregular Reappropriations made by Railways in the detail (to form Annexure T to the consolidated Appropriation Accounts).

(xvii) A consolidated statement of Misclassifications and other important mistakes detected during the course of the year. Information for each railway should be exhibited separately (to form Annexure 'J' to the consolidated Appropriation Accounts).

Separate statements should be prepared for commercial and strategic lines.

Note:— The compilation referred to at item (xiv) should be printed separately, to be treated as addenda to the Appropriation Accounts of Railways in India.

## APPENDIX II

### *Conclusion and Recommendation*

Sl. No.	Para No.	Ministries/ Deptts. concerned	Conclusion/Recommendation
1	2	3	4
1.	9	Finance (Expenditure) and Railways Board)	While agreeing with the changes proposed by the Controller General of Accounts in the working principles in the presentation of Union Government Appropriation Accounts (Civil) with effect from the accounts for the year 1993-94 and onwards, the Committee in paragraph 9 of their Hundredth Report had also recommended that the authorities responsible for preparation of Appropriation Accounts relating to Railways, Defence, Postal and Telecommunication Services might take suitable steps to adopt changes as introduced in the Appropriation Accounts of Union Government (Civil) at least from the year 1994-95 and onwards after obtaining the advice of the Comptroller and Auditor General of India so that parity could be maintained in presentation of all Appropriation Accounts of the Union Government. The Committee express their satisfaction to note that the Ministries/ Departments concerned with preparation of Appropriation Accounts of the Union Government have accepted their recommendation to maintain parity in presentation of all Appropriation Accounts of the Union Government after consulting the Comptroller and Auditor General in the matter. The Committee however observe from a Memorandum submitted to them by the Ministry of Railways on their Appropriation Accounts that the Ministry have a divergent view on suggestions made by the Audit for effecting changes in Railway Appropriation

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**1****2****3****4**

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Accounts so as to provide explanations for variations between sanctioned funds and actual expenditure at sub-head level of accounting classification in consonance with the practice prevalent in the case of Civil Appropriation Accounts. The Committee have examined the submissions made by the Ministry of Railways in their memorandum as well as the Audit observations thereon and they are of considered opinion that Railways, in terms of the provisions of Article 150 of the Constitution of India should work out with the Comptroller & Auditor General of India the modalities for preparation and presentation of their Appropriation Accounts with a view to bringing uniformity amongst all Appropriation Accounts of the Union Government, as far as possible. The Committee would like to be apprised of the specific action taken in the matter within three months from the presentation of this Report.

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## PART II

### MINUTES OF THE EIGHTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (1997-98) HELD ON 13 NOVEMBER, 1997.

The Committee sat from 1500 hrs. to 1630 hrs. on 13 November, 1997 in Committee Room 'B', Parliament House Annexe, New Delhi.

#### PRESENT

Dr. Murli Manohar Joshi — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Nirmal Kanti Chatterjee
3. Shri N.S.V. Chitthan
4. Dr. T. Subbarami Reddy
5. Shri Ishwar Dayal Swami

##### *Rajya Sabha*

6. Shri R.K. Kumar
7. Smt. Margaret Alva
8. Shri Surinder Kumar Singla
9. Shri Vayalar Ravi

#### LOK SABHA SECRETARIAT

1. Shri P. Sreedharan — *Deputy Secretary*
2. Shri Rajeev Sharma — *Under Secretary*

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

1. Shri Vikram Chandra — Pr. Director of Audit (Indirect Taxes)
2. Shri A.K. Thakur — Pr. Director of Audit (Reports—Central)
3. Smt. S. Ghosh — Director of Audit (Customs)

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

- (i) Action Taken on 113th Report of PAC (10th Lok Sabha) on Out-of-turn allotments of Government residential accommodation.
- (ii) Action taken on 100th Report of PAC (10th Lok Sabha) on Revision in the Format of Union Government Appropriation Accounts (Civil).
- (iii) Excesses over Voted Grants and Charged Appropriations (1995-96).

(iv) Paragraph 4.3.1 of Audit Report No. 10 of 1996 (Railways) on Infructuous expenditure on purchase of water coolers and filters.

(v) Paragraph 1.01 of Audit Report No. 4 of 1996 (Indirect Taxes) on the Advance Licensing Scheme.

3. On the suggestion made by some members, the Committee decided to defer consideration of draft Report mentioned at serial no. (v) to 18 November, 1997.

4. The Committee then took up for consideration draft Reports mentioned at serial nos. (i) to (iii). The Committee adopted the Reports at serial nos. (i) and (iii) with certain modifications and amendments as shown in Annexures<sup>a</sup> I and II respectively and the Report at serial no. (ii) without any modifications/amendments. Thereafter, the Committee considered the draft Report at serial no. (iv) and after some deliberations decided to consider that draft Report further at their sitting to be held on 18 November, 1997.

5. The Committee also authorised the Chairman to finalise the draft Reports mentioned at serial nos. (i) to (iii) in the light of verbal and consequential changes arising out of factual verification by Audit and present the same to Parliament.

*The Committee then adjourned.*

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

Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>ANDHRA PRADESH</b>		<b>UTTAR PRADESH</b>	
1.	M/s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500 306.	12.	Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.
<b>BIHAR</b>		<b>WEST BENGAL</b>	
2.	M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).	13.	M/s. Madimala, Buys & Sells, 123, Bow, Bazar Street, Calcutta-1.
<b>GUJARAT</b>		<b>DELHI</b>	
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380 006. (T.No. 79065)	14.	M/s. Jain Book Agency, C-9, Connaught Place, New Delhi, (T.No. 331663 & 350806)
<b>MADHYA PRADESH</b>		15.	M/s. J.M. Jain & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T.No. 2915064 & 230936)
4.	Modern Book House, Shiv Vilas Place, Indore City. (T.No. 35289)	16.	M/s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110 001. (T.No. 315308 & 45896)
<b>MAHARASHTRA</b>		17.	M/s. Bookwell, 2/72, Sant Nirankari College, Kingsway Camp, Delhi-110 009. (T.No. 7112309).
5.	M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400 002.	18.	M/s. Rajendra Book Agency, IV-DR59, Lajpat Nagar, Old Dobule Storey, New Delhi-110 024. (T.No. 6412362 & 6412131).
6.	The International Book Service, Deccan Gymkhana, Poona-4.	19.	M/s. Ashok Book Agency, BH-82, Poorvi Shallmar Bagh, Delhi-110 033.
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400 001.	20.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
8.	M/s. Usha Book Depot, Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400 002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110 001. (T.No. 344448, 322705, 344478 & 344508).
9.	M & J Services, Publishers, Representative Accounts & Law Book Sellers. Mohan Kunj, Ground Floor, 68, Jyotiba Fuele road Nalgaum, Dadar, Bombay-400 014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Service India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400 001.	23.	M/s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110 052. (T.No. 269631 & 714465).
<b>TAMIL NADU</b>		24.	M/s. Sangam Book Depot, 437B/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110 002.

