

**EXCESSES OVER VOTED GRANTS AND CHARGED  
APPROPRIATIONS (2013-14)**

**PUBLIC ACCOUNTS COMMITTEE  
(2015-16)**

**THIRTY - SIXTH REPORT**

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**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**THIRTY-SIXTH REPORT**

**PUBLIC ACCOUNTS COMMITTEE**  
**(2015-16)**

(SIXTEENTH LOK SABHA)

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AND CHARGED APPROPRIATIONS  
(2013-14)**



Presented to Lok Sabha on: ..... 26 APR 2016 .....

Laid in Rajya Sabha on: .....

**LOK SABHA SECRETARIAT  
NEW DELHI**

April 2016/ Vaisakha 1938 (Saka)

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- I Minutes of the Twenty Second Sitting of Public Accounts Committee (2015-16) held on 11.03.2016.
- II. Statement of Observations and Recommendations.

\* Not appended

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2015-16)**

Prof. K.V. Thomas.

Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmputra
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

**RAJYA SABHA**

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

**SECRETARIAT**

1. Shri A.K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Smt. Anju Kukreja - Under Secretary



## INTRODUCTION

1. The Chairman, Public Accounts Committee, having been authorised by the Committee, do present on their behalf this Thirty-Sixth Report (Sixteenth Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2013-14)".

2. The Union Government Appropriation Accounts (Civil) 2013-14; the Union Government Appropriation Accounts (Postal Services) 2013-14; the Union Government Appropriation Accounts of the Defence Services 2013-14; and the Report of the Comptroller & Auditor General of India for the year ended March 2014, No. 1 of 2015, Union Government (Accounts of the Union Government) were laid on the Table of the House on 12<sup>th</sup> May, 2015. The Indian Railways Appropriation Accounts Part-I — Review, 2013-14; the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts, 2013-14; the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts (Annexure-G), 2013-14; and the Report of the Comptroller & Auditor General of India for the year ended March 2014, No. 15 of 2015, Union Government (Railways) Railways Finances were laid on the Table of the House on 28<sup>th</sup> November, 2015.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Defence, External Affairs and Railways of the Union Government in the 2013-14 fiscal on the basis of the Appropriation Accounts; observations of Audit as contained in the relevant Reports of the Comptroller & Auditor General of India; and the Explanatory Notes/Advance Information furnished by the Ministries/Departments concerned. The Committee considered and finalised this Report at their sitting held on 11<sup>th</sup> March, 2016. Minutes of the sitting are given at Appendix-I to the Report.

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

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

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

NEW DELHI;  
March, 2016  
Phaiguna, 1937 (*Saka*)

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



## REPORT

### PART-I

#### A. INTRODUCTORY

##### (a) Annual Appropriation Accounts of the Union Government

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

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

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

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

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

<sup>†</sup> In a Demand for Grants, provision for voted expenditure is called a Grant and for charged expenditure it is called an Appropriation. This Rule defines the functions of the Public Accounts Committee.

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

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

**(b) Rules/Provisions for controlling excess expenditure**

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

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

**(c) Procedure for regularization of excess expenditure**

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

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

**(d) Union Government Appropriation Accounts (2013-14)**

8. The details of the four Union Government Appropriation Accounts (2013-14) viz. the dates of laying of these Accounts on the Table of the House, the number of Grants/Appropriations operated under each of the four Appropriation Accounts and the relevant Chapters/Paragraphs of the Audit Reports highlighting the Audit findings are given below:-

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/Appropriations highlighted	C&AG's Report in which audit findings are highlighted
1.	Civil	12.05.2015	99	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 1 of 2015, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	12.05.2015	6	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 1 of 2015, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	12.05.2015	1	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 1 of 2015, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	08.05.2015	16	Chapter 3 (Para 3.4 and 3.5) of C&AG's Report No. 1 of 2015, Union Government, Accounts of the Union Government, (Financial Audit) and Chapter 2 of C&AG's Report No. 15 of 2015, Union Government (Railways) Railways Finances
<b>Total No. of Grants/Appropriations:</b>			<b>122</b>	

9. In this Report, the Committee have examined the cases of those Grants/Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2013-14 and which require regularization by Parliament under Article 115(1)(b) of the Constitution of India.

**B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2013-14)**

10. Scrutiny of the four Appropriation Accounts (2013-14) revealed that, there was an excess disbursement of ₹ 3493,06,46,212 (₹ 3493.06 crore) over the authorization from the CFI during 2013-14. There was an excess disbursement of ₹ 39,59,09,662 (₹ 39.59 crore) in three segments of three Grants/Appropriations in Civil Ministries/Departments, ₹ 733,71,94,821 (₹ 733.72 crore) in four segments of three Grants of Defence Services; ₹ 2719,75,41,729 (₹ 2719.75 crore) in 19 segments of 12 Grants/Appropriations of the Ministry of Railways. These are illustrated below in a tabular form:

(In unit of ₹)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	3	3	39,59,09,662
2.	Defence Services	3	4	733,71,94,821
3.	Railways	12	19	2719,75,41,729
Total		18	26	3493,06,46,212

**(a) Details of Excess Disbursement over Voted Grants/Charged Appropriations (2013-14)**

11. The details of 26 cases of 18 Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2013-14 as shown in the relevant Union Government Appropriation Accounts/Explanatory Notes furnished by the Ministries/Departments concerned are given below:-

(In unit of ₹)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Original Grant/Appropriation (O) Supplementary Grant/Appropriation (S) Total Grant/ Appropriation (T)	Actual Expenditure	Excess Expenditure	Percentage of excess expenditure over total Grant/ Appropriation
1	2	3	4	5	6	7
<b>I - APPROPRIATION ACCOUNTS - CIVIL</b>						
<b>Revenue (Voted)</b>						
1.	20-Ministry of Defence	Defence	O-15455,13,00,000 S-241,49,00,000 T-15696,62,00,000	15732,50,89,749	35,88,89,749	0.23
<b>Revenue (Charged)</b>						
2.	21-Defence Pensions	Defence	O-89,00,000 S-3,54,00,000 T-4,23,00,000	4,97,86,943	74,86,943	17.70
<b>Capital (Voted)</b>						
3.	32-Ministry of External Affairs	External Affairs	O-1768,50,00,000 S-125,00,00,000 T-1893,50,00,000	1896,45,32,970	2,95,32,970	0.16
<b>Total (Civil) -</b>			<b>17594,35,00,000</b>	<b>17633,94,09,662</b>	<b>39,59,09,662</b>	<b>0.23</b>
<b>II - APPROPRIATION ACCOUNTS - DEFENCE SERVICES</b>						
<b>Revenue (Voted)</b>						
4.	23-Defence Services - Navy	Defence	O-12381,43,00,000 S-949,69,00,000 T-13331,12,00,000	13451,52,30,532	120,40,30,532	0.90
5.	24-Defence Services-Air Force	Defence	O-18896,66,00,000 S-1032,51,00,000 T-19929,17,00,000	20115,89,28,987	186,72,28,987	0.94
6.	25- Defence Ordnance Factories	Defence	O-1709,27,00,000 S-1363,57,00,000 T-3072,84,00,000	3498,57,40,471	425,73,40,471	13.85
<b>Revenue (Charged)</b>						
7.	25-Defence Ordnance Factories	Defence	O-5,20,00,000 S-3,20,00,000 T-8,40,00,000	9,25,94,831	85,94,831	10.23
<b>Total (Defence Services)</b>			<b>38341,53,00,000</b>	<b>37075,24,94,821</b>	<b>733,71,94,821</b>	<b>2.02</b>

III APPROPRIATION ACCOUNTS - RAILWAYS						
Revenue (Voted)						
8.	05-Working Expenses-Repairs and Maintenance of Motive Powers	Railways	O-4397,04,83,000 S-0 T-4397,04,83,000	4464,46,66,342	67,41,73,342 <sup>†</sup>	1.53
9.	06-Working Expenses-Repairs and Maintenance of Carriage and Wagons	Railways	O-10233,23,60,000 S-0 T-10233,23,60,000	10330,64,11,236	97,40,51,236 <sup>‡</sup>	0.95
10.	08-Working Expenses-Operating Expenses-Rolling stock & Equipment	Railways	O-8487,98,26,000 S-204,36,91,000 T-8692,35,17,000	8797,44,55,905	105,09,38,905	1.21
11.	10-Working Expenses-Operating Expenses -Fuel	Railways	O-26474,09,63,000 S-2056,56,78,000 T-28530,66,41,000	29214,21,50,268	683,55,09,268 <sup>††</sup>	2.40
12.	13- Working Expenses-Provident Fund, Pension and other Retirement benefits.	Railways	O-22626,47,26,000 S-2170,65,86,000 T-24797,13,12,000	25529,56,50,190	732,43,38,190 <sup>‡‡</sup>	2.95
13.	16-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of Over-Capitalization	Railways	O-6249,20,00,000 S-1590,67,00,000 T-7839,87,00,000	8008,66,61,789	168,79,61,789	2.15

<sup>†</sup> There was an excess expenditure of ₹ 6741,73,342 under this Grant. However, taking into account the misclassification of (-) ₹11,63,118 the actual excess expenditure requiring regularization works out to ₹ 67,30,10,224.

<sup>‡</sup> There was an excess expenditure of ₹97,40,51,236 under this Grant. However, taking into account the misclassification of ₹ 48,02,470 the actual excess expenditure requiring regularization works out to ₹97,88,53,706.

<sup>††</sup> There was an excess expenditure of ₹ 105,09,38,905 under this Grant. However, taking into account the misclassification of ₹ 5,65,96,133 the actual expenditure requiring regularization works out to ₹ 110,75,35,038.

<sup>‡‡</sup> There was an excess expenditure of ₹ 683,55,09,268 under this Grant. However, taking into account the misclassification of ₹ 40,46,720 the actual excess expenditure requiring regularization works out to ₹ 683,95,55,988.

<sup>‡‡‡</sup> There was an excess expenditure of ₹ 732,43,38,190 under this Grant. However, taking into account the misclassification of ₹ 32,75,756 the actual excess expenditure requiring regularization works out to ₹ 732,76,13,946 -

Capital (Voted )						
14.	16-Assets-Acquisition, Construction and Replacement-Capital	Railways	O-68618,75,78,000 S-1000,00,07,000 T-69618,75,86,000	70448,44,00,639	829,68,15,639 <sup>98</sup>	1.19
Revenue (Charged)						
15.	03-Working Expenses-General Superintendence and Services	Railways	O-0 S-50,31,000 T-50,31,000	88,78,888	38,47,888	76.48
16.	04-Working Expenses-Repairs and Maintenance of Permanent Way and Works	Railways	O-33,31,000 S-1,27,64,000 T-1,60,95,000	2,34,41,216	73,46,216	45.64
17.	05-Working Expenses-Repairs and Maintenance of Motive Powers	Railways	O-0 S-0 T-0	4,76,961	4,76,961	
18.	06-Working Expenses-Repairs and Maintenance of Carriage & Wagons	Railways	O-2,00,000 S-0 T-2,00,000	8,71,243	6,71,243	335.62
19.	07-Working Expenses-Repairs & Maintenance of Plant and Equipment	Railways	O-0 S-61,000 T-61,000	61,385	385 <sup>100</sup>	0.63
20.	08-Working Expenses-Operating Expenses-Rolling stock & Equipment	Railways	O-0 S-11,56,000 T- 11,56,000	51,52,570	39,96,570	346.72

<sup>98</sup> There was an excess expenditure of ₹ 829,68,15,639 under this Appropriation. However, taking into account the misclassification of ₹ 8,04,71,661 the actual excess expenditure requiring regularization works out to ₹ 837,72,87,300.

<sup>100</sup> There was an excess expenditure of ₹ 73,46,216 under this Appropriation. However, taking into account the misclassification of ₹ 13,23,518 the actual excess expenditure requiring regularization works out to ₹ 86,69,734.

<sup>101</sup> There was an excess expenditure of ₹ 385 under this Appropriation. However, taking into account the misclassification of ₹ 5,42,031 the actual excess expenditure requiring regularization works out to ₹ 5,42,416.

21.	09-Working Expenses-Operating Expenses-Traffic	Railways	O-0 S-3,75,000 T-3,75,000	3,07,94,596	3,04,19,596 <sup>†††</sup>	8111.89
22.	10-Working Expenses-Operating Expenses-Fuel	Railways	O-13,76,000 S-61,24,64,000 T-61,38,40,000	78,92,23,182	17,53,83,182	28.57
23.	11-Working Expenses-Staff Welfare and Amenities	Railways	O-0 S-2,25,000 T-2,25,000	3,97,553	1,72,553 <sup>§§§</sup>	76.69
24.	13-Working Expenses-Provident Fund, Pension and other Retirement benefits	Railways	O-49,50,000 S-8,57,000 T-58,07,000	74,45,105	16,38,105	28.21
<b>Capital (Charged)</b>						
25.	16-Assets-Acquisition, Construction and Replacement-Capital	Railways	O-87,30,00,000 S-62,70,00,000 T-150,00,00,000	162,15,62,239	12,15,62,239 <sup>††††</sup>	8.10
26.	16-Assets-Acquisition, Construction and Replacement-Railway Funds (DRF, DF & Capital Fund)	Railways	O-3,50,50,000 S-0 T-3,50,50,000	4,32,88,422	82,38,422 <sup>††††</sup>	23.50
<b>Total (Railways)</b>			<b>154326,84,48,000</b>	<b>157046,59,89,729</b>	<b>2719,75,41,729</b>	<b>1.76</b>
<b>Grand Total</b>			<b>208262,72,48,000</b>	<b>211755,78,94,212</b>	<b>3493,06,46,212</b>	<b>1.68</b>

<sup>†††</sup> There was an excess expenditure of ₹ 3,04,19,596 under this Appropriation. However, taking into account the misclassification of ₹ 1,67,733, the actual excess expenditure requiring regularization works out to ₹ 3,05,87,329.

<sup>§§§</sup> There was an excess expenditure of ₹ 1,72,553 under this Appropriation. However, taking into account the misclassification of ₹ 94,903, the actual excess expenditure requiring regularization works out to ₹ 2,67,456.

<sup>††††</sup> There was an excess expenditure of ₹ 16,38,105 under this Appropriation. However, taking into account the misclassification of ₹ 2,79,034 the actual excess expenditure requiring regularization works out to ₹ 19,17,139.

<sup>†††††</sup> There was an excess expenditure of ₹ 12,15,62,239 under this Appropriation. However, taking into account the misclassification of ₹ 40,513 the actual excess expenditure requiring regularization works out to ₹ 12,16,02,752.

<sup>††††††</sup> There was an excess expenditure of ₹ 82,38,422 under this Appropriation. However, taking into account the misclassification of ₹ 10,45,667 the actual excess expenditure requiring regularization works out to ₹ 92,84,089.



12. The above statement reveals that out of three cases of excess expenditure incurred under the Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Defence under Grant No.20 -- Ministry of Defence incurred excess expenditure of ₹ 35.89 crore which is 90.65% of total excess expenditure incurred by the Civil Ministries/Departments during the year 2013-14. In case of Defence Services, an excess of ₹ 733.72 crore was incurred under Grant No. 23-Defence Services-Navy, Grant No. 24 Defence Services-Air Force and two sections of Grant No. 25 Defence Ordnance Factories which is 21.01 percent of total excess expenditure incurred. In the case of Grants/Appropriations administered by the Ministry of Railways, an excess expenditure of ₹ 2719.75 crore (Before misclassification of expenditure) i.e. 77.86% of total excess expenditure was incurred in 19 cases.

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

13. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2013-14 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations revealed that there was a misclassification of expenditure of ₹ (+) 15,15,23,021 under Grant Nos. 5,6,8,10,13 &16 and Appropriation Nos. 4,7,9,11,13, 16-Capital & 16 Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2013-14 works out to ₹ 2734,90,64,750 instead of ₹ 2719,75,41,729 as indicated in Indian Railways Appropriation Accounts (2013-14).

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

14. Thus, the total amount of actual excess expenditure incurred during the financial year 2013-14, which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 3508,21,69,233 incurred in 26 cases of 18 excess registering Grants/Appropriations.

15. While furnishing the reasons for incurring excess expenditure during the year 2013-14, the Ministries/Departments concerned in their written replies submitted as follows:-

(d) Explanation of the Ministries/Departments concerned

I-- CIVIL

(i) Explanation of the Ministry of Defence (Grant No.20 – Ministry of Defence)

The excess occurred mainly due to over booking primarily in Salary heads being committed liabilities as less funds received in RE than actual projections from Ministry of Finance in r/o JAKLI, due to requirement of additional funds towards recruitment of commissioning of new ships/boats and stations and enhanced deployment of ICG ships aircrafts etc, under CGO and due to payment of committed liabilities and receipt of huge travel bills at the end of financial year 2013-14 which also included bill of visits abroad on account of court inquiry which could not be foreseen in r/o DDP and due to requirement of additional funds towards committed liabilities under DAD.

(ii) Explanation of the Ministry of Defence (Grant No.21-Defence Pensions)

The excess expenditure has been incurred due to the implementation of Court Decree which is an obligatory expenditure and it is difficult to forecast the exact budget provision under the Charged portion in advance.

(iii) Explanation of the Ministry of External Affairs (Grant No.32)

Excess was due to exchange rate variation.

II. DEFENCE SERVICES

(i) Explanation of the Ministry of Defence (Grant No. 23 Defence Services - Navy)

The excess expenditure under this Grant was occurred in order to meet the requirement for pay and allowances, increased expenditure of Petrol, Oil & Lubricants, maintenance and fighter pilot training in US and for Short ad-hoc courses.

(ii) **Explanation of the Ministry of Defence (Grant No.24 – Defence Services- Air Force)**

The excess expenditure under this Grant was occurred on account of payment of pay and allowances, additional requirement for maintenance of aircraft and other assets, replenishment of airborne and ground bases weapons, procurement of clothing and ration articles, procurement of Aviation Turbine Fuel, increased expenditure on electricity and water tariff, repair maintenance and upkeep of buildings, payment of rents, rates and taxes.

(iii) **Explanation of the Ministry of Defence (Grant No.25 – Defence Ordnance Factories)**

The excess expenditure under Revenue (Charged) Section of this Grant was occurred due to settlement of more number of Court cases than anticipated. Under Revenue (Voted) Section of this Grant, the excess expenditure was incurred due to increased requirement for cantonment charges.

**III. RAILWAYS**

Explanation of the Ministry of Railways on excess expenditure under Grants No. 05,06,08,10,13,15 &16 Capital and Appropriations No. 03,04,05,06,07,08,09,10,11,13,16 – Capital and 16 Railway Funds is given as under:

(i) **Grant No. 05 - Repairs and Maintenance of Motive Power**

More drawl of stores from stock, more expenditure towards wages and materials adjustment of more workshop debits due to more Periodical Overhaul (POH) activities and materialization of more contractual payments during the year, than anticipated.

(ii) **Grant No. 06 - Repairs and Maintenance of Carriages and Wagons**

Incurrence of more expenditure towards wages and material on POH, adjustment of more workshop debits, materialization of more contractual payments during the year, than anticipated.

(iii) **Grant No. 08 – Operating Expenses- Rolling Stock and Equipment**

Incurrence of more expenditure towards staff cost, more direct purchase and materialization of more contractual obligations, than anticipated.

(iv) **Grant No. 10 – Operating Expenses- Fuel**

Increase in prime cost of High Speed Diesel (HSD) Oil, more consumption of HSD Oil for more activity of diesel locos and more expenditure towards sales tax/excise duty and other taxes and levies during the years, than anticipated.

(v) **Grant No. 13 –Provident Fund, Pension and other Retirement Benefits**

Receipt of more debits from pension disbursing authorities on account of increase in dearness allowance, finalization of more number of death cum retirement gratuity cases, more expenditure towards leave encashment for pension optees and more Government contribution for newly defined contribution pension scheme, than anticipated.

(vi) **Grant No. 15 – Dividend to General Revenues, Repayment of Loans taken from General Revenue and Amortisation of over capitalization**

Higher payment of dividend to General Revenues due to increase in the rate of dividend from 4 percent to 5 percent recommended by the Railway Convention Committee (2009) for the year 2013-14.

(vii) **Grant No. 16 – Assets-Acquisition, Construction and Replacement-Capital**

Materialization of more contractual payment and stores bills, residual works, and other miscellaneous expenses to commensurate the progress of work, booking of more expenditure on new rails and Pre Stressed Concrete Sleepers, adjustment of more debits, payment of Capital component of leased assets to Indian Railway Finance Corporation, more procurement of Machinery & Plants items, variation in prices of raw materials, increase in consumption of fuel and more expenditure towards HSD oil, more procurement/receipts of stores for general purposes and adjustment of debits for stores over various zonal railways during the year than anticipated.

(viii) The excess expenditure under Appropriations No. 03,04,05,06,07,08,09,10,11,13,16 –Capital and 16- Railway Funds, was incurred due to materialization of more decretal payments, than anticipated.

(e) Excess Expenditure despite obtaining Supplementary Grants

16. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2013-14, out of 26 cases of excess registering Grants/Appropriations, the excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in the following 21 cases by the respective Ministries/ Departments to meet their additional requirements:

(In unit of ₹)

Sl. No.	No. and name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred	Percentage of excess over Supplementary Grants/Appropriations
1	2	3	4	5
<b>I. APPROPRIATION ACCOUNTS - CIVIL</b>				
<b>Revenue(voted)</b>				
1.	20- Ministry of Defence.	241,49,00,000	36,88,89,749	14.86
<b>Revenue (charged)</b>				
2.	21-Defence Pensions	3,54,00,000	74,86,943	21.15
<b>Capital (Voted)</b>				
3.	32-Ministry of External Affairs	125,00,00,000	2,95,32,970	2.36
<b>Total (Civil)</b>		<b>370,03,00,000</b>	<b>39,59,09,662</b>	<b>10.70</b>
<b>II. APPROPRIATION ACCOUNTS – DEFENCE SERVICES</b>				
<b>Revenue (Voted)</b>				
4.	23- Defence Service – Navy	949,69,00,000	120,40,30,532	12.68
5.	24- Defence Service - Air Force	1032,51,00,000	186,72,28,987	18.08
6.	25- Defence-Ordnance Factories	1363,57,00,000	426,73,40,471	31.22
<b>Revenue (Charged)</b>				
7.	25-Defence Ordnance Factories	3,20,00,000	85,94,831	26.86
<b>Total (Defence Services)</b>		<b>3348,97,00,000</b>	<b>733,71,94,821</b>	<b>21.91</b>
<b>III. APPROPRIATION ACCOUNTS –RAILWAYS</b>				
<b>Revenue (Voted)</b>				
8.	08-Working Expenses-operating Expenses-Rolling Stock and Equipment	204,36,81,000	105,09,38,905	51.42
9.	10-Working Expenses-Operating Expenses –Fuel	2056,56,78,000	683,55,09,268	33.24

10.	13- Working Expenses-Provident Fund, Pension and other Retirement Benefits	2170,65,86,000	732,43,38,190	33.74
11.	15- Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over capitalization	1590,67,00,000	168,79,61,789	10.61
12.	16- Assets-Acquisition, Construction and Replacement-Capital	1000,00,07,000	829,68,15,639	82.97
<b>Revenue (Charged)</b>				
13.	03-Working Expenses-General Superintendence and Service	50,31,000	38,47,888	76.48
14.	04-Working Expenses-Repairs and Maintenance of Permanent way and works	1,27,64,000	73,46,216	57.55
15.	07-Working Expenses-Repairs and Maintenance of Plant and Equipment	61,000	385	0.63
16.	08-Working Expenses-Operating Expenses-Rolling Stock & Equipment	11,66,000	39,96,570	345.72
17.	09-Working Expenses-Operating Expenses-Traffic	3,75,000	3,04,19,596	8111.89
18.	10-Working Expenses-Operating Expenses-Fuel	61,24,64,000	17,53,83,182	28.64
19.	11-Working Expenses-Staff Welfare and Amenities	2,25,000	1,72,553	76.69
20.	13-Working Expenses-Provident Fund, Pension and other Retirement Benefits	8,57,000	16,38,105	191.14
21.	16-Assets-Acquisition, Construction and Replacement - Capital	62,70,00,000	12,15,62,239	19.39
<b>TOTAL (Railways)</b>		<b>7148,25,95,000</b>	<b>2553,99,30,525</b>	<b>35.73</b>
<b>Grand Total</b>		<b>10867,25,95,000</b>	<b>3327,30,35,008</b>	<b>30.62</b>

17. Scrutiny of the above statement has revealed that in the fiscal year 2013-14, relatively huge amount of excess expenditure was incurred even after obtaining large sums of Supplementary Grants. Supplementary Grants to the tune of ₹ 370.03 crore was allocated for the three excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 39.59 crore. In Defence Sector,

Supplementary Grants to the tune of ₹ 3348.97 crore was allocated for three excess registering Grants, yet an excess expenditure of ₹ 733.72 crore was incurred. In respect of Railways, out of 19 cases of excess registering Grants/Appropriation, Supplementary Grant of ₹ 7148.26 crore was obtained in 14 cases, still an excess expenditure of ₹ 2553.99 crore was incurred.

(f) Recurring Excess Expenditure

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

(₹ in crore)

Year	Appropriation Accounts - Civil		Appropriation Accounts - Defence Services		Appropriation Accounts Postal Services		Appropriation Accounts - Railways		Total	
	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	Total of Columns 2, 4, 6, 8	Total of Columns 3, 5, 7, 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2004-05	3	33784.53	2	41.99	1	-0.04	10	2151.99	16	35978.58
2005-06	8	97082.69	2	44.84	1	97.65	11	2322.46	22	99527.64
2006-07	4	36837.20	1	667.17	-	-	6	365.16	13	37669.53
2007-08	4	100.14	1	71.19	1	0.02	8	51.22	14	222.55
2008-09	4	270.21	2	742.61	-	-	8	532.12	14	1544.94
2009-10	4	9218.89	2	2615.23	1	818.13	9	1922.84	16	14575.09
2010-11	7	3384.10	4	4239.34	1	366.63	10	3056.86	22	11046.93

2011-12	5	6546.33	1	567.91	1	400.04	4	1049.86	11	8563.14
2012-13	4	4565.39	3	195.53	1	160.14	8	1675.96	16	6597.02
2013-14 (year under review)	3	39.59	3	733.72	-	-	12	2734.91	18	3508.22

19. It is seen from above that the various Civil Ministries/Departments, Ministry of Defence and the Ministry of Railways have been incurring large amount of excess expenditure continuously during the last ten fiscals. It is further revealed that though there had been considerable decline in excess expenditure incurred by the Civil Ministries/Departments, Ministry of Defence and the Ministry of Railways during the year 2011-12 had shown an increasing trend during the years 2012-13 and 2013-14.

(g) Persistent excess in Grants/Appropriations

20. A scrutiny of the Grants/Appropriations registering persistent excess for the five years period i.e. from 2009-10 to 2013-14 revealed that in 11 segments of nine Grants/Appropriations persistent excesses occurred in the year 2013-14 and at least in three years out of previous five years period for which analysis was made. The Grant-wise and year-wise details of persistent excesses against allocations are given below:

(Amount in ₹)

Sl.No.	Description of Grant/Appropriation	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Civil - Capital (Voted)</b>						
1.	32 - Ministry of External Affairs Excess-Expenditure-Grant-	--	26,97,65,506 898,97,65,506 872,00,00,000	7,23,26,294 1398,23,26,294 1391,00,00,000	--	2,95,32,970 1896,45,32,970 1893,50,00,000
<b>Civil - Revenue (Charged)</b>						
2.	21- Defence Pensions Excess-Expenditure-Appropriation-	--	10,74,960 35,74,960 25,00,000	28,54,467 82,54,467 54,00,000	3,99,60,400 4,81,60,400 82,00,000	74,86,943 4,97,86,943 4,23,00,000
<b>Defence Services -Revenue (Voted)</b>						
3.	23- Defence Services -					



Sl.No.	Description of Grant/Appropriation	2008-10	2010-11	2011-12	2012-13	2013-14
	Navy Excess- Expenditure- Grant-	150,51,03,457 9586,21,03,457 9435,70,00,000	138,84,60,256 10141,36,60,256 10002,52,00,000	--	--	120,40,30,532 13451,52,30,532 13331,12,00,000
<b>Railways Revenue (Voted)</b>						
4.	05- Repair and Maintenance of Motive Power Excess- Expenditure- Grant-	90,87,30,288 3479,19,71,288 3388,32,41,000	75,06,60,832 3423,60,13,832 3348,53,53,000	--	--	67,41,73,342 4464,46,66,342 4397,04,93,000
5.	06- Repair and Maintenance of Carriages & Wagons Excess- Expenditure- Grant-	164,57,39,230 7857,06,14,230 7692,48,75,000	221,08,77,978 7799,58,75,978 7578,49,98,000	--	--	97,40,51,236 10330,64,11,236 10233,23,60,000
6.	08- Operating Expenses- Rolling Stock & Equipment Excess- Expenditure- Grant-	36,30,60,599 5983,59,00,599 5947,28,40,000	189,88,89,127 6156,81,96,127 5966,93,07,000	--	28,17,03,579 7888,94,97,579 7860,77,94,000	105,09,38,905 8797,44,55,905 8692,35,17,000
7.	10- Operating Expenses - Fuel Excess- Expenditure- Grant-	--	398,08,55,127 16771,04,34,127 16372,95,79,000	--	658,82,43,046 22388,16,45,046 21729,34,02,000	683,55,09,268 29214,21,50,268 28530,66,41,000
8.	13- Provident Fund, Pension & other Retirement Benefits Excess- Expenditure- Grant-	1512,38,96,979 16911,20,69,979 15398,81,73,000	1403,97,51,918 16352,71,21,918 14948,73,70,000	769,61,68,663 18326,96,73,663 17557,35,05,000	981,95,20,896 21558,67,20,896 20576,72,00,000	732,43,38,190 25529,56,50,190 24797,13,12,000
<b>Railways Revenue (Charged)</b>						
9.	03- General Superintendence and Services Excess- Expenditure- Appropriation-	24,21,286 34,79,286 10,58,000	20,97,842 36,49,842 15,52,000	27,29,201 30,34,201 3,05,000	41,82,995 42,73,995 91,000	38,47,888 88,78,888 50,31,000
10.	08- Operating Expenses- Rolling					

Sl.No.	Description of Grant/Appropriation	2009-10	2010-11	2011-12	2012-13	2013-14
	Stock & Equipment					
	Excess-Expenditure-Appropriation-	--	51,277	--	4,96,123	39,96,570
			8,72,277		4,96,123	51,52,570
			8,21,000		0	11,56,000
11.	13 – Provident Fund, Pension & other Retirement Benefits					
	Excess-Expenditure-Appropriation-	--	--	4,09,113	15,63,329	16,38,105
				62,67,113	73,83,329	74,45,105
				58,58,000	58,20,000	58,07,000

21. Scrutiny of the above statement revealed that the Ministry of Defence under Grant No. 21 Defence Pensions, had incurred excess expenditure recurringly for the years 2010-11 to 2013-14 under Revenue-Charged Section of the Grant. Further, in case of Grants/Appropriations operated by the Ministry of Railways it has been observed that recurring excess expenditure under two Grants/Appropriations namely Grant No.13 – Provident Fund, Pension and other Retirement Benefits and Appropriation No.03 – General Superintendence & Services had been incurred for the last five years i.e. from 2009-10 to 2013-14. Out of which Grant No. 13 – Provident Fund, Pension and other Retirement Benefits, the amount of excess expenditure incurred was more than ₹ one thousand crore during the years 2009-10 and 2010-11 while it was more than ₹ 700 crore during the years 2011-12 to 2013-14.

**(h) Recurring excess expenditure by the Ministry of Defence**

22. Scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last ten financial years i.e. 2004-05 to 2013-14 indicated that the Ministry of Defence had been incurring recurring excess expenditure under the Grants/Appropriations operated by them as detailed below:

Sl. No.	Year	No. & Name of Grant/ Appropriation	Amount of Excess Expenditure
1.	2004-05	26 – Defence Ordnance Factories (Revenue-Voted)	40,00,08,594
		27 – Defence Services Research and Development (Revenue-Voted)	1,99,23,373
2.	2005-06	23 – Defence Services - Army (Revenue-Charged)	2,08,34,112
		25 – Defence Services - Air Force	42,75,63,997

(In unit of ₹)

		(Revenue Voted)	
3.	2006-07	22 – Defence Services -Army (Revenue-Voted)	667,16,95,590
4.	2007-08	22 – Defence Services -Army (Revenue-Voted)	71,18,78,075
5.	2008-09	19- Ministry of Defence (Revenue Voted)	27,49,86,122
		20 – Defence Pensions (Revenue-Voted)	13,32,985
		23- Defence Services – Air Force (Revenue-Voted)	610,36,59,389
		24- Defence Ordnance Factories (Revenue-Voted)	132,24,87,268
6.	2009-10	20 – Ministry of Defence (Revenue-Voted)	95,31,73,097
		21 – Defence Pensions (Revenue-Voted)	8999,54,01,305
		22 – Defence Services -Army (Revenue-Voted)	2464,11,11,895
		23 – Defence Services -Navy (Revenue-Voted)	150,51,03,457
		22 – Defence Services -Army (Revenue-Charged)	60,42,498
		7.	2010-11
21 – Defence Pensions (Revenue-Charged)	10,74,960		
22 – Defence Services -Army (Revenue-Voted)	2864,01,52,379		
23 – Defence Services -Navy (Revenue-Voted)	138,84,60,256		
25 – Defence Ordnance Factories (Revenue-Charged)	1,16,34,961		
27-Capital Outlay on Defence Services	1235,31,94,576		
8.	2011-12	21 –Defence Pensions (Revenue-Voted)	
		21 – Defence Pensions (Revenue-Charged)	28,54,467
		24 – Defence Services –Air Force (Revenue-Voted)	567,90,83,321
9.	2012-13	21.– Defence Pensions (Revenue – Voted)	3863,71,24,944
		21 – Defence Pensions (Revenue – Charged)	3,99,60,400
		22 – Defence Services – Army (Revenue – Charged)	176,60,35,739
		23 – Defence Services – Navy (Revenue – Charged)	9,56,80,239
		24 – Defence Services – Air Force (Revenue -Charged)	9,36,28,914

10.	2013-14 (Year under Review)	20 – Ministry of Defence (Revenue – Voted)	35,88,89,749
		21 – Defence Pensions (Revenue – Charged)	74,86,943
		23 – Defence Services – Navy (Revenue – Voted)	120,40,30,532
		24 – Defence Services – Air Force (Revenue – Voted)	186,72,28,987
		25 – Defence Ordnance Factories – (Revenue – Voted)	425,73,40,471
		25- Defence Ordnance Factories (Revenue – Charged)	85,94,831

**(C) EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE**

23. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2013-14 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon, Explanatory Notes furnished by the Ministries/Departments concerned and the written replies received from the Ministries/Departments concerned.

**(a) APPROPRIATION ACCOUNTS – CIVIL**

24. An excess disbursement of ₹ 39.59 crore was incurred in 3 Grants/Appropriations pertaining to the Civil Ministries/Departments during the Financial Year 2013-14. The Grant/Appropriation-wise details and the contributory reasons for the excess expenditure as stated by the Ministries/Departments concerned are as follows:

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred (₹ in crore)	Contributory reasons as stated by the Ministry/Department concerned
<b>Revenue (Voted)</b>			
1.	20-Ministry of Defence	35.89	Due to over booking primarily in Salary heads being committed liabilities as less funds received in RE than actual projections from Ministry of Finance.
<b>Revenue (Charged)</b>			
2.	21-Defence Pensions	0.75	Due to the compliance of decree of Hon'ble Court (Armed Forces Tribunal)
<b>Capital- Voted</b>			

3.	32 -Ministry of External Affairs	2.95	Due to exchange rate variation
Total		39.59	

**Grant No. 20 - (Revenue-Voted) – Ministry of Defence**

25. During the Financial Year 2013-14, the Ministry of Defence incurred an excess expenditure of ₹ 35.89 crore under Revenue (Voted) section of Grant No. 20- Ministry of Defence.

26. Under Revenue Section (Voted) of Grant No. 20 – Ministry of Defence (Civil) for 2013-14, the total provision was ₹ 15455.13 crore. This was augmented to ₹ 15696.62 crore by obtaining Supplementary Grant of ₹ 241.49 crore. Against the total Grant, the expenditure of ₹ 15732.51 crore was incurred resulting in excess expenditure of ₹ 35.89 crore. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced at Annexure-I to this Report.

27. Scrutiny of the Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure under this Section of the Grant was the net effect of total excess of ₹ 100.70 crore less total savings of ₹ 64.81 crore under various Sub-Heads of the Grant. The Sub-Heads under which the excess expenditure of ₹ 5.00 lakh and above incurred and reasons thereof as attributed by the Ministry of Defence are given below:

Sl. No.	Minor Head/Sub-Head	Amount of Excess Expenditure (₹ in lakh)	Contributory reasons as stated by the Ministry
1.	2014.00.800.14 (Armed Forces Tribunal)	85.36	Due to requirement of additional funds towards Pay and allowances etc.
2.	2037.00.102.06 (Coast Guard Organization)	2959.59	Due to requirement of additional funds towards new/additional requirement, requirement of additional funds towards Commissioning of new ships/boats and stations and enhanced deployment of ICG ships, aircrafts etc.
3.	2052.00.090.12 (D/o Defence Production)	113.64	Due to payment of committed liabilities and receipt of huge travel bills at the end of financial year 2013-14 which also

			included bills of visits abroad on account of court inquiry which could not be foreseen.
4.	2052.00.092.02 (Defence Accounts Department)	1088.94	Due to requirement of additional funds towards committed liabilities.
5.	2055.00.104.02 (J&K Light Infantry)	5822.70	Due to overbooking in primarily salary heads being committed liabilities as less funds received in RE than actual projections from Ministry of Finance.
	<b>Total</b>		

28. The Ministry in their Explanatory Note further stated that although the requests for augmentation/modified appropriation of funds were made by the concerned department under Ministry of Defence (Civil) Grant but the same could not be acceded to on account of shortage of allocated funds (at RE stage) by Ministry of Finance etc.

29. As regards the remedial Action Taken by the Ministry of Finance in order to avoid the excess expenditure under this Grant, the Ministry in their Explanatory Note submitted as follows:

"Necessary instructions had been issued vide ID No-1(8-ATN)/Fin(MO)/2013-14/689 dated 22.09.2014 to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses. Moreover, the guidelines on austerity measures in the government with respect to "Expenditure Management Economy Measures and Rationalization of expenditure" issued by Ministry of Finance, Department of Expenditure vide O.M. no. 7(2) E. Coord/2013 dated 18<sup>th</sup> September, 2013 and instructions issued by the Ministry of Finance vide DO no. 2(40)-B (CDN)/2013 dated 13.12.2013 and DO no. 2(6)-B(CDN)/2014 dated 20.03.2014 for strict adherence to RE ceiling conveyed by Ministry of Finance and the ceiling expenditure of 33 percent and 15 percent in the last quarter and last month, had also issued to all users department for strict compliance."

**(b) APPROPRIATION ACCOUNTS - DEFENCE SERVICES**

30. Scrutiny of Appropriation Accounts (Defence Services) for the year 2013-14 revealed that the Ministry of Defence incurred excess expenditure of ₹ 733.71 crore under the Grants No. 23,24 and 25 as per the details given below:

SL. No.	No. & Name of Grant	Amount of excess expenditure (₹ in crore)
1.	23- Defence Services- Navy (Revenue – Voted)	120.40

2.	24- Defence Services-Air Force (Revenue – Voted)	186.72
3.	25 – Defence Ordnance Factories (Revenue-Voted)	425.73
4.	25- Defence Ordnance Factories (Revenue-Charged)	0.86
	<b>Total</b>	<b>733.71</b>

31. It has been observed from the above details that under Revenue (Voted) Sections of Grants No. 23,24 & 25, the Ministry of Defence, incurred excess expenditure of more than ₹ 100 crore. The Grant-wise illustration of excess expenditure incurred under these Grants and contributory reasons thereof and corrective/remedial steps taken by the Ministry of Defence to contain the same are given as under:

(I) **Grant No. 23 – Defence Services- NAVY (Revenue-Voted)**

32. Under Revenue (Voted) Section of Grant No. 23- Defence Services –Navy for the year 2013-14 the total provision was ₹ 13,331.12 crore. Against this, the expenditure of ₹ 13451.52 crore was incurred resulting in excess expenditure of ₹ 120.40 crore. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced in **Annexure – II** to this Report.

33. Scrutiny of Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure of ₹ 120.40 crore under this section of the Grant was the net effect of total excess of ₹ 193.61 crore and total savings of ₹ 73.20 crore under various Minor-Heads of the Grant. The Minor-Heads under which the excess of ₹ five lakh and above occurred and reasons therefor are explained below:

34.

Sl. No.	Minor-Head (Major-Head-2077)	Amount of excess expenditure incurred (₹ in lakh)	Contributory reasons as stated by the Ministry
1.	Minor Head -101	5651.42	Due to meet the requirement for pay and allowances
2.	Minor Head -110	5806.63	Due to increased expenditure on Petrol, Oil and Lubricants

3.	Minor Head -111	21518.70	On account of increased expenditure on maintenance
4.	Minor Head-800	1950.72	Due to increased expenditure incurred for fighter pilot training in US and for Short Adhoc Courses.

(ii) **Grant No. 24 – Defence Services- Air Force (Revenue-Voted)**

35. Under Revenue (Voted) Section of Grant No. 24- Defence Services-Air Force for the year 2013-14, the total provision was ₹ 19,929.17 crore, Against this, the expenditure of ₹ 20115.89 crore was incurred resulting in excess of ₹ 186.72 crore. The Explanatory Note furnished by the Ministry of Defence in respect of excess expenditure under this Grant has been reproduced at **Annexure-III** to the Report.

36. The Committee's examination of the Explanatory Note has revealed that the excess expenditure of ₹ 186.72 crore was the net effect of total excesses of ₹ 343.98 crore and total savings of ₹ 157.26 crore under various Minor-Heads of the Grant. Details of Minor-Heads under which excess of ₹ five lakh and above occurred and reasons therefor are explained below:

Sl. No.	Minor Head Major-Head (2078)	Amount of Excess Expenditure incurred (₹ in lakh)	Contributory reasons as stated by the Ministry
1.	Minor Head -101	29329.43	On account of payment of Pay and Allowances
2.	Minor Head -104	2330.86	On account of expenditure on Pay and Allowances
3.	Minor Head -110	18877.02	Due to additional requirement for maintenance of aircraft and other assets, replenishment of airborne and ground bases weapons and procurement of clothing and ration articles besides procurement of Aviation Turbine Fuel.
4.	Minor Head-111	237.80	Due to increased expenditure on electricity and water tariff, repair maintenance and upkeep of buildings and payment of rents, rates and taxes.



(iii) Grant No. 25- Defence Ordnance Factories (Revenue-Voted) and (Revenue-Charged)

Revenue-Voted

37. Under Revenue –Voted Section of Grant No. 25 –Defence Ordnance Factories for the year 2013-14, the total provision was ₹ 3072.84 crore. Against this, the expenditure of ₹ 3498.57 crore was incurred resulting in excess of ₹ 425.73 crore. The Explanatory Note furnished by the Ministry of Defence in respect of excess expenditure under this Grant has been reproduced at Annexure-IV to the Report.

38. The Committee's examination of the Explanatory Note has revealed that the excess of ₹ 425.73 crore was the net effect of total excesses of ₹ 549.23 crore and total savings of ₹ 123.50 crore, which mainly occurred due to increased requirement for Cantonment charges.

Revenue - Charged

39. Under Revenue-Charged Section of Grant No. 25 - Defence Ordnance Factories for the year 2013-14, the total provision was ₹ 8.40 crore. Against this, the expenditure of ₹ 9.26 crore was incurred resulting in excess expenditure of ₹ 0.86 crore.

40. The Committee's examination of the Explanatory Note has revealed that the excess expenditure of ₹ 0.86 crore under Revenue-Charged Section of this Grant was the net effect of total excesses of ₹ 0.95 crore and total savings of ₹ 0.09 crore, which occurred due to settlement of more number of court cases than anticipated.

41. Explaining the reasons for not anticipating the precise requirement of funds which resulted in excess expenditure under the Grants No. 23, 24 & 25 during the year 2013-14, the Ministry of Defence in their written replies submitted as follows:

"The reasons for excess expenditure have been analysed. These generally includes excess expenditure on obligatory expenses like Pay and allowances, increase in rate of Petrol Oil & Lubricants, additional requirement of maintenance of Aircraft and other assets, increased requirement for cantonment charges etc. It may be seen from reasons for excess expenditure explained above that the expenditure under these items cannot be precisely predicted and hence excess expenditure has occurred."

However, due to concerted efforts by this Ministry, excess expenditure under Defence Services Estimates Grants (Grant no. 22 to 27 has gradually reduced. For example, during FY 2012-13 no excess expenditure was incurred under voted segment. In FY 2013-14 also, out of the three Revenue (Voted) Grants,

two Grants were such in which excess expenditure is less than one percent of sanctioned grant.

41. Further, apprising the Committee about the actions proposed to develop a rigid and robust financial mechanism to minimize and eliminate instances of excess expenditure under the Grants operated by them, the Ministry of Defence in their written replies stated as under:

"It may be appreciated that Ministry of Defence has been gradually improving its budget and expenditure control systems to minimize and eliminate instances of excess expenditure. In the year 2013-14, out of the three Revenue (voted) Grants, two Grants were such in which excess expenditure is less than one percent of sanctioned grant.

As earlier reported, three Committees were set up to examine the extant procedures to identify shortcomings in the budgetary control systems and recommend solutions to the same. All the above Committees have rendered their reports which are as under:

Based on the recommendations of Committee "A" on the issue of "Procedure for conveying allotments to PCsDA/CsDA in respect of centrally controlled heads, with special focus on the capital budget", instructions have been issued for notification of head-wise Controller-wise allocations in respect of the capital budget. This is to be gradually extended to all centrally controlled heads.

Committee "B" was reviewing on the FIS system of Navy for replication by other Services and integration with the CGDA and Controllers to provide online information on allotments to Controllers while providing compilation data and bill status to the Services. Based on the recommendations, CGDA has initiated CGDA WAN connectivity to Navy and Air HQ and undertaken several modifications to MIS currently being submitted to Service Headquarter. The final goal would be to provide real time expenditure information.

Committee "C" was mandated to examine 'Non-Cash transactions such as LCs book debits, DGS&D payments, cash assignments and imprest accounts" to identify alternate solutions to these mechanisms, institute budget allocation procedures for each of these areas and suggest means to eliminate the current lag in compilation of expenditure through these routes. Based on the recommendation of the Committee it has been decided that Services and CGDA will work together in formulating viable solutions to replace cash assignments and imprest accounts without sacrificing the operational flexibilities currently available with the Services in these areas. CGDA has been requested to examine this issue in consultation with respective Services/agencies, identifying the areas where cash assignments and imprest accounts are currently being used, re-examining the functionality they are providing and giving an alternate method for achieving the same functionality while ensuring immediate booking of expenditure."

"Further the Ministry is monitoring expenditure on a monthly basis to ensure optimum utilization of funds allocated to achieve planned objectives and avoid excess expenditure"

"Apart from this, it may also be mentioned that instructions already exist to formulate the Budget Estimates on realistic basis to constantly review the expenditure in order to conform to the allocations made and to ensure that there is neither any excess nor large scale savings over the sanctioned budgetary provisions."

42. Scrutiny of excess expenditure incurred during the year 2013-14 revealed that excess expenditure under all the cases of Grants No. 23, 24 & 25 operated by Ministry of Defence was incurred despite obtaining of Supplementary Grants. When asked about the reasons thereof, the Ministry of Defence in their written submission stated as under:

"Additional allocations were projected but funds provided were inadequate to meet the requirement. Despite the mechanism for seeking additional allocations through supplementary grants, eventualities do sometime arise even after these grants are finalized."

43. Further, on the issue of incurring excess expenditure of more than five percent of the total Grant, the Ministry of Defence submitted:

"Out of the 4 cases of excess expenditure under Defence Services Estimates, 2 cases were such in which excess expenditure was less than 1 percent. Of the remaining 2 cases pertaining to Ordnance Factories under voted and charged heads, where excess expenditure was above 5 percent, the reasons for excess expenditure has already been explained under Appropriation Account. Under the Voted Section, the reason for excess expenditure was due to increase in cantonment charges whereas under the Charged Section, it was due to settlement of more number of court cases than anticipated. As these reasons for excess expenditure could not be foreseen at the time of making estimates and also funds provided were inadequate, excess expenditure was incurred."

(c) APPROPRIATION ACCOUNTS -RAILWAYS

44. During the financial year 2013-14, the Ministry of Railways incurred an excess expenditure of ₹ 2734.91 (after misclassification) in 19 cases of 12 Grants/Appropriations. The details of these excess registering Grants/Appropriations have already been given in Paragraph 11 of this Report. The Explanatory Notes furnished by

the Ministry of Railways in this regard have been reproduced at Annexure -V to this Report.

45. Scrutiny of the Explanatory Notes revealed that out of the total excess expenditure of ₹ 2734.91 incurred by the Ministry of Railways during the fiscal 2013-14, the excess expenditure of more than ₹ 100 crore was incurred under five Grants viz. ₹ 110.75 crore under Grant No. 8- Working Expenses- Operating Expenses –Rolling Stock & Equipment, ₹ 683.96 crore under Grant No. 10 – Working Expenses-Operating Expenses-Fuel, ₹732.76 crore under Grant No. 13 – Working Expenses-Provident Fund, Pension and other Retirement benefits, ₹ 168.80 crore under Grant No. 15- Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over –Capitalization and ₹ 837.73 crore under Grant No. 16 –Assets- Acquisition, Construction and Replacement –Capital.

46. Detailed scrutiny of Grant Nos. 8,10,13&16 having excess expenditure of more than ₹ 100 crore during the financial year 2013-14 by the Ministry of Railways is given as under:

(i) Grant No. 8 – Working-Expenses-Operating Expenses-Rolling stock and Equipment

47. Under Grant No. 8 –Working Expenses –Operating Expenses- Rolling Stock and Equipment, Ministry of Railways obtained an Original Grant of ₹ 8487.98 crore. Subsequently, a Supplementary Grant of ₹ 204.37 crore was obtained in March, 2014 mainly for higher payment of Dearness Allowance, Kilometerage Allowance, Transport Allowance and Fuel for other than traction etc. Against this the actual expenditure was ₹ 8797.45 crore registering thereby an excess expenditure of ₹ 105.09 crore. There was a net effect of ₹ 5.66 crore on account of misclassification of expenditure. Thus, the actual excess expenditure requiring regularization under this Grant works out to ₹ 110.75 crore.

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

"Diesel Locomotives (200) (₹97.55 crore), mainly due to incurrence of more expenditure towards increase in staff cost related to mileage for running staff due to higher than anticipated (RE) traffic growth in NTKMs and PKMs. (b) Electric Locomotives (300) (₹ 120.15 crore), mainly due to incurrence of more expenditure towards increase in staff cost related to mileage for running staff due to higher than anticipated (RE) traffic growth in NTKMs and PKMs. (c) Electric Multiple Unit Coaches (400) (₹26.31 crore), mainly due to incurrence of more expenditure towards increase in staff cost related to mileage for running staff due to higher than anticipated (RE) traffic growth in PKMs. (d) Traction (Other than Rolling Stock) and General Electrical Services (600) (₹27.54 crore), mainly due to more direct purchases and materialization of more contractual obligations, than anticipated."

49. The Grant No. 8 operated by Ministry of Railways has also witnessed excess expenditure during the years 2009-10, 2010-11, 2012-13 and 2013-14 with the same contributory reasons. The details in this regard are given as under:

Sl. No.	Financial Year	Amount of Excess Expenditure incurred (₹ in crore)
1.	2009-10	36.31
2.	2010-11	189.89
3.	2012-13	28.17
4.	2013-14 (Year under review)	105.09

**(ii) Grant No. 10 –Working Expenses- Operating Expenses-Fuel**

50. Under Revenue-Voted Section of Grant No. 10-Working Expenses –Operating Expenses-Fuel, the Ministry of Railways obtained an Original Grant of ₹ 28474.10 crore which was augmented to ₹ 28530.66 crore by obtaining Supplementary Grant of ₹ 2056.57 crore in March 2014 mainly for more expenditure on fuel due to increase in traffic/prices of fuel under Diesel Traction and Electric Traction. Against which the actual expenditure incurred was ₹ 29214.22 crore resulting in excess expenditure of ₹ 683.55 crore. There was a net effect of ₹ 0.40 crore on account of misclassification of expenditure. Thus the excess expenditure under this Grant works out to ₹ 683.96 crore.

51. Scrutiny of Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure under this Grant was mainly incurred under the Minor Head –

Diesel Traction (200) (₹ 813.19 crore) due to increase in prime cost of HSD Oil and more consumption of HSD oil for more activity of diesel locos during the year, than anticipated.

52. The excess expenditure of more than ₹ 100 crore has also been incurred under this Grant during the years 2010-11, 2012-13 and 2013-14. Details in this regard are given as under:

Sl No.	Financial Year	Amount of Excess Expenditure incurred (₹ in crore)
1.	2010-11	398.09
2.	2012-13	658.82
3.	2013-14 (Year under review)	683.55

**(iii) Grant No. 13- Working Expenses-Provident Fund, Pension and other Retirement Benefits**

53. Under Revenue- Voted Section of Grant No. -13 Working Expenses- Provident Fund, Pension and other Retirement Benefits, the Ministry of Railways obtained an Original Grant of ₹ 22626.47 crore, which was augmented to ₹ 24797.13 crore by obtaining Supplementary Grant of ₹ 2170.66 crore in March 2014 mainly for meeting the increased pensionary charges. Against which the actual expenditure incurred was ₹ 25529.57 crore resulting in excess expenditure of ₹ 732.43 crore. However, after taking into account the misclassification of expenditure of ₹ 0.33 crore, the excess requiring regularization under this Grant works out to ₹ 732.76 crore.

54. Scrutiny of Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure under this Grant was incurred mainly under the following Minor -Heads:

"(a) Superannuation and Retiring Pension. (100) (₹ 372.10 crore), due to receipt of more debits from various pension disbursing authorities on account of increase in DA, than anticipated. (b) Ex-gratia Pension (300) (₹ 3.31 crore), due to incurrence of more expenditure towards ex-gratia pension-during the year. (c) Family Pension (400) (₹ 20.15 crore), due to increase in DA, than anticipated (d) Death-cum-Retirement Gratuity (500) (₹ 208.74 crore), due to finalization of more number of Death-cum-Retirement Gratuity cases during the year, than anticipated. (e) Leave Encashment Benefits (700) (₹ 95.87 crore), due to incurrence of more expenditure towards leave encashment during the year, than anticipated (f) Gratuities Special Contribution to Provident Fund and contribution

to Provident Fund (800) (₹ 88.59 crore), due to more Government contribution for newly defined contributory pension scheme, than anticipated."

55. The Committee's examination revealed that this Grant had incurred excess expenditure recurringly for the financial years 2009-10 to 2013-14 as indicated below:

Sl. No.	Financial Year	Amount of excess expenditure (₹ in crore)
1.	2009-10	1,512.39
2.	2010-11	1,403.98
3.	2011-12	769.62
4.	2012-13	981.95
5.	2013-14 (Year under Review)	732.43

56. Specifying the reasons for this recurring phenomenon of excess expenditure under this Grant, the Ministry of Railways in their written replies submitted as follows:

"The hon'ble Committee has pointed to the instances of persistent excess under Grant No. 13 which related to Pension, Provident Fund & Other Retirement Benefits.

It is submitted that the very nature of this grant renders it difficult to assess the exact requirement. The 6<sup>th</sup> 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 etc. also contribute to difficulty in assessing the requirement under Demand No. 13.

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."

57. The Public Accounts Committee in Para 18 of their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) had expected the Ministry of Railways to analyse in depth the reasons for the recurring phenomenon of excess expenditure under Grant No- 13. The Committee had also desired to be apprised of the progress made in the computerization of accounting activities. Apprising the Committee about the action taken in this regard, the Ministry of Railways in their written submission stated as follows:

"Ministry of Railways is committed to computerization of various accounting activities to bring about efficiency and expediency in its functioning. In this regard

several applications have been taken up as referred to in the recommendation of the Committee. All these applications are fully functional. IPAS is a centralized integrated financial management application and has been implemented on ECoR, NER, NWR, ER and CORE and is planned to be implemented on remaining zonal railways by March 2017 in a phased manner. The Advanced Railway Pension Access Network has already been implemented on 135 units out of 145 units over Indian Railways. The remaining units are expected to be covered by March 2016. These applications have improved efficacy of working. As a result of these initiatives, the budgetary position has improved significantly during 2014-15. Due to various measures undertaken, the incidence of excess in Grant No.13 has ceased to occur in 2014-15."

**(iv) Grant No. 16 - Assets Acquisition, Construction and Replacement-Capital**

58. The scrutiny of this Grant revealed that under Revenue-Voted section a Grant of ₹ 68618.76 crore was obtained at the Budget Estimate stage. A Supplementary Grant of ₹ 1000.00 crore was obtained during 2013-14 mainly to meet additional requirement to accelerate progress of various National Projects. Against which the actual expenditure incurred was ₹ 70448.44 crore resulting in excess expenditure of ₹ 829.68 crore. After taking into account the misclassification of expenditure of ₹ 8.05 crore under this Grant the excess expenditure requiring regularization under Capital section thus works out to ₹ 837.73 crore.

59. This excess was incurred mainly under the following Plan Heads (Minor Heads) due to better progress of works:

"(a) New Lines (Construction) (1100) (₹ 287.22 crore), (b) Restoration of Dismantled Lines (1300) (₹ 4.81 crore) (c) Gauge Conversion (1400) (₹ 430.99 crore), (d) Leased Assets-Payment of Capital Component (2200) (₹ 2864.87 crore), (e) Signalling & Telecommunication Works (3300) (₹ 8.44 crore), (f) Electrification Projects (3500) (₹ 248.82 crore), (g) Machinery & Plant (4100) (₹ 23.52 crore), (h) workshops including Production Units (4200) (₹ 18.47 crore), and (i) Stores Suspense (7100) (₹ 2724.54 crore)."

60. When asked about the measures taken to rectify the system of faulty budgetary assumptions, the Ministry of Railways in their written submission stated as follows:

"Considering the vastness of the railway system both in size and the accounting/budgeting units involved as also the no. of transactions taking place on the system, the incidence of excess expenditure in a few Grants cannot be ruled out. The Railways do have a well set mechanism of accounting and budgetary control in place which is continuously being strengthened. In view of the excess expenditure incurred in certain Grants, the concern is being regularly



shared with the zonal railways who are instructed to accurately forecast with available data. Strict monitoring is being resorted to with a view to improving the position.

Railway has taken effective measures to control the expenditure within the sanctioned grant. All the Zonal Railways have been cautioned (vide letters No.2015-B-200 dated 18.02.2015, No.2014-B-200 dated 25.06.2015 & 2014-B-110 dated 29.05.2015), to assess their requirements scrupulously on a realistic basis at all the budgetary stages so as to control the expenditure within the sanctioned grants.

It would be worth mentioning here that a VPN (Virtual Private Network) enabled Rail Budget System connecting all Zonal Railways and production units across IR has been put in place during 2014-15. This connectivity has facilitated, timely submission of estimates by the Units and more in-depth scrutiny of the budget proposals as also rigorous monitoring of the pace of expenditure. As a result, the incidences of excess expenditure in grants have by and large been eliminated in 2014-15."

61. From the scrutiny of Explanatory notes furnished by the Ministry of Railways, the Committee found that the Ministry had incurred excess expenditure despite having Supplementary Grants in 14 cases out of 19 cases of excess registering Grants/Appropriations during the year 2013-14. Apprising the Committee about the reasons thereof, the Ministry of Railways in their written replies submitted as follows:

"Out of the 14 cases of excess registering Grants/Appropriations, 5 cases are under the 'Voted' Grants viz. Demand Nos. 8, 10, 13, 15 & 16 and 9 cases under Charged Appropriation Nos. 3, 4, 7 to 11, 13 & 16. This has been viewed seriously. Drawing attention to PAC's, concern on curbing this malaise, Financial Commissioner (Railways) has written to all the Railways as recently as on 18.02.2015. The Charged Appropriation pertains mainly to decretal payments, the likelihood of which depends on the courts' decision and timelines and compliance involved therein, the delivery of which is quite difficult to forecast. Nonetheless the Ministry would definitely apply itself fully to assess and project realistic requirement of funds both at Budgetary and Supplementary stages."

62. In Para 17 of their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) the Committee had desired to evolve a mechanism to assess the realistic requirement of funds both at Budgetary and Supplementary stages. On being asked as to whether any such mechanism has been evolved, the Ministry of Railways in their written note stated as follows:

"Railways is making all possible efforts to control the expenditure within the sanctioned grant. As already appraised to the hon'ble Committee, a VPN (Virtual Private Network) enabled Rail Budget System connecting all Zonal Railways and

production units across IR has been put in place during 2014-15. This connectivity has facilitated 'instant connectivity with field Units', timely submission of estimates by the Units and more in-depth scrutiny of the budget proposals & 'monitoring of the pace of expenditure'. As a result, the incidences of excess expenditure in grants have by and large been eliminated in 2014-15. VPN based system has also facilitated to formulate the Supplementary Grants on the basis of latest Final Modification Estimates of the zonal Railways. This may also reduce the incidence of excess expenditure."

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

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

Sl No.	Financial Year	No. of cases of Grants/Appropriations which recorded excesses	Amount of excess expenditure (₹ in crore)
1.	2004-05	10	2151.99
2.	2005-06	11	2322.46
3.	2006-07	8	365.16
4.	2007-08	8	51.22
5.	2008-09	8	532.12
6.	2009-10	9	1922.84
7.	2010-11	10	3056.86
8.	2011-12	4	1049.86
9.	2012-13	8	1675.96
10.	2013-14 (year under review)	19	2734.91

64. Further, upon noticing that out of 16 Grants/Appropriations of the Ministry of Railways, 6 Grants/Appropriations have witnessed the excess expenditure consecutively for a period of three years or more, the Committee asked about the reasons thereof. In this regard, the Ministry of Railways in their written submission stated as follows:

"Persistent excess is being seen in Grant Nos. 8, 10 & 13 and Charged Appropriations Nos. 3, 8 & 13. Railway has taken effective measures to control the expenditure within the sanctioned grant. As previously stated, Ministry would like to apprise the hon'ble Committee that the VPN (Virtual Private Network) enabled Rail Budget System connecting all Zonal Railways and production units across IR has been put in place during 2014-15. This connectivity has facilitated 'instant connectivity with field Units', timely submission of estimates by the Units

and more in-depth scrutiny of the budget proposals alongwith 'rigorous monitoring of the pace of expenditure'. As a result, the incidences of excess expenditure in grants have by and large been eliminated in 2014-15. In case of Charged Appropriations, it is submitted that the expenditure under Charged Appropriation pertains mainly to decretal payments, the likelihood of which depends on the courts' decision and timelines and compliance involved therein, the delivery of which is quite difficult to forecast."

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

65. The Scrutiny of Explanatory Note furnished by the Ministry of Railways revealed that during the year 2013-14, there were 13 cases of misclassification of expenditure of ₹ 15,15,23,021 under Grants/Appropriations No. 4,5,6,7,8,9,10,11,13,16 – Capital, 16- Railway Funds. The comparative figures of misclassification for the last 10 years is as follows:

Sl No.	Financial Year	No. of cases of misclassification of expenditure under excess registering Grants/Appropriations	Amount involved in the misclassification of expenditure (₹ in crore)
1.	2004-05	9	104,32,74,159
2.	2005-06	6	26,89,31,649
3.	2006-07	5	209,80,86,273
4.	2007-08	3	1,12,71,617
5.	2008-09	6	23,54,57,552
6.	2009-10	7	30,92,58,533
7.	2010-11	9	29,70,49,848
8.	2011-12	2	174,75,509
9.	2012-13	1	571,55,478
10.	2013-14 (year under review)	13	15,15,23,021

66. When asked about the reasons for misclassification of expenditure in such a large number of cases during the year 2013-14 and the steps taken to overcome systemic lacunae/loopholes for elimination of misclassification syndrome in future, the Ministry of Railways in their written information stated as follows:

"The Railways have a well set mechanism of accounting and cases of misclassifications, if any, are normally detected and rectified before closure of annual accounts of the year. However, due to enormity of transactions of varied nature, some items of misclassifications escape detection despite all precautions and checks. It is pertinent to mention that out of approximate 40 lakh accounting transactions per year, the items of misclassification were only 159 i.e 0.004%.

However, efforts are being made to preclude even few such cases through close monitoring. Instructions have been reiterated to the railways for strengthening/tightening the system and sensitize the staff further to avoid misclassifications while booking expenditure by exercising prompt validations and checks in the computerised environment besides enforcing accountability for correctness of allocation of expenditure.

67. The Committee desired to know as to whether any responsibility has been fixed against the responsible for such glaring mistakes. In response, the Ministry of Railways replied as under:

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

68. The Committee further found that under Revenue (charged) portion of Appropriation Nos. 3,4,5,6,7,8,9,10,11,13 and two segments of Appropriation No. 16 viz. Capital and Railway Funds, the excess expenditure was incurred by the Ministry of Railways due to materialization of more decretal payments, than anticipated. When asked as to when such court judgements were received and why adequate Supplementary Grants were not obtained in order to avoid excess expenditure under the aforesaid appropriations, the Ministry of Railways submitted as follows:

"Normally, all expenditure on decretal payments are budgeted for at Budget Estimate and Revised Estimate stages. However, in cases where the decretal orders are received after submission of the Revised estimates and where decision on payment is taken after exploring all possible legal remedies in connection with the appropriate legal authorities at the end of the financial year, payments in excess of sanctioned appropriation is required to be made to avoid contempt/penalties. Railways have been advised to streamline the systems and co-ordinate with their legal cells for correct estimation of charged expenditure on account of decretal payments."

PART-II

Observations/Recommendations

1. The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2013-14 has revealed that a total excess expenditure of ₹ 3508.22 crore was incurred in 26 cases of 18 excess registering Grants/Appropriations. The Ministries/Departments which have incurred excess expenditure during the year 2013-14 fiscal are the Ministry of External Affairs (Grant No. 32 - Ministry of External Affairs), the Ministry of Defence (six cases under five Grants/Appropriations i.e. Grant Nos. 20, 21, 23, 24 and 25) and the Ministry of Railways (19 cases under 12 Grants/Appropriations i.e. Grant Nos. 5, 6, 8, 10, 13, 15 and 16 - capital and Appropriation Nos. 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 16 - capital and 16 - Railway funds). The Committee note that bulk of the excess expenditure was on the Railway side viz. ₹ 2734.91 crore (after misclassification) which is 77.96 percent of total excess expenditure incurred during the year 2013-14. Further, in case of Defence Services an excess of ₹ 733.72 crore was incurred under Grant No. 23 - Defence Services - Navy, Grant No. 24 Defence Services - Air force and two sections of Grant No. 25 - Defence Ordnance Factories.

The Committee observe an improved performance of the Government in containing the quantum of excess expenditure as it shows a declining trend during the last five years i.e. from ₹ 14575.08 crore in 2009-10 to ₹ 3508.32 crore in 2013-14 (year under review). They, however, express their concern over the increase in number of excess registering Grants/Appropriations as well as excess expenditure in case of Defence Services and Railways during the year 2013-14 in comparison to the last year. The Committee are again perturbed to find that in eight cases the excess expenditure was more than ₹ 100 crore, out of which three cases pertains to Ministry of Defence and five cases to Ministry of Railways. This excess was occurred despite issuance of elaborate instructions at regular intervals by the Ministry of Finance in pursuance of oft-reiterated recommendations of the Public Accounts Committee to contain the excess

expenditure to the barest minimum. In the opinion of the Committee, such gross negligence on the part of different Ministries particularly the Ministry of Defence and Railways, speaks volumes about the scant regard being shown by them towards prescribed financial discipline. Needless to say that excess expenditure is 'unauthorized expenditure' portraying lack of financial discipline, as this fact ought to be kept in mind by all concerned Ministries/Departments.

In view of the persistent trend of incurring of excess expenditure going unchecked, the Committee recommend that an Expert Group in each Ministry/Department representing all the budget controlling authorities, be constituted immediately with a mandate to submit its findings within a period of six months. The Expert Group should undertake a thorough study of the instances where expenditure had exceeded the budgetary allocations during the last five years in order to find out the precise reasons as to why the existing mechanism for control of expenditure has failed to effectively check the trend of expenditure and to evolve monthly expenditure monitoring system to keep an eye on the trend of expenditure incurred by various Ministries/Departments.

2. The Committee further find that in 13 cases the percentage of excess expenditure over the total budgeted Grant was exceedingly high. These are 8111.89 percent in Appropriation no. 9 - Working Expenses- Operating Expenses - Traffic, 345.72 percent in Appropriation No. 08 - Working Expenses, Operating Expenses - Rolling Stock and Equipment, 335.62 percent in Appropriation No. 06 - Working Expenses - Repairs and Maintenance of Carriages and wagons, 76.69 percent in Appropriation - No. - 11- Working Expenses - Staff Welfare and Amenities, 76.48 percent in Appropriation No. - 03 -Working Expenses - General Superintendence and Services, 45.64 percent in Appropriation No. 4 - Working Expenses - Repairs & Maintenance of Permanent Way and Works. Further the excess expenditure over Grants/Appropriations was more than 23 percent in respect of Appropriation Nos. 10, 13 & 16 - Railway Funds operated by Ministry of Railway, and it was more than 10 percent in one case of Grant No. 21 - Defence Pensions, (Revenue - Charged) and two cases of Grant No. 25 - Defence

Ordnance Factories (Revenue - Voted & Revenue - Charged) operated by Ministry of Defence. Such huge excess expenditure particularly in Appropriation No. 09 - Working Expenses- Operating Expenses-Traffic over and above the budgetary provisions sanctioned by the Parliament either at the Budget Grant Stage or Supplementary Grant Stage does not augur well for fiscal prudence besides undermining the Parliamentary control. It clearly indicates the total failure of the Ministries concerned in anticipating their fund requirements. Such a trend also indicates that the defaulting Ministries have not accorded due importance to the guiding principles of budgeting and abdicated their responsibilities. The Committee, therefore, urge upon the defaulting Ministries to study the best practices of the other Ministries/Departments who do not incur excess expenditure and best international practices as well. As the problem of exceeding budgetary/Supplementary Grant is not non-tracable with the use of IT and e-governance, the Committee impress upon the defaulting Ministries to tighten their financial administration and fix responsibility against the budget controlling authorities in case their estimation go away to such a large extent.

3. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2013-14 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations revealed that there was a misclassification of expenditure of ₹ (+) 15,15,23,021 (₹ 15.15 crore) under Grant Nos. 5,6,8,10,13 &16 and Appropriation Nos. 4,7,9,11,13, 16-Captial & 16 Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2013-14 works out to ₹ 2734,90,64,750 (₹2734.91 crore) instead of ₹ 2719,75,41,729 (₹ 2719.75 crore) as indicated in Indian Railways Appropriation Accounts (2013-14). Thus, the total amount of actual excess expenditure incurred during the financial year 2013-14 which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 3508,21,69,233 (₹ 3508.22 crore) incurred in 26 cases of 18 excess registering Grants/Appropriations.

4. The Committee note with profound concern that out of total 26 cases of excess registering Grants/Appropriations, the excess expenditure had been incurred even after obtaining Supplementary Grant in as many as 21 cases. The percentage of excess expenditure over the Supplementary Grant in respect of these 21 cases ranged from 0.63% in Appropriation No. 7 - Working Expenses - Repairs and Maintenance of Plant and Equipment to 8111.89% under Appropriation No. 9 - Working Expenses - Operating Expenses - Traffic operated by Ministry of Railways. In six cases this percentage was more than 50% and in 13 cases it was more than 10%. To illustrate the sector-wise details, Supplementary Grants to the tune of ₹ 370.03 crore was allocated for the three excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 39.59 crore. In Defence Sector, Supplementary Grants to the tune of ₹ 3348.97 crore was allocated for three excess registering Grants, yet an excess expenditure of ₹ 733.72 crore was incurred. In respect of Railways, out of 19 cases of excess registering Grants/Appropriation, Supplementary Grant of ₹ 7148.26 crore was obtained in 14 cases, still an excess expenditure of ₹ 2553.99 crore was incurred. In respect of three Appropriations operated by Ministry of Railways, the quantum of excess expenditure incurred was even higher than the Supplementary Appropriation sought.

The Committee are inclined to conclude that Supplementary Grant in most of the cases were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/Departments concerned. The Committee are again concerned to note that during the course of examination of excess expenditure for the year 2012-13, Secretary, Department of Economic Affairs had promised the Committee that in the next four - five months they would try to do a paper of the international practices in this regard and present it to PAC. However, such a study has not been initiated so far. Further in their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) the Committee had 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 to strictly monitor the progress of Expenditure. However, the same also could not be evolved as yet. The Committee thus again reiterate their aforesaid recommendations and desire that the same be implemented without further loss of time and the Committee be apprised details thereof within three months of the presentation of this Report to Parliament. Besides, the Committee impress upon their budget controlling authorities to thoroughly examine their proposals for additional funds with due farsightedness and ensure proper review of the requests for Supplementary Grant before presenting the same to Parliament for approval.

5. The Committee find that the incurring of excess expenditure incurred during the last ten years revealed that during the last five years i.e. 2009-10 to 2013-14, although the excess expenditure has shown a declining trend, but it has not reduced to a considerable extent. During the year under review i.e. 2013-14 though there had been decline in excess expenditure incurred by the Civil Ministries/Departments it has increased in case of Defence Services and Railways. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years i.e. from 2009-10 to 2013-14, it has been found that in 11 cases of nine Grants/Appropriations Grant No. 21 – Defence Pensions, Grant No. 32 – Ministry External Affairs, Grant No. 23 – Defence Services- Navy and Grants/Appropriations No. 3,5,6,8,10 and 13 persistent excesses occurred at least in three years out of five years. It has further been observed that the Ministry of Defence under Grant No. 21-Defence Pensions, had incurred excess expenditure recurringly for the last six years i.e. from 2008-09 to 2013-14. Out of this excess expenditure for the years 2009-10 to 2012-13 was more than ₹ 3000 crore. Further, in case of Grants/Appropriations operated by the Ministry of Railways it is seen that out of 16 Grants/Appropriations 6 Grants/Appropriations has witnessed excess expenditure consecutively for a period of three years or more.

Needless to say that the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are negating the attempts of the Government to exercise strict control on the progress of expenditure. In order to keep check of recurring phenomenon of excess expenditure the

Committee in their earlier Report had desired to constitute a high level Inter-Ministerial Group under the chairmanship of the Cabinet Secretary and the C&AG of India also be associated with this process. However, no steps in this regard have been resorted to by the Government so far. Therefore, in order to combat the problem of recurring expenditure, the Committee once again impress upon the Government to constitute the aforesaid Group with a view to effectively check the unabated trend of excess expenditure and apprise the Committee thereof.

6. The Committee further find that under Defence Services Sector, the Ministry of Defence incurred an excess expenditure of ₹ 11710.08 crore in four Grants in 2009-10, ₹ 7575.76 crore in five Grants in 2010-11, ₹ 4137.01 crore in two Grants in 2011-12, ₹4063.24 crore in four Grants in 2012-13 and ₹ 770.36 crore in five Grants in 2013-14. The Committee are concerned to note that during the course of examination of excess expenditure incurred by Ministry of Defence in the year 2012-13, the Committee have been informed by the Ministry that they had set up three Committees which would devise alternate solutions for any Internal controls that may exist. They had also identified certain loopholes in their internal procedures and those were being reviewed on the basis of the recommendations of these three Committees. The Committee regret to note that the neither the suggestions/recommendations of the said Committees were implemented by the Ministry of Defence in right earnest nor they had taken credible action to obviate such identified loopholes in order to avoid the recurring phenomenon of excess expenditure under the Grants/Appropriations operated by the Ministry of Defence. The Committee, therefore, desire to be apprised of the corrective measures taken on the recommendations of the three Committees alongwith the specific results achieved as a follow-up of those recommendation so as to eliminate the recurring excess expenditure.

7. A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the financial year 2013-14, the Ministry of Defence incurred an excess expenditure of ₹35.89 crore under Revenue-Voted section of Grant No. 20 – Ministry of Defence (Civil). Excess expenditure under this section of the Grant

was the net effect of total excesses of ₹ 100.70 crore less total savings of ₹ 64.81 crore under various Sub-Heads of the Grant. The Committee are constrained to observe that excess expenditure under this Grant was incurred despite obtaining Supplementary Grants of ₹ 241.49 crore. According to the Ministry of Defence, the excess expenditure under this grant was due to requirement of additional funds towards pay and allowances and commissioning of new ships/boats and stations, payment of committed liabilities and receipt of huge travel bills at the end of financial year 2013-14 etc. In the opinion of the Committee these are not the reasons that could not be predicted even at the Supplementary Grant stage. Most of the reasons do not fall under the category of 'unforeseen' and 'unanticipated' expenditure. The Committee, therefore, cannot but conclude that lack of timely review and want of essential alacrity in the budgetary estimations had largely contributed for this excess expenditure.

Besides, the Ministry had attributed this excess mainly to shortage of allocated funds at Revised Estimate (RE) stage by Ministry of Finance. However, the Ministry have not intimated about the amount of Revised Estimate sought, date of sending request for the same to Ministry of Finance, amount sanctioned therefrom and the amount short allocated to them etc. The Committee would like to be apprised of these details at the earliest. The Committee further observe that while examining the excess expenditure incurred by Ministry of Defence during the year 2012-13 with the same contributory reasons i.e. shortage of allocation of funds the Ministry of Finance apprised the Committee that fund for committed liabilities as projected by the Ministries/Departments with sufficient justification are fully provided to them. Thus, the Committee cannot accept the same stock reply furnished by the Ministry of Defence and desire to strengthen the process of budgetary estimation on realistic basis so that Budgetary/Supplementary Grants sought from the Ministry of Finance proved to be adequate. As regards remedial action taken to avoid excess expenditure under this Grant the Committee have been informed that necessary instructions dated 22.09.2014 had been issued to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses. The Committee would hope

that instructions now issued does not meet the same fate as earlier instructions. The Committee would therefore, like to be apprised of the outcome of these instructions and further action taken by the Ministry of Defence thereon to obviate excess expenditure under this Grant in future.

8. The Committee are concerned to note that excess expenditure to the tune of ₹ 120.40 crore, ₹186.72 crore and ₹ 426.59 crore had been incurred under Grant No. 23-Defence Services-Navy Grant No. 24 -Defence Services-Air Force and Grant No. 25 - Defence Ordnance Factories respectively during the fiscal 2013-14. Astonishingly, the excess expenditure under all these Grants was incurred despite obtaining huge amount of Supplementary Grants i.e. ₹ 949.69 crore in Grant No. 23, ₹ 1032.51 crore in Grant No. 24, ₹1363.57 crore in Revenue-Voted Section of Grant No. 25 and ₹ 3.20 crore in Revenue-Charged Section of Grant no. 25. Attributing the reasons for the same, the Ministry of Defence submitted that additional allocations were projected but funds provided were inadequate to meet the requirement.

The Committee are perturbed to find that in all the four cases the revised funds were inadequate. What is more astonishing is that the Ministry of Defence could not realistically project their actual requirement of funds even at the Supplementary Grants stage even after claiming that they have been gradually improving their budget and expenditure control systems to minimize and eliminate instances of excess expenditure. The Committee cannot accept the hollow claim of the Ministry as excess expenditure of such a huge magnitude under these Grants has not been incurred for the first time. It is a recurring feature of the Ministry for the past ten years. Several steps are stated to be initiated in pursuance of three Committee's recommendations viz. instructions have been issued for notification of head-wise, controller-wise allocations in respect of the capital budget, CGDA has initiated CGDA WAN connectivity to Navy and Air Head Quarters and services and CGDA would work together in formulating viable solutions to replace cash assignments. Further, the Ministry is stated to monitoring expenditure on a monthly basis to ensure optimum

utilization of funds and avoid excess expenditure. Apart from this, instructions already exist to formulate the Budget Estimates on realistic basis.

Keeping in view the recurrent excess expenditure incurred under these Grants, the Committee feel that some more stringent measure are required to obviate excess expenditure. Only in the last year the Committee had desired the Ministry of Defence to chalk out a definite policy in order to observe greater financial discipline. However, no effective steps seems to have been taken in this regard. The Committee thus feel that it is imperative for the Ministry of Defence to undergo serious introspection and devise ways and means in consultation with Ministry of Finance to overhaul their budgetary mechanism so as to keep check on persisting trend of excess expenditure under the Grants/Appropriations operated by the Ministry of Defence. The Committee would like to be apprised of the corrective measures taken in this direction.

9. The Committee's examination of Indian Railways Appropriation Accounts for the Financial year 2013-14 has revealed that the Ministry of Railways incurred a total excess expenditure of ₹ 2734.91 crore (after misclassification) in 19 cases of 12 excess registering Grants/Appropriations. The Committee note that while there was some decline in the excess expenditure as well as excess registering Grants/Appropriations during the year 2011-12, it has further shown an increasing trend since the year 2012-13 & 2013-14 both in terms of excess expenditure as well as excess registering Grants/Appropriations. The Committee are again perturbed to note that out of the total excess expenditure of ₹2734.91 crore incurred by the Ministry of Railways during the year 2013-14, the excess expenditure of more than ₹ 100 crore was incurred under five Grants viz. ₹ 110.75 crore under Grant No. 8-Working Expenses-operating Expenses-Rolling Stock and Equipment, ₹ 683.96 crore under Grant No. 10 - Working Expenses-Operating Expenses-Fuel, ₹ 732.76 crore under Grant No. 13 - Working Expenses-Provident Fund, Pension and other Retirement benefits, ₹ 168.80 crore under Grant No. 15 - Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over-capitalization and ₹837.73 crore under Grant

No. 16 - Assets - Acquisition, Constructions and Replacement Capital. The contributory reasons as attributed by the Ministry for incurring excess expenditure under Grant No. 05,06,08,10,13,15&16 - Capital are more drawl of stores from stock, more expenditure towards wages and material on Periodical Overhaul (POH), adjustment of more workshop debits, materialization of more contractual payments, increase in prime cost of High Speed Diesel (HSD) Oil, receipt of more debits from pension disbursing authorities on account of increase in dearness allowance, finalization of more number of death cum retirement gratuities cases, higher payment of dividend to General Revenues, residual works and other miscellaneous expenses to commensurate the progress of works, more procurement of machinery and plant items etc. However, the excess expenditure under Appropriation Nos. 03,04,05,06,07,08,09,10,11,13,16-Capital and 16-Railway Funds was Incurred due to materialization of more decretal payments, than anticipated.

The Committee are of the view that these activities undertaken by the Railways are routine in nature and requirement for those factors could have been realistically planned/assessed at the budget/revised estimate stage. But it seems that the Ministry of Railways have not taken any corrective measures to improve their budgeting mechanism with a view to avoiding such huge unauthorized expenditure. Rather, they have taken recourse to an unaccepted plea that the excess expenditure of ₹ 2719.75 crore (before misclassification) requiring regularization from Parliament works out to only 1.76 percent of the total sanctioned provision of ₹154326.84 crore under those Grants/Appropriations in which excess occurred. The Committee are not happy with such lack of concern on the part of the Ministry for observing fiscal discipline and they therefore desire the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements under various Grants/Appropriations operated by them so that money irrespective of quantum are not spent without prior authorization of Parliament.

10. The Committee note with profound concern that out of total 19 cases of excess registering Grants/Appropriations operated by Ministry of Railways an excess expenditure of ₹ 2553.99 crore was incurred in as many as 14 cases even after obtaining Supplementary Grants/Appropriations to the extent of ₹ 7148.26 crore. The percentage of excess expenditure over the Supplementary Grants ranged from 10.61 percent in Grant No. 15-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over capitalization to 8111.89 percent in Grant No. 09 – Working Expenses-Operating Expenses-Rolling Stock and Equipment and in 7 cases this percentage was more than 50 percent. Even in case of Grant No. 09 this percentage was more than eight thousand. The Committee's scrutiny has also revealed that under Appropriation Nos. 3,5,7,8,9 and 11 the original provisions were not available and only Supplementary Grants were obtained. In respect of two Grants/Appropriations the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. The Committee deplore the tendency of the Ministry of Railways in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. This is a clear indication of not only of bad budgeting but also of deeply pervading malaise in the extant budgeting mechanism, which has failed to ensure proper assessment and accurate projection of fund requirements despite three stages of obtaining Supplementary Grants the latest being March, 2014 i.e. the fag end of the financial year. The Committee therefore, recommend that the Ministry of Railways probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and hold the budget controlling officers responsible so that no excess expenditure is incurred despite obtaining Supplementary Grants and strict fiscal discipline is maintained.

11. The Committee are perturbed to find that excess expenditure has been incurred recurringly under the Grants No. 8, 10, 13 and Appropriation No. 3 operated by Ministry of Railways. Grant No. 8 has witnessed excess expenditure during the years 2009-10 (₹ 36.31 crore), 2010-11 (₹189.89 crore) 2012-13 (₹ 28.17

crore) and 2013-14 (₹ 105.09 crore). Similarly, the excess expenditure of more than ₹ 100 crore has also been incurred under Grant No-10- Working Expenses- Operating Expenses-Fuel during the year 2010-11 (₹ 398.09 crore), 2012-13 (₹ 658.82 crore) and 2013-14 (₹ 638.55 crore). The Committee's examination also revealed that Grant No -13 Working Expenses- Provident Fund, Pension and other Retirement Benefits had incurred excess expenditure recurring during the Financial Years 2009-10 to 2013-14 i.e. ₹ 1,512.39 crore during 2009-10, ₹ 1,403.98 crore during 2010-11, ₹ 769.62 crore during 2011-12, ₹ 981.95 crore during 2012-13 and ₹732.76 crore during the year 2013-14. Further, Appropriation No -3 -General superintendence and services also witnessed recurring excess expenditure ₹ 0.24 crore during 2009-10, ₹0.21 crore during 2010-11 ₹ 0.27 crore during 2011-12, ₹ 0.42 crore during the year 2012-13 and ₹ 0.38 crore during 2013-14.

From the fact that excess expenditure almost with similar reasons has been incurred recurring under aforesaid Grants/Appropriations, the Committee feel that despite their strong recommendations, year after year, to contain this bad trend, no sincere efforts have been made by the Ministry of Railways to ensure financial discipline. Moreover, in the age of e-connectivity between various Zonal Railways and field formations, there should not be recurrence of excess expenditure in such a large number of Grants/Appropriations. While expressing their displeasure over the bad planning, lack of foresight and ineffective monitoring on the part of budget controlling authorities for preparing both their Budget Estimates as well as Supplementary Demands for Grants, the Committee urge the Ministry of Railways to take immediate corrective steps to strengthen the internal control mechanism through necessary validations and checks in the computerized environment to preclude recurring instances of excess expenditure in future.

12. The Committee are aghast to note that excess expenditure under Grant No. - 13 - Provident Fund, Pension and other Retirement Benefits is a recurring feature for the years 2009-10 to 2013-14 having excess expenditure of more than ₹ 1000 crore during the year 2009-10 and 2010-11 (₹1512.39 crore in 2009-10 and



₹1403.98 crore in 2010-11) while it was more than ₹ 700 crore during the years 2011-12 to 2013-14 (₹ 769.62 crore in 2011-12, ₹981.95 crore in 2012-13 and ₹732.76 crore in 2013-14). Attributing the reasons for this recurring phenomenon of excess expenditure, the Ministry informed that the very nature of this Grant renders it difficult to assess the exact requirement as apart from normal retirees due to superannuation, Pension payable on the railways get changed due to implementation of new schemes like Modified Assured Career Progression Scheme (MACPs), Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS) etc. However, the reasons attributed by the Ministry are general in nature and these have been referred in the past years also. The Committee therefore, desire that the Ministry of Railways needs to prepare the budget estimates taking into account the past trends of expenditure with a cushion of future increase in pensionary charges/liabilities. The Ministry have assured the Committee that 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. In their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) the Committee had desired to be apprised of the progress made in the computerization of accounting activities. In this regard, the Committee have been apprised that IPAS a centralized integrated financial management application, has been proposed to be implemented on remaining zonal railways by March 2017 in a phased manner. The Advanced Railway Pension Access Network (ARPAN) has already been implemented on 135 units out of 145 units over Indian Railways. The remaining units are expected to be covered by March, 2016. According to Ministry, as a result of these initiatives, the incidence of excess in Grant No. -13 has ceased to occur in 2014-15. While appreciating this the Committee would like to be apprised of the progress made so far in regard to implementation of IPAS on remaining zonal railways and expect that the same would be completed by March 2017. The Committee also like to know the present status of implementation of Advanced Railway Pension Access Network on the remaining units.

13. The Committee have further been apprised that a VPN (Virtual Private Network) enabled Rail Budget system connecting all Zonal Railways and production units across IR has been put in place during 2014-15. This connectivity has facilitated 'instant connectivity with field Units', timely submission of estimates by the Units and more in-depth scrutiny of the budget proposals and 'monitoring the pace of expenditure'. As a result, the incidences of excess expenditure in grants have by and large been eliminated in 2014-15. Further, according to Ministry of Railways VPN based system has also facilitated to formulate Supplementary Grants on the basis of latest Final Modification Estimates of the Zonal Railways. This may also reduce the incidence of excess expenditure. While appreciating these steps, the Committee feel that 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 Grants 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. Thus, the Committee would recommend that the Ministry of Railways should interlink all the units/divisions/workshops to their Zonal Railways and all Zonal Railways with Railway Board to get the benefit of computerization in maintaining financial discipline.

14. Another disquieting feature observed by the Committee is the extent of misclassification of expenditure in the compilation of Accounts specially of the Ministry of Railways. There have been misclassification of expenditure under 13 cases of excess registering Grants/Appropriations administered by Ministry of Railways. Taking a serious view of the recurrence of misclassifications, the Committee have persistently been recommending for greater care to be exercised to avoid serious mistakes in proper upkeep and maintenance of books of accounts. The Committee are however, constrained to observe that the steps initiated by the Ministry of Railways so far in this connection have not yielded the desired result. On the other hand there has been further deterioration in the

situation, as the cases of the misclassification have increased from 8 in 2012-13 to 13 in the year 2013-14. Obviously, the instructions issued by the Ministry in this regard were either not comprehensive or the concerned officials did not take utmost care to implement them properly. The Committee, therefore, desire that suitable remedial measures should be taken to ensure close and concurrent review of the booking of expenditure at various levels, test check of allocations recorded, prompt reconciliation of the subsidiary books with the General Books and fixing up of responsibility for clear lapses at suitable levels. The Committee hope that with the above measures and with increasing computerization of accounting systems, the incidence of misclassification will come down. The Committee are aghast to note that such a large no. of cases of misclassification have again been occurred year after year despite having a separate and dedicated Indian Railways Accounts Service with huge workforce. The Committee would therefore, desire to know the total no. of persons deployed (as on February 2016) for this Service, No. of officers therefrom, No. of officers on deputation/long leave etc. The Committee also desire the Ministry to organize training programmes regularly so as to keep the staff/officers update of the rules/Procedures of Accounting.

15. The Committee note that considering the persisting trend of excess expenditure under various Grants/Appropriations, the Committee in their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) and desired the Department of Personnel and Training (DoPT) to look into that the recurrent lapses in observing financial discipline should be reflected in the Annual Performance Appraisal Reports of the budget controlling authorities as well as the Financial Advisors of the Ministry/Department concerned so as to ensure strict adherence to the financial discipline thereby eliminating the recurrent phenomenon of excess expenditure. Ministry of Finance (Department of Economic Affairs) were also recommended to set up an Expert Group to review the existing General Financial Rules so as to plug the lacunae, if any, in the rules to curb the tendency of the Ministries to incur excess expenditure in future. No action seems to have been taken so far by the DoPT and Ministry of Finance in this regard. However, the Department of

Personnel & Training vide their letter dated 26<sup>th</sup> November, 2015 have informed the Committee that the said recommendation is under their examination and they are obtaining the views of Department of Expenditure, Ministry of Finance. Upon noticing that despite several steps have been initiated in the past by various Ministries/Departments to obviate the persistent excess expenditure it remains a distant goal to achieve. Thus the Committee reiterate their earlier recommendations and desire the DoPT and Ministry of Finance to implement the above recommendation same at the earliest and apprise the Committee thereof within one month of the presentation of this Report to Parliament. Besides, guidelines issued by Ministry Finance (Department of Economic Affairs – Budget Division) year after year to all the Ministries/Departments in order to contain their excess expenditure should be reviewed and made more stringent alongwith penal measures for non-adherence to the guidelines recurringly.

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

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NEW DELHI;  
11<sup>th</sup> March, 2016  
21 Phalguna, 1937 (Saka)

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

**MINUTES OF THE TWENTY-SECOND SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2015-16) HELD ON 11<sup>th</sup> MARCH, 2016.**

The Committee sat from 1000 hrs. to 1100 hrs. on 11<sup>th</sup> March, 2016 in Room No. "51", Parliament House, New Delhi.

**PRESENT**

Prof. K. V. Thomas - Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri S.S. Ahluwalia
3. Shri Nishikant Dubey
4. Shri Ramesh Pokhriyal "Nishank"
5. Shri Neelgagan Rane
6. Shri Dushyant Singh
7. Shri Janardan Singh Sigriwal
8. Dr. Kirit Somaiya

**RAJYA SABHA**

9. Shri Sukhendu Sekhar Roy

**LOK SABHA SECRETARIAT**

1. Shri A. K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Shri A.K. Yadav - Deputy Secretary
4. Smt. Anju Kukreja - Under Secretary

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

1. Shri Rakesh Jain - Deputy C&AG (RC)
2. Shri B.R. Mondal - Principal Director (RBA)
3. Shri L.S. Singh - Principal Director (RC)

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee. Thereafter, the Committee took up the following draft Reports for consideration:

- (i) Draft Report on the subject "Excesses Over Voted Grants and Charged Appropriations (2013-14)".
- (ii) Draft Report on Action Taken on the observations/recommendations contained in 67<sup>th</sup> Report of PAC (15<sup>th</sup> Lok Sabha) on the subject (i) **Construction of New Lines on Socio-Economic consideration;** (ii) **Excessive Delays in Maintenance of Locomotive;** and (iii) **Functioning of Rail Vikas Nigam Limited.**
- (iii) Draft Report on Action Taken on the observations/recommendations contained in 3<sup>rd</sup> Report of PAC (16<sup>th</sup> Lok Sabha) on the subject "**Environment Management in Indian Railways- Stations, Trains & Tracks**".

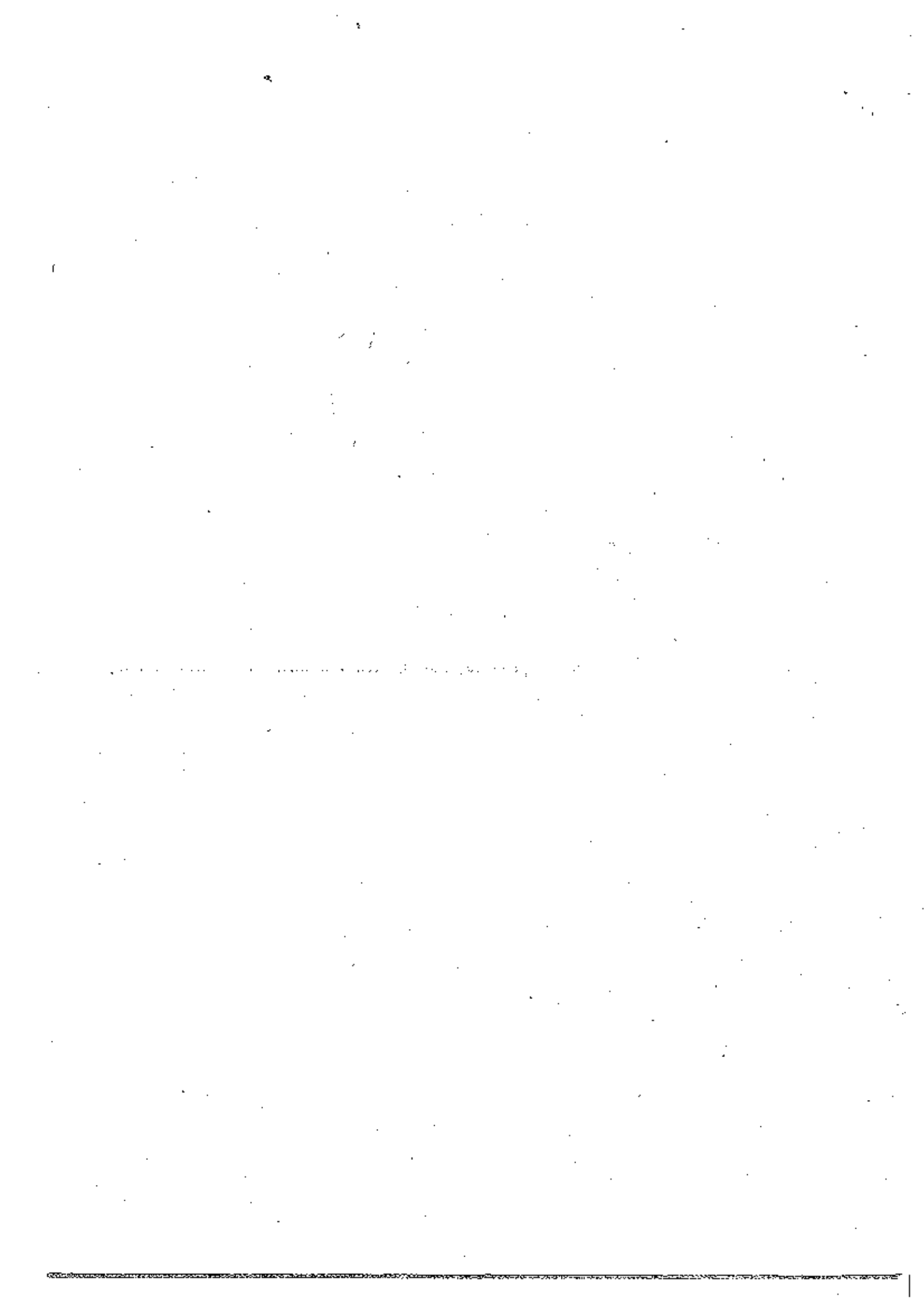
3. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the contents of these draft Reports, the Committee adopted the draft Reports with some changes/modifications which are indicated in the enclosed Annexures I-III.

4. The Committee authorized the Chairperson to finalise these Reports in the light of verbal discussion and consequential changes arising out of factual verification by the Audit and present the same to Parliament.

**The Committee then adjourned.**

**Changes/modifications as suggested by the Members to be incorporated in draft Report on the subject "Excesses over Voted Grants and Charged Appropriations (2013-14)"**

<b>Sr. No.</b>	<b>Page/Para/Line No.</b>	<b>For</b>	<b>Read</b>
1.	Page 52/ Para 15/ Last Line		<b>Add at the end of Para 15 –</b> Besides, guidelines issued by Ministry Finance (Department of Economic Affairs – Budget Division) year after year to all the Ministries/Departments in order to contain their excess expenditure should be reviewed and made more stringent alongwith penal measures for non-adherence to the guidelines recurringly.





APPENDIX II

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No. (Part II)	Ministry/Department concerned	Observations/Recommendations
1	1	Finance (Economic Affairs) External Affairs Defence and Railways	<p>The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2013-14 has revealed that a total expenditure of ₹ 3508.22 crore was incurred in 26 cases of 18 excess registering Grants/Appropriations. The Ministries/Departments which have incurred excess expenditure during the year 2013-14 fiscal are the Ministry of External Affairs (Grant No. 32 - Ministry of External Affairs), the Ministry of Defence (six cases under five Grants/Appropriations i.e. Grant Nos. 20, 21, 23, 24 and 25) and the Ministry of Railways (19 cases under 12 Grants/Appropriations i.e. Grant Nos. 5, 6, 8, 10, 13, 15 and 16 - capital and Appropriation Nos. 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 16 - capital and 16 - Railway funds). The Committee note that bulk of the excess expenditure was on the Railway side viz. ₹ 2734.91 crore (after misclassification) which is 77.96 percent of total excess expenditure incurred during the year 2013-14. Further, in case of Defence Services an excess of ₹ 733.72 crore was incurred under Grant No. 23 - Defence Services - Navy, Grant No. 24 Defence Services - Air force and two sections of Grant No. 25 - Defence Ordnance Factories.</p> <p>The Committee observe an improved performance of the Government in containing the quantum of excess expenditure as it shows a declining trend during the last five years i.e. from ₹ 14575.08 crore in 2009-10 to ₹ 3508.32 crore in 2013-14 (year under review). They, however, express their concern over the increase in number of excess registering Grants/Appropriations as well as excess expenditure in case of Defence Services and Railways during the year 2013-14 in comparison to the last year.</p>

			<p>The Committee are again perturbed to find that in seven cases the excess expenditure was more than ₹ 100 crore, out of which three cases pertain to Ministry of Defence and four cases to Ministry of Railways. This excess was occurred despite issuance of elaborate instructions at regular intervals by the Ministry of Finance in pursuance of off-reiterated recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. In the opinion of the Committee, such gross negligence on the part of different Ministries particularly the Ministry of Defence and Railways, speaks volumes about the scant regard being shown by them towards prescribed financial discipline. Needless to say that excess expenditure is 'unauthorized expenditure' portraying lack of financial discipline, as this fact ought to be kept in mind by all concerned Ministries/Departments.</p> <p>In view of the persistent trend of incurring of excess expenditure going unchecked, the Committee recommend that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted immediately with a mandate to submit its findings within a period of six months. The Expert Group should undertake a thorough study of the instances where expenditure had exceeded the budgetary allocations during the last five years in order to find out the precise reasons as to why the existing mechanism for control of expenditure has failed to effectively check the trend of expenditure and to evolve monthly expenditure monitoring system to keep an eye on the trend of expenditure incurred by various Ministries/Departments.</p>
2	2	Finance (Department of Economic Affairs) Defence and Railways	The Committee further find that in 14 cases the percentage of excess expenditure over the total budgeted Grant was exceedingly high. These are 8111.89 percent in Appropriation no. 9 - Working Expenses - Operating Expenses - Traffic, 345.72 percent in Appropriation No. 08 - Working Expenses, Operating Expenses - Rolling Stock

			<p>and Equipment, 335.62 percent in Appropriation No. 06 - Working Expenses - Repairs and Maintenance of Carriages and wagons, 100 percent in Appropriation No. 5 - Working Expenses Repairs &amp; Maintenance of Motive Power, 76.69 percent in Appropriation - No. - 11-Working Expenses - Staff Welfare and Amenities, 76.48 percent in Appropriation No. - 03 -Working Expenses - General Superintendence and Services, 45.64 percent in Appropriation No. 4 - Working Expenses - Repairs &amp; Maintenance of Permanent Way and Works. Further the excess expenditure over Grants/Appropriations was more than 23 percent in respect of Appropriation Nos. 10, 13 &amp; 16 - Railway Funds operated by Ministry of Railway, and it was more than 10 percent in one case of Grant No. 21 - Defence Pensions, (Revenue - Charged) and two cases of Grant No. 25 - Defence Ordnance Factories (Revenue - Voted &amp; Revenue - Charged) operated by Ministry of Defence. Such huge excess expenditure particularly in Appropriation No. 09 - Working Expenses- Operating Expenses-Traffic over and above the budgetary provisions sanctioned by the Parliament either at the Budget Grant Stage or Supplementary Grant Stage does not augur well for fiscal prudence besides undermining the Parliamentary control. It clearly indicates the total failure of the Ministries concerned in anticipating their fund requirements. Such a trend also indicates that the defaulting Ministries have not accorded due importance to the guiding principles of budgeting and abdicated their responsibilities. The Committee, therefore, urge upon the defaulting Ministries to study the best practices of the other Ministries/Departments who do not incur excess expenditure and best international practices as well. As the problem of exceeding budgetary/Supplementary Grant is not non-tracable with the use of IT and e-governance, the Committee impress upon the defaulting Ministries to tighten their financial administration and fix responsibility against the budget controlling authorities in case their estimation go away to such a large extent.</p>
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3	3	Finance (Department of Economic Affairs) Defence and Railways	<p>A comparative scrutiny of the Union Government Appropriation Accounts (Railways) for the year 2013-14 and the Explanatory Notes furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations revealed that there was a misclassification of expenditure of ₹ (+) 15,15,23,021 (₹ 15.15 crore) under Grant Nos. 5,6,8,10,13 &amp; 16 and Appropriation Nos. 4,7,9,11,13, 16-Capital &amp; 16 Railway Funds. Taking into account the effect of this misclassification, the actual excess expenditure incurred by the Ministry of Railways during the year 2013-14 works out to ₹ 2734,90,64,750 (₹2734.91) crore instead of ₹ 2719,75,41,729 (₹ 2719.75 crore) as indicated in Indian Railways Appropriation Accounts (2013-14). Thus, the total amount of actual excess expenditure incurred during the financial year 2013-14 which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 3508,21,69,233 (₹ 3508.22 crore) incurred in 26 cases of 18 excess registering Grants/Appropriations.</p>
4	4	Finance (Department of Economic Affairs) Defence and Railways	<p>The Committee note with profound concern that out of total 26 cases of excess registering Grants/Appropriations, the excess expenditure had been incurred even after obtaining Supplementary Grant in as many as 21 cases. The percentage of excess expenditure over the Supplementary Grant in respect of these 21 cases ranged from 0.63% in Appropriation No. 7 - Working Expenses - Repairs and Maintenance of Plant and Equipment to 8111.89% under Appropriation No. 9 - Working Expenses - Operating Expenses - Traffic operated by Ministry of Railways. In six cases this percentage was more than 50% and in 12 cases it was more than 10%. To illustrate the sector-wise details, Supplementary Grants to the tune of ₹ 370.03 crore was allocated for the three excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 39.59 crore. In Defence Sector, Supplementary Grants to the tune of ₹ 3348.97</p>

			<p>crore was allocated for three excess registering Grants, yet an excess expenditure of ₹ 733.72 crore was incurred. In respect of Railways, out of 19 cases of excess registering Grants/Appropriation, Supplementary Grant of ₹ 7148.26 crore was obtained in 14 cases, still an excess expenditure of ₹ 2553.99 crore was incurred. In respect of three Appropriations operated by Ministry of Railways, the quantum of excess expenditure incurred was even higher than the Supplementary Appropriation sought.</p> <p>The Committee are inclined to conclude that Supplementary Grant in most of the cases were obtained without proper assessment with the result that even the additional provision proved inadequate to meet the actual requirement of funds by the Ministries/ Departments concerned. The Committee are again concerned to note that during the course of examination of excess expenditure for the year 2012-13, Secretary, Department of Economic Affairs had promised the Committee that in the next four - five months they would try to do a paper of the international practices in this regard and present it to PAC. However, such a study has not been initiated so far. Further in their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) the Committee had recommended that the Ministries/Departments should evolve an effective mechanism in Coordination with the Ministry of Finance (Department of Economic Affairs) C&amp;AG of India and the CGA in the Department of Expenditure to strictly monitor the progress of Expenditure. However, the same also could not be evolved as yet. The Committee thus again reiterate their aforesaid recommendations and desire that the same be implemented without further loss of time and the Committee be apprised details thereof within three months of the presentation of this Report to Parliament. Besides, the Committee impress upon their budget controlling authorities to thoroughly examine their proposals for additional funds with due farsightedness and ensure proper review of the requests for Supplementary Grant before presenting the same to Parliament for approval.</p>
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5	5	<p>Finance (Department of Economic Affairs)</p> <p>External Affairs, Defence and Railways</p>	<p>The Committee find that the incurring of excess expenditure incurred during the last ten years revealed that during the last five years i.e. 2009-10 to 2013-14, although the excess expenditure has shown a declining trend, but it has not reduced to a considerable extent. During the year under review i.e. 2013-14 though there had been decline in excess expenditure incurred by the Civil Ministries/Departments it has increased in case of Defence Services and Railways. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years i.e. from 2009-10 to 2013-14, it has been found that in 11 cases of nine Grants/Appropriations Grant No. 21 – Defence Pensions, Grant No. 32 – Ministry External Affairs, Grant No. 23 – Defence Services- Navy and Grants/Appropriations No. 3,5,6,8,10 and 13 persistent excesses occurred at least in three years out of five years. It has further been observed that the Ministry of Defence under Grant No. 21-Defence Pensions, had incurred excess expenditure recurringly for the last six years i.e. from 2008-09 to 2013-14. Out of this excess expenditure for the years 2009-10 to 2012-13 was more than ₹ 3000 crore. Further, in case of Grants/Appropriations operated by the Ministry of Railways it is seen that out of 16 Grants/Appropriations 6 Grants/Appropriations has witnessed excess expenditure consecutively for a period of three years or more.</p> <p>Needless to say that the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are negating the attempts of the Government to exercise strict control on the progress of expenditure. In order to keep check of recurring phenomenon of excess expenditure the Committee in their earlier Report had desired to constitute a high level Inter-Ministerial Group under the chairmanship of the Cabinet Secretary and the C&amp;AG of India also be associated with this process. However, no steps in this regard have been resorted to by the Government so far. Therefore, in order to combat the problem of recurring expenditure, the Committee once again</p>
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			impress upon the Government to constitute the aforesaid Group with a view to effectively check the unabated trend of excess expenditure and apprise the Committee thereof.
6	6	Defence	<p>The Committee further find that under Defence Services Sector, the Ministry of Defence incurred an excess expenditure of ₹ 4239.34 crore in four Grants in 2009-10, ₹ 7575.76 crore in five Grants in 2010-11, ₹ 4137.01 crore in two Grants in 2011-12, ₹4063.24 crore in four Grants in 2012-13 and ₹ 734.46 crore in four Grants in 2013-14. The Committee are concerned to note that during the course of examination of excess expenditure incurred by Ministry of Defence in the year 2012-13, the Committee have been informed by the Ministry that they had set up three Committees which would devise alternate solutions for any internal controls that may exist. They had also identified certain loopholes in their internal procedures and those were being reviewed on the basis of the recommendations of these three Committees. The Committee regret to note that the neither the suggestions/recommendations of the said Committees were implemented by the Ministry of Defence in right earnest nor they had taken credible action to obviate such identified loopholes in order to avoid the recurring phenomenon of excess expenditure under the Grants/Appropriations operated by the Ministry of Defence. The Committee, therefore, desire to be apprised of the corrective measures taken on the recommendations of the three Committees alongwith the specific results achieved as a follow-up of those recommendation so as to eliminate the recurring excess expenditure.</p>
7	7	Defence	<p>A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the financial year 2013-14, the Ministry of Defence incurred an excess expenditure of ₹35.89 crore under Revenue-Voted section of Grant No. 20 - Ministry of Defence (Civil). Excess expenditure under this section of the Grant was the net effect of total excesses of ₹ 100.70 crore less total savings of ₹ 64.81 crore under various Sub-</p>

			<p>Heads of the Grant. The Committee are constrained to observe that excess expenditure under this Grant was incurred despite obtaining Supplementary Grants of ₹ 241.49 crore. According to the Ministry of Defence, the excess expenditure under this grant was due to requirement of additional funds towards pay and allowances and commissioning of new ships/boats and stations, payment of committed liabilities and receipt of huge travel bills at the end of financial year 2013-14 etc. In the opinion of the Committee these are not the reasons that could not be predicted even at the Supplementary Grant stage. Most of the reasons do not fall under the category of 'unforeseen' and 'unanticipated' expenditure. The Committee, therefore, cannot but conclude that lack of timely review and want of essential alacrity in the budgetary estimations had largely contributed for this excess expenditure.</p> <p>Besides, the Ministry had attributed this excess mainly to shortage of allocated funds at Revised Estimate (RE) stage by Ministry of Finance. However, the Ministry have not intimated about the amount of Revised Estimate sought, date of sending request for the same to Ministry of Finance, amount sanctioned therefrom and the amount short allocated to them etc. The Committee would like to be apprised of these details at the earliest. The Committee further observe that while examining the excess expenditure incurred by Ministry of Defence during the year 2012-13 with the same contributory reasons i.e. shortage of allocation of funds the Ministry of Finance apprised the Committee that fund for committed liabilities as projected by the Ministries/Departments with sufficient justification are fully provided to them. Thus, the Committee cannot accept the same stock reply furnished by the Ministry of Defence and desire to strengthen the process of budgetary estimation on realistic basis so that Budgetary/Supplementary Grants sought from the Ministry of Finance proved to be adequate. As regards remedial action taken to avoid excess expenditure under this Grant the Committee have</p>
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			<p>been informed that necessary instructions dated 22.09.2014 had been issued to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses. The Committee would hope that instructions now issued does not meet the same fate as earlier instructions. The Committee would therefore, like to be apprised of the outcome of these instructions and further action taken by the Ministry of Defence thereon to obviate excess expenditure under this Grant in future.</p>
8	8	Defence	<p>The Committee are concerned to note that excess expenditure to the tune of ₹ 120.40 crore, ₹186.72 crore and ₹ 426.59 crore had been incurred under Grant No. 23-Defence Services-Navy Grant No. 24 -Defence Services-Air Force and Grant No. 25 - Defence Ordnance Factories respectively during the fiscal 2013-14. Astonishingly, the excess expenditure under all these Grants was incurred despite obtaining huge amount of Supplementary Grants i.e. ₹ 949.69 crore in Grant No. 23, ₹ 1032.51 crore in Grant No. 24, ₹1363.57 crore in Revenue-Voted Section of Grant No. 25 and ₹ 3.20 crore in Revenue-Charged Section of Grant no. 25. Attributing the reasons for the same, the Ministry of Defence submitted that additional allocations were projected but funds provided were inadequate to meet the requirement.</p> <p>The Committee are perturbed to find that in all the four cases the revised funds were inadequate. What is more astonishing is that the Ministry of Defence could not realistically project their actual requirement of funds even at the Supplementary Grants stage even after claiming that they have been gradually improving their budget and expenditure control systems to minimize and eliminate instances of excess expenditure. The Committee cannot accept the hollow claim of the Ministry as excess expenditure of such a huge magnitude under these Grants has not been incurred for the first</p>

			<p>time. It is a recurring feature of the Ministry for the past ten years. Several steps are stated to be initiated in pursuance of three Committee's recommendations viz. instructions have been issued for notification of head-wise, controller-wise allocations in respect of the capital budget, CGDA has initiated CGDA WAN connectivity to Navy and Air Head Quarters and services and CGDA would work together in formulating viable solutions to replace cash assignments. Further, the Ministry is stated to monitoring expenditure on a monthly basis to ensure optimum utilization of funds and avoid excess expenditure. Apart from this, instructions already exist to formulate the Budget Estimates on realistic basis.</p> <p>Keeping in view the recurrent excess expenditure incurred under these Grants, the Committee feel that some more stringent measure are required to obviate excess expenditure. Only in the last year the Committee had desired the Ministry of Defence to chalk out a definite policy in order to observe greater financial discipline. However, no effective steps seems to have been taken in this regard. The Committee thus feel that it is imperative for the Ministry of Defence to undergo serious introspection and devise ways and means in consultation with Ministry of Finance to overhaul their budgetary mechanism so as to keep check on persisting trend of excess expenditure under the Grants/Appropriations operated by the Ministry of Defence. The Committee would like to be apprised of the corrective measures taken in this direction.</p>
9	9	Railways	<p>The Committee's examination of Indian Railways Appropriation Accounts for the Financial year 2013-14 has revealed that the Ministry of Railways incurred a total excess expenditure of ₹ 2734.91 crore (after misclassification) in 19 cases of 12 excess registering Grants/Appropriations. The Committee note that while there was some decline in the excess expenditure as well as excess registering Grants/Appropriations during the year 2011-12, it has further shown an</p>

			<p>increasing trend since the year 2012-13 &amp; 2013-14 both in terms of excess expenditure as well as excess registering Grants/Appropriations. The Committee are again perturbed to note that out of the total excess expenditure of ₹2734.91 crore incurred by the Ministry of Railways during the year 2013-14, the excess expenditure of more than ₹ 100 crore was incurred under five Grants viz. ₹ 110.75 crore under Grant No. 8-Working Expenses-operating Expenses-Rolling Stock and Equipment, ₹ 683.96 crore under Grant No. 10 - Working Expenses-Operating Expenses-Fuel, ₹ 732.76 crore under Grant No. 13 - Working Expenses-Provident Fund, Pension and other Retirement benefits, ₹ 168.80 crore under Grant No. 15 - Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over-capitalization and ₹837.73 crore under Grant No. 16 - Assets - Acquisition, Constructions and Replacement Capital. The contributory reasons as attributed by the Ministry for incurring excess expenditure under Grant No. 05,06,08,10,13,15&amp;16 - Capital are more drawl of stores from stock, more expenditure towards wages and material on Periodical Overhaul (POH), adjustment of more workshop debits, materialization of more contractual payments, increase in prime cost of High Speed Diesel (HSD) Oil, receipt of more debits from pension disbursing authorities on account of increase in dearness allowance, finalization of more number of death cum retirement gratuities cases, higher payment of dividend to General Revenues, residual works and other miscellaneous expenses to commensurate the progress of works, more procurement of machinery and plant items etc. However, the excess expenditure under Appropriation Nos. 03,04,05,06,07,08,09,10, 11,13,16-Capital and 16-Railway Funds was incurred due to materialization of more decretal payments, than anticipated.</p> <p>The Committee are of the view that these activities undertaken by the Railways are routine in nature and requirement for those factors could</p>
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			<p>have been realistically planned/assessed at the budget/revised estimate stage. But it seems that the Ministry of Railways have not taken any corrective measures to improve their budgeting mechanism with a view to avoiding such huge unauthorized expenditure. Rather, they have taken recourse to an unaccepted plea that the excess expenditure of ₹ 2719.75 crore (before misclassification) requiring regularization from Parliament works out to only 1.76 percent of the total sanctioned provision of ₹154326.84 crore under those Grants/Appropriations in which excess occurred. The Committee are not happy with such lack of concern on the part of the Ministry for observing fiscal discipline and they therefore desire the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements under various Grants/Appropriations operated by them so that money irrespective of quantum are not spent without prior authorization of Parliament.</p>
10	10	Railways	<p>The Committee note with profound concern that out of total 19 cases of excess registering Grants/Appropriations operated by Ministry of Railways an excess expenditure of ₹ 2553.99 crore was incurred in as many as 14 cases even after obtaining Supplementary Grants/Appropriations to the extent of ₹ 7148.26 crore. The percentage of excess expenditure over the Supplementary Grants ranged from 10.61 percent in Grant No. 15-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over capitalization to 8111.89 percent in Grant No. 09 - Working Expenses-Operating Expenses-Rolling Stock and Equipment and in 7 cases this percentage was more than 50 percent. Even in case of Grant No. 09 this percentage was more than eight thousand. The Committee's scrutiny has also revealed that under Appropriation Nos. 3,5,7,8,9 and 11 the original provisions were not available and only Supplementary Grants were obtained. In respect of two Grants/Appropriations the quantum of excess expenditure incurred has been even higher than the Supplementary Grants</p>

			<p>sought. The Committee deplore the tendency of the Ministry of Railways in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. This is a clear indication of not only of bad budgeting but also of deeply pervading malaise in the extant budgeting mechanism, which has failed to ensure proper assessment and accurate projection of fund requirements despite three stages of obtaining Supplementary Grants the latest being March, 2014 i.e. the fag end of the financial year. The Committee therefore, recommend that the Ministry of Railways probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and hold the budget controlling officers responsible so that no excess expenditure is incurred despite obtaining Supplementary Grants and strict fiscal discipline is maintained.</p>
11	11	Railways	<p>The Committee are perturbed to find that excess expenditure has been incurred recurringly under the Grants No. 8, 10, 13 and Appropriation No. 3 operated by Ministry of Railways. Grant No. 8 has witnessed excess expenditure during the years 2009-10 (₹ 36.31 crore), 2010-11 (₹189.89 crore) 2012-13 (₹ 28.17 crore) and 2013-14 (₹ 105.09 crore). Similarly, the excess expenditure of more than ₹ 100 crore has also been incurred under Grant No-10- Working Expenses-Operating Expenses-Fuel during the year 2010-11 (₹ 398.09 crore), 2012-13 (₹ 658.82 crore) and 2013-14 (₹ 638.55 crore). The Committee's examination also revealed that Grant No -13 Working Expenses-Provident Fund, Pension and other Retirement Benefits had incurred excess expenditure recurringly during the Financial Years 2009-10 to 2013-14 i.e. ₹ 1,512.39 crore during 2009-10, ₹ 1, 403.98 crore during 2010-11, ₹ 769.62 crore during 2011-12, ₹ 981.95 crore during 2012-13 and ₹732.76 crore during the year 2013-14. Further, Appropriation No -3 -General superintendence and services also witnessed recuing excess expenditure ₹ 0.24 crore during</p>

			<p>2009-10, ₹0.21 crore during 2010-11 ₹ 0.27 crore during 2011-12, ₹ 0.42 crore during the year 2012-13 and ₹ 0.38 crore during 2013-14.</p> <p>From the fact that excess expenditure almost with similar reasons has been incurred recurringly under aforesaid Grants/Appropriations, the Committee feel that despite their strong recommendations, year after year, to contain this bad trend, no sincere efforts have been made by the Ministry of Railways to ensure financial discipline. Moreover, in the age of e-connectivity between various Zonal Railways and field formations, there should not be recurrence of excess expenditure in such a large number of Grants/Appropriations. While expressing their displeasure over the bad planning, lack of foresight and ineffective monitoring on the part of budget controlling authorities for preparing both their Budget Estimates as well as Supplementary Demands for Grants, the Committee urge the Ministry of Railways to take immediate corrective steps to strengthen the internal control mechanism through necessary validations and checks in the computerized environment to preclude recurring instances of excess expenditure in future.</p>
12	12	Railways	<p>The Committee are aghast to note that excess expenditure under Grant No. - 13 - Provident Fund, Pension and other Retirement Benefits is a recurring feature for the years 2009-10 to 2013-14 having excess expenditure of more than ₹ 1000 crore during the year 2009-10 and 2010-11 (₹1512.39 crore in 2009-10 and ₹1403.98 crore in 2010-11) while it was more than ₹ 700 crore during the years 2011-12 to 2013-14 (₹ 769.62 crore in 2011-12, ₹981.95 crore in 2012-13 and ₹732.76 crore in 2013-14). Attributing the reasons for this recurring phenomenon of excess expenditure, the Ministry informed that the very nature of this Grant renders it difficult to assess the exact requirement as apart from normal retirees due to superannuation, Pension payable on the railways get changed due to implementation of new schemes like Modified</p>

			<p>Assured Career Progression Scheme (MACPs), Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS) etc. However, the reasons attributed by the Ministry are general in nature and these have been referred in the past years also. The Committee therefore, desire that the Ministry of Railways needs to prepare the budget estimates taking into account the past trends of expenditure with a cushion of future increase in pensionary charges/liabilities. The Ministry have assured the Committee that 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. In their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) the Committee had desired to be apprised of the progress made in the computerization of accounting activities. In this regard, the Committee have been apprised that IPAS a centralized integrated financial management application, has been proposed to be implemented on remaining zonal railways by March 2017 in a phased manner. The Advanced Railway Pension Access Network (ARPAN) has already been implemented on 135 units out of 145 units over Indian Railways. The remaining units are expended to be covered by March, 2016. According to Ministry, as a result of these initiatives, the incidence of excess in Grant No. - 13 has ceased to occur in 2014-15. While appreciating this the Committee would like to be apprised of the progress made so far in regard to implementation of IPAS on remaining zonal railways and expect that the same would be completed by March 2017. The Committee also like to know the present status of implementation of Advanced Railway Pension Access Network on the remaining units.</p>
13	13	Railways	<p>The Committee have further been apprised that a VPN (Virtual Private Network) enabled Rail Budget system connecting all Zonal Railways and production units across IR has been put in place during 2014-15. This connectivity has</p>

			<p>facilitated 'instant connectivity with field Units', timely submission of estimates by the Units and more in-depth scrutiny of the budget proposals and 'monitoring the pace of expenditure'. As a result, the incidences of excess expenditure in grants have by and large been eliminated in 2014-15. Further, according to Ministry of Railways VPN based system has also facilitated to formulate Supplementary Grants on the basis of latest Final Modification Estimates of the Zonal Railways. This may also reduce the incidence of excess expenditure. While appreciating these steps, the Committee feel that 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 Grants 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. Thus, the Committee would recommend that the Ministry of Railways should interlink all the units/divisions/workshops to their Zonal Railways and all Zonal Railways with Railway Board to get the benefit of computerization in maintaining financial discipline.</p>
14	14	Railways	<p>Another disquieting feature observed by the Committee is the extent of misclassification of expenditure in the compilation of Accounts specially of the Ministry of Railways. There have been misclassification of expenditure under 13 cases of excess registering Grants/Appropriations administered by Ministry of Railways. Taking a serious view of the recurrence of misclassifications, the Committee have persistently been recommending for greater care to be exercised to avoid serious mistakes in proper upkeep and maintenance of books of accounts. The Committee are however, constrained to observe that the steps initiated by the Ministry of Railways so far in this connection have not yielded the desired result. On the other</p>



			<p>hand there has been further deterioration in the situation, as the cases of the misclassification have increased from 8 in 2012-13 to 13 in the year 2013-14. Obviously, the instructions issued by the Ministry in this regard were either not comprehensive or the concerned officials did not take utmost care to implement them properly. The Committee, therefore, desire that suitable remedial measures should be taken to ensure close and concurrent review of the booking of expenditure at various levels, test check of allocations recorded, prompt reconciliation of the subsidiary books with the General Books and fixing up of responsibility for clear lapses at suitable levels. The Committee hope that with the above measures and with increasing computerization of accounting systems, the incidence of misclassification will come down. The Committee are aghast to note that such a large no. of cases of misclassification have again been occurred year after year despite having a separate and dedicated Indian Railways Accounts Service with huge workforce. The Committee would therefore, desire to know the total no. of persons deployed (as on February 2016) for this Service, No. of officers therefrom, No. of officers on deputation/long leave etc. The Committee also desire the Ministry to organize training programmes regularly so as to keep the staff/officers update of the rules/Procedures of Accounting.</p>
15	15	Finance (Department of Economic Affairs) (Department of Personnel and Training)	<p>The Committee note that considering the persisting trend of excess expenditure under various Grants/Appropriations, the Committee in their 19<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) and desired the Department of Personnel and Training (DoPT) to look into that the recurrent lapses in observing financial discipline should be reflected in the Annual Performance Appraisal Reports of the budget controlling authorities as well as the Financial Advisors of the Ministry/Department concerned so as to ensure strict adherence to the financial discipline thereby eliminating the recurrent phenomenon of excess expenditure. Ministry of Finance (Department of Economic</p>

			<p>Affairs) were also recommended to set up an Expert Group to review the existing General Financial Rules so as to plug the lacunae, if any, in the rules to curb the tendency of the Ministries to incur excess expenditure in future. No action seems to have been taken so far by the DoPT and Ministry of Finance in this regard. However, the Department of Personnel &amp; Training vide their letter dated 26<sup>th</sup> November, 2015 have informed the Committee that the said recommendation is under their examination and they are obtaining the views of Department of Expenditure, Ministry of Finance. Upon noticing that despite several steps have been initiated in the past by various Ministries/Departments to obviate the persistent excess expenditure it remains a distant goal to achieve. Thus the Committee reiterate their earlier recommendations and desire the DoPT and Ministry of Finance to implement the above recommendation same at the earliest and apprise the Committee thereof within one month of the presentation of this Report to Parliament.</p>
16	16	Finance (Department of Economic Affairs) External Affairs, Defence and Railways	<p>Subject to the observations/ recommendations made in the preceding Paragraphs, the Committee recommend that the expenditure referred to in Paragraph 14 of Part -I of this Report be regularized in the manner prescribed in Article 115(l) (b) of the Constitution of India.</p>