

**PUBLIC ACCOUNTS COMMITTEE  
(2000-2001)**

**TWENTIETH REPORT**

**(THIRTEENTH LOK SABHA)**

**INDIAN RAILWAYS APPROPRIATION ACCOUNTS (1997-98)**

Presented to Lok Sabha on : 23 March 2001

Laid in Rajya Sabha on : 23 March 2001

**LOK SABHA SECRETARIAT  
NEW DELHI  
March 2001 / Phalgun 1922 (SAKA)**

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\* Elected w.e.f. 2 August, 2000 vice Shri Rajesh Pilot expired.

\*\* Elected w.e.f. 25 August, 2000 vice Shri Vayalar Ravi ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 1 July, 2000.

### **INTRODUCTION**

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twentieth Report (Thirteenth Lok Sabha) on "Indian Railways Appropriation Accounts (1997-98)."

2. The Indian Railway Appropriation Accounts (1997-98) were laid on the Table of the House on 29 October 1999.
3. The Committee examined the Indian Railways Appropriation Accounts for the year 1997-98 and audit observations thereon in the light of written information furnished by the Ministry of Railways (Railway Board). The Committee also took oral evidence of the Ministry of Railways (Railway Board) on 03.02.2000 and 24.03.2000. The Committee considered and finalised this Report at their sitting held on 12 March, 2001. Minutes of the sitting form Part-II of 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 to the Report
5. The Committee would like to express their thanks to the Public Accounts Committee (1999-2000) for recording oral evidence of the representatives of the Ministry of Railways (Railway Board) and obtaining information for this Report.
6. The Committee would like to express their thanks to the Officers of the Ministry of Railways (Railway Board) for the cooperation extended by them in furnishing information and tendering evidence before the Committee.
7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of Comptroller & Auditor General of India.

NEW DELHI;

**13 March, 2001**  
**22 Phalgun, 1922 (Saka)**

**NARAYAN DATT TIWARI,**  
**CHAIRMAN,**  
**PUBLIC ACCOUNTS COMMITTEE**

## **R E P O R T**

### **INDIAN RAILWAYS APPROPRIATION ACCOUNTS (1997-98)**

## Annual Appropriation Accounts of the Union Government

The Appropriation Accounts of the Union Government are prepared annually according to the different sectors of the activities of the Government viz., Civil, Defence Services, Postal Services, Telecommunication Services and Railways. These compilations present the accounts of sums expended on various specified services by the Ministries/Departments concerned in a financial year compared with the grants/appropriations authorised by Parliament for those particular services in that year as specified in the Schedules appended to the relevant Appropriation Acts.

2. The Annual Appropriation Accounts in respect of the grants/appropriations pertaining to the Railways are prepared by the Ministry of Railways and audited by the Comptroller and Auditor General of India who also submits a separate Audit Report 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.

3. These Annual Appropriation Accounts and the Audit Report thereon on their presentation to Parliament, stand referred to the Public Accounts Committee for examination under the provisions of Rule 308 of Rules of Procedure and Conduct of Business in Lok Sabha.

### II. Indian Railways Appropriation Accounts for 1997-98

4. The Appropriation Accounts of the Railways for the year 1997-98 and Audit Report thereon were laid in both the Houses of Parliament on 29 October, 1999.

5. The results of examination by Audit of the Appropriation Accounts of the Railways for the year 1997-98 have been brought out in Chapter-I of the Report of the C&AG of India for the year ended 31 March 1998, No.9 of 1999, Union Government (Railways).

6. In the succeeding parts of this Report, the Committee have examined the Union Government Appropriation Accounts of the Railways for the year 1997-98 and audit observations thereon in the light of the written information furnished and oral evidence tendered before the committee by the representatives of the Ministry of Railways (Railway Board) at the sittings of the Committee held on 03.02.2000 and 24.03.2000.

### III. Financial allocations and utilisation

7. The Ministry of Railways operated 16 grants/appropriations during the year 1997-98. The following table gives a brief summary of the expenditure incurred by Railways during 1997-98 compared with the grants and appropriations authorised by Parliament for that year.

	Original Grant/ Appropriation	Supple-mentary	Total	(Rs. in crore) Actual Expenditure	Saving(-)/ Excess (+)
<b>I. Revenue</b>					
Voted	31206.20	2495.94	33702.14	33120.49	(-)581.65
Charged	15.13	2.45	17.58	12.69	(-)4.89
Total	31221.33	2498.39	33719.72	33133.18	(-)586.54
<b>I. Capital</b>					
Voted	13792.61	198.90	13991.51	13866.92	(-) 124.59
Charged	8.50	---	8.50	3.91	(-) 4.59
Total	13801.11	198.90	14000.01	13870.83	(-) 129.18
Total Voted	44998.81	2694.84	47693.65	46987.41	(-) 706.24
Total Charged	23.63	2.45	26.08	16.60	(-) 9.48
Grant Total	45022.44	2697.29	47719.73	47004.01	(-)715.72

8. Another table giving grant-wise summary of Appropriation Accounts (Railways) for the year 1997-98 is enclosed at Appendix-I.

9. A detailed analysis of the Appropriation Accounts revealed that there were substantial variations between the sanctioned provisions under various grants/appropriations vis-à-vis actual expenditure incurred by Railways during 1997-98. There were total savings of Rs.877.45 crore under the grants (Nos.1 to 7,9,11-13, 15, 16-Capital and Revenue) and in the appropriations (Nos. 5-8, 10-13,16-Capital and 16-Railway Funds). There was also an aggregate excess expenditure of Rs.161.73 crore in four grants and three appropriations. All these instances of excesses and savings under different grants and appropriations resulted in an overall net saving of Rs.715.72 crore against the total sanctioned provision of Rs.47719.73 crore during the year 1997-98.

10. In the light of the explanatory note furnished and oral evidence tendered by the representatives of Ministry of Railways, the Public Accounts Committee have examined the reasons for, and the circumstances leading to, excess expenditure of Rs.161.73 crore under four voted grants (8,10,14 and 16-Railway Funds) and three charged appropriations (3, 4 and 9) for the year 1997-98 and presented a separate Report on the subject (6<sup>th</sup> Report of PAC – 13<sup>th</sup> Lok Sabha) recommending regularisation of the excess expenditure under Article 115(1)(b) of the Constitution subject to certain observations/

recommendations.

#### IV. Savings in various Grants/Appropriations

11. Savings in a grant or appropriation indicate that the expenditure was not incurred as estimated and planned. It is suggestive both of poor budgeting and shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided. During the course of examination of Appropriation Accounts relating to Railways for the year 1997-98, the Committee noticed savings of the order of Rs.867.23 and Rs.10.22 crore in 14 Grants and 10 Appropriations respectively, operated by the Ministry of Railways.

12. The complete text of the explanatory note furnished by the Ministry of Railways in respect of three grants (Nos. 13, 15 and 16-Capital) where savings exceeded Rs.100 crore in each grant during the year 1997-98 is reproduced at Appendix-II.

#### Savings under Voted Grants

13. The Committee's scrutiny of the Appropriation Accounts of the Railways revealed that savings were registered by the Railways in the following Voted grants during 1997-98:-

Sl. No	No.and Name of Grant	Total Grant	(Rs. in crore approx)		Percentage of saving
			Actual Expenditure	Saving	
1.	1-Railway Board	36.05	32.61	3.43	9.52
2.	2-Misc. expenditure (General)	169.40	157.67	11.73	6.92
3.	3- General Superintendence and Services	1209.75	1142.50	67.25	5.56
4.	4- Repairs and Maintenance of Permanent Way and Works	2357.28	2298.82	58.46	2.48
5.	5- Repairs and Maintenance of Motive Power	1336.91	1281.30	55.61	4.16
6.	6- Repairs and Maintenance of Carriages and Wagons	2430.94	2376.31	54.63	2.25
7.	7- Repairs and Maintenance of Plant and Equipment	1255.33	1201.83	53.50	4.26
8.	9- Operating Expenses – Traffic	4316.35	4261.15	55.20	1.28
9.	11- Staff Welfare and Amenities	883.30	868.41	14.89	1.69
10.	12- Miscellaneous Working Expenses	1096.54	1046.65	49.89	4.55
11.	13- Provident Fund, Pension and Other Retirement Benefits	3681.66	3523.26	158.40	4.30
12.	15-Dividend to General Revenues. Repayment of Loans taken from General Revenues and Amortisation of Over – Capitalisation	1629.72	1489.21	140.51	8.62
13.	16-Assets – Acquisition, Construction and Replacement – Open line Works	45.00	34.51	10.49	23.32
14.	16-Assets – Acquisition Construction and Replacement – Other Expenditure (Capital Section)	9850.92	9717.69	133.24	1.35

#### Savings under Charged Appropriations

14. The Committee's scrutiny has further revealed that savings were registered by Railways in the following charged appropriations during 1997-98.

Appropriation No.	Nature of Expenditure	Total Appropriation	(Rs. in lakhs approx)		% of saving
			Actual Expenditure	Saving	
5	Repairs & maintenance of Motive Power	4.00	--	4.00	100
6	Repairs & Maintenance of Carriages and Wagons	1.00	--	1.00	100
7	Repairs & Maintenance of Plant and Equipment	0.25	--	0.25	100
8	Operating Expenses – Rolling Stock & Equipment	3.36	2.74	0.62	18.55
10	Operating Expenses –	0.25	--	0.25	100

Fuel					
11	Staff Welfare & Amenities	2.00	0.39	1.61	80.37
12	Miscellaneous Working Expenses	1658.87	1115.69	543.18	32.74
13	Provident Fund, Pension and other Retirement Benefits	77.32	65.66	11.66	15.08
16.	Assets – Acquisition, Construction and Replacement – other Expenditure Capital	378.00	46.18	331.82	87.78
16	Assets – Acquisition, Construction & Replacement – other expenditure-Railway Fund	472.00	344.52	127.48	27.00

**(C) Grants registering savings over Rs. 100 crore**

15. Under 3 grants (Nos. 13, 15 and 16 – Capital), the Ministry of Railways registered savings of over Rs.100 crore in each case. In the subsequent parts, the Committee have dealt with these savings in the light of the contributory reasons therefor as furnished by the Ministry of Railways:-

**(i) Grant No.13 – Provident Fund, Pension and other retirement benefits**

16. A scrutiny of Grant No.13 revealed that there was a saving of the order of Rs.158.40 crore against the sanctioned provision of Rs.3681.66 crore had occurred under this grant. The Minor Heads under which savings occurred and the contributory reasons therefor are given below:-

Minor Heads (Rs. in crore)	Savings by the Railway Board	Contributory reasons advanced
Commutated Pension	131.49	Finalisation of less commutation cases and less voluntary retirements
Death-cum-Retirement Gratuity	52.98	Less finalisation of revised pension cases as per Vth Pay Commission recommendations
Gratuities and special Contribution to Provident Fund	0.47	Less expenditure towards Deposit Linked Insurance Scheme
Contribution to Provident Fund	0.31	Less expenditure towards Bonus

**(ii) Grant No.15 –Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of over capitalisation**

17. The Committee's scrutiny of the Appropriation Accounts relating to this Grant has revealed that there was an overall saving of Rs.140.51 crore during the year 1997-98. The explanatory note furnished by the Ministry reveals that out of the saving of Rs.140.51 crore, Rs.126.45 crore was on account of adjustment relating to the exemption of pre-1952 capital from payment of dividend for 1995-96 and 1996-97, as per the government's decision based on the recommendation of the Railway Convention Committee (1991) made in their Ninth and Twelfth report. The provision for this adjustment could not be made at the Budget Estimate stage as Government's decision was available only at a later stage. The balance saving of Rs.14.06 crore was due to higher losses on working of strategic lines during 1997-98.

18. Explaining their failure to provide for the adjustment relating to the exemption of pre-1952 Capital from payment of dividend during the year under review particularly when the Railway Convention Committee had recommended for the same during the earlier years the representative of Railway Board stated during evidence "We have been paying the dividend as recommended by the Railway Convention Committee except that in pre-1952 capital they recommended certain exemptions. These exemptions could not be implemented when the Committee's report came because this had to be corresponded

with the Ministry of Finance. Subsequently, in the year 1997-98 we have implemented it and we have got saving on that count in the dividend. But the calculations are proceeding exactly according to the prescribed procedure”.

19. Elaborating the subject, the representative of the Ministry in their presentation made before the Committee during further evidence stated: “.....In the year 1997-98, as rightly pointed out, against a full Amount of Rs.1630 crore, the payment made was Rs.1489 crore – a difference of Rs.141 crore. I may just clarify here that the RCC approves only the rate and the principle governing the calculation of dividend and does not authorise any specific figure. Based on the principle of the RCC and the various principles of calculation of dividend, we calculate the amount estimated for the next year. Accordingly, we calculated an amount of Rs.1630 crore. There was a certain adjustment made subsequently. This was based on the recommendation of the RCC in their 9<sup>th</sup> and 10<sup>th</sup> Reports that the pre-1952 capital should be deferred from payment of dividend. This was done as a concession to the Railways. This recommendation of the RCC made in 1991 was not accepted immediately by the Government. It took two years for the Government to sort it out. Finally, at the end of 1997-98 the Cabinet took a decision that we will agree to this only for the two years of 1995-96 and 1996-97. Since the resolution was passed by Parliament only on March 31, 1998, adjustment for these two years was carried out in the dividend payment of 1997-98. This is the main reason why the payment of dividend in the actuals was less than what was budgeted. In other words, it was based on the RCC recommendation that we budgeted and again it is based on the RCC recommendation that we paid less amount”.

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

20. The scrutiny of this grant revealed that the sanctioned provision for Appropriation of Funds was Rs.9850.92 crore. However, the Railways incurred actual expenditure of Rs.9717.69 crore, registering savings of Rs.131.68 crore (after adjusting misclassification of Rs.1.55 crores) under this grant. The amount of the savings under the relevant minor heads and the contributory reasons therefor are given below:-

(Rs. in crore)

Minor Heads	Savings	Contributory reasons Advanced by the Railway Board
a) New Lines(Const.)	20.58	Slower progress of work
b) Traffic Facilities- Yard Remodelling and others	3.49	-do-
c) Rolling Stock	95.79	-do-
d) Bridge Works	0.53	-do-
e) Electrification	29.53	-do-
f) Other Electrical Works	0.97	-do-
g) Workshops-including Production Units	0.46	-do-
h) Staff quarters	19.58	-do-
i) Passenger Amenities & Other Rly Users Amenities	0.01	-do-
j) Other specified Works	0.77	-do-
k) Store Suspense	55.71	-do-
l) Manufacturing Suspense	103.04	-do-
m) Miscellaneous Advance	49.51	-do-
n) Metropolitan Transport Projects	22.25	-do-

21. The Committee’s scrutiny of this Grant also reveals that these minor heads had also registered savings during the year 1996-97 with the same contributory reasons. Expressing their displeasure over this, the PAC in paragraph 45 of their 3<sup>rd</sup> Report (12<sup>th</sup> Lok Sabha) had *inter-alia* observed as follows:-

“The Committee are anguished to note that funds of the order of Rs.453.44 crore had remained unutilised in 13 minor heads under Grants No.16 – “Assets – Acquisition, Construction and Replacement – Capital”. What heightens the anxiety and concern of the Committee is the fact that the entire savings in 13 minor heads had been attributed to “slower progress of work.” The Committee have been informed during evidence that a part of these savings were due to non-materialisation of expected stores on account of contractual breaches. The Committee have also been informed that part of

savings in minor head "Manufacturing Suspense" had occurred due to an industrial problem at the Railway Coach Factory with the result that the number of coaches planned for production during 1996-97 could not be turned out. While conceding that there might be one or two isolated cases of slippages in supplies or industrial unrest during a financial year, the Committee cannot but help infer that the all round savings in 13 minor heads under this grant reflect only poor performance on the part of Railways. The Committee consider it unfortunate that the Ministry of Railways woefully failed in efficiently utilising the funds sanctioned by Parliament for acquisition of capital assets in the vital sector meant to cater to the infrastructural requirements of the country. The Committee trust that the Ministry of Railways would draw suitable lessons from this disheartening experience and give a serious thought to the question of managing and controlling this grant in an effective manner so as to ensure efficient and proper utilisation of funds sanctioned."

22. The Ministry of Railways in their action taken note have stated:

"It is submitted that the Vote of Parliament is taken for the Demand as a whole and not Minor-Head wise (i.e. Plan Head wise in case of Demand No.16). Demand No.16 is funded through three different sources, namely, Capital from General Exchequer, Railway Funds (internal generation) and Market Borrowings. The Committee has objected to savings under Capital head of Demand No.16.

It is submitted that budgeting for each Demand is done on Gross basis. Under Demand No.16, as Inventories are also budgeted and charged to Capital, the Gross amount is much higher than the net allotment. In 1996-97, against a gross total authorisation of Rs.8222 cr. under Capital, the net was only Rs.1439 cr. Out of the gross allotment of Rs.8222 cr., "Inventories" accounted for Rs.6739 cr. With a net allotment of only Rs.(-) 39 cr. The savings that occurred on a gross basis were mainly under Inventories due to the reduced production programme of coaches, less procurement of fuel as a result of reduced traffic throughput and some other concomitant activities. In fact, on a net basis, Railways were able to utilise the entire Capital support with slight excess. Ministry of Railways are fully aware of the need to monitor and utilise the funds sanctioned by Parliament and ensure that no surrender takes place. However, the views of the Committee have been noted and instructions are being issued to the budget controlling authorities of the Zonal Railways/Units to ensure efficient and proper utilisation of funds sanctioned".

23. On being asked about the slow progress of work under Minor head "New Lines", the representative of Railway Board stated during evidence:

"The criticism is basically with regard to new lines and gauge conversion projects. In no other category, you will find that the problems are there. These projects got sanctioned in spite of the fact that the Railway Board or the Expanded Board said that they were not required because they were not viable financially. But they have been cleared basically because of the pressures which were there being socially desirable. If we add only at the rate of one-third vis-à-vis what had been done in the pre-independence era, naturally our rate of construction is very slow.

24. He also added:-

".....So, there is need for doing rethinking for financing the new lines and gauge conversion projects and to expedite their construction".

25. Similarly, out of Rs.669.29 crore provided under Railway Funds for Rolling Stock there was a saving of Rs.143.63 crore. In spite of this, the Railways incurred excess expenditure of Rs.85.93 crore for the same purpose through the IRFC borrowings at the rate of 17.5 percent. On being asked about the issue, the representative of the Ministry of Railways stated during evidence:

"I would like to mention that in 1997-98, we were able to appropriate some more into capital fund because we had some higher receipts in that year. We appropriated around Rs.160 crore more into the capital fund. The issue is that the Railways have consciously tried to build up fund balances because as we have seen in the last two years, if we did not have the fund balances, it would have been impossible for us to maintain a plan size of around Rs.9000 crore which we did. The fund balances, which were Rs.3565 crore at the end of 1997-98, suddenly came down to Rs.250 crore in a matter of two years. So, we were able to use the fund balances that we have very consciously built up.

Secondly, there was a question as to why did we not use it instead of going in for market borrowing. The important thing to note here is that if we withdraw more from the fund balances, we have to take permission from the Ministry of Finance and in turn, they use this as a part of their ways and means position. So, normally, their approval is not forthcoming very easily. In any case, as we said, this helps us to build fund balances and as it happened, it came to be used in subsequent years"

#### **D. (i) Persistent Savings**

26. The table given below indicates the aggregate savings incurred by Ministry of Railways under the voted Grants/Charged Appropriations during the last five years:

		(Rs. in crore)	
Year	Amount of total savings		
1993-94	2701.65		
1994-95	1395.85		
1995-96		1027.14	1996-
97	1060.23		
1997-98	877.45		

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**(ii) Persistent savings of over Rs.100 crore**

27. The Committee's further scrutiny of Appropriation Accounts has also revealed that there has been savings of more than Rs.100 crore under 3 Grants during the year 1997-98. Further, the trend of such major savings continued unabated during the last 5 years as follows:

(Rs. In crore)

Year	No. of Grants/ Appropriations	Amount of savings
1993-94	3	2570.53
1994-95	2	866.26
1995-96	4	895.32
1996-97	5	933.61
1997-98	3	432.15

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28. It is also seen from Appropriation Accounts that during the past two years 1996-97 and 1997-98, the Ministry incurred savings of more than Rs.100 crore in respect of GrantNo.16-Capital. This Grant represents budgetary support provided to the Railways from the General Revenue. Despite such substantial savings, the Railways obtained additional budgetary support in the form of Supplementary Grants.

**V. Budgeting and Control Mechanisms**

**A. Supplementary Grants**

29. If the amount provided for in the sanctioned budget for any service in a financial year is found to be insufficient for the purpose in that year or when a need has arisen during that year for supplementary or additional expenditure upon some "New Service" not contemplated in the original budget for that year, Government may obtain supplementary grants or appropriations in accordance with the provision of Article 115(1) of the Constitution. While obtaining the supplementary grant, Ministry has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds and seeking supplementary provision.

30. The Committee's scrutiny of the Appropriation Accounts of the Railways and audit observations thereon has, however, revealed that the Ministry obtained supplementary grants of the order of Rs.2694.84 crore and appropriations Rs.2.45 crore during 1997-98. The supplementary provisions under Grant No.2 (Rs.0.05 lakh), Appropriation No.7 (Rs.0.25 lakh), Appropriation No.10(Rs.0.25 lakh), Appropriation No.12 (Rs.227.12 lakh) and Appropriation No.13 (Rs.3.88 lakh) remained wholly unutilised. Also, the supplementary provisions under Grant No.13 (Rs.116862.48 lakh), and Grant No.16 – Capital (Rs.19889.24 lakh), Appropriation No.8 (Rs.3.36 lakh), Appropriation No.11 (Rs.2 lakh) remained partially unutilised as there were savings of Rs.15840.42 lakh, Rs.13323.71 lakh Rs.0.62 lakh and Rs.1.61 lakh respectively. Under two Appropriations (Appropriation Nos.7 and 10) there was no expenditure inspite of supplementary provision of Rs.0.25 lakh each. Also, original appropriations of Rs.4 lakh and Rs.1 lakh remained wholly unutilised under Appropriation Nos. 5 and 6.

31. Paragraph 390 of the Indian Railway Financial Code Volume 1 provides that the estimates for the supplementary grant/appropriation, is to be submitted by the Railway Board to the vote of Parliament/sanction of the President in the same way as the Original "Demands for Grants/Appropriations". It is however, observed from the Audit Report that the Railways have given lump sum requirement of funds under the Grants/Appropriations in the Supplementary Demands without giving any distribution of these funds by Minor heads/sub-heads/Detailed heads under each grant and for each Railway.

32. On being asked as to how do Ministry of Railways explain their presentations of supplementary grants in a different way in clear violation of Paragraph 390 of the Indian Railway Financial Code, the representative of Railway Board deposed during evidence "I am only mentioning the point that while the prescription exists for the main Demands for Grants, no separate prescription exists for Supplementary Demands for Grants"

33. Elaborating on this aspect the witness deposed:

"We have been submitting the Demands for Supplementary Grants in a concise format over the years. In the recent years, a point has been made by the Comptroller and Auditor General that the format has to be expanded further to give further details. It has not come to our notice that actually the procedure has been followed in violation of the Constitutional provision."

34. He also added:-

".....there is one deficiency which I must admit which exists in the case of Plan expenditure. In the case of Plan expenditure, we have got several sub-heads of Grants which are the minor heads of accounts like doubling, traffic facilities, track renewals and so on. These are the classification of expenditure. In those cases also the Revised Estimate figures which are given with the Budget document cover the Plan head-wise and source-wise figures. ....All the information that is required for a comprehensive appropriation by audit is furnished in these with this exception that we are not giving Railway-wise and Plan

head-wise expenditure at the Revised Estimate stage.”

## B. Injudicious Surrender of Funds

35. Savings in Grant/Appropriation are to be surrendered as soon as these are foreseen without waiting for the last day of the year. Audit have, however, brought out that as against the total net saving of Rs.715.72 crores, the amount surrendered at the final modification stage was Rs.432.31 crore. In one case (Grant No.16 – Railway Funds) funds to the extent of Rs.13.25 crore were surrendered, but the actual expenditure exceeded the total sanctioned provision.

36. In the following five cases, funds exceeding the actual savings were surrendered at the final modification stage, resulting in excess over the final modified grant/appropriation:

Particulars	Savings	(Rs. in crore)	
		Amount Surrendered	Excess
Grant No.1	3.43	3.47	0.04
Grant No.4	58.46	61.79	3.33
Grant No.6	54.63	100.86	46.23
Appropriation No.16-Capital	3.32	3.49	0.17
Appropriation No.16- Railway Funds	1.27	1.38	0.11

## C. Misclassification of expenditure

37. In the light of recurring nature of a number of cases of misclassification of expenditure being reported in the Appropriation Accounts of the Ministry of Railways, the Public Accounts Committee had in Paragraph 1.38 of their 74<sup>th</sup> Report (10<sup>th</sup> Lok Sabha), desired that the cases of misclassification in expenditure should be sternly dealt with and the Committee apprised of the precise action taken against officers held responsible for these lapses. In their action taken note, the Ministry stated that "it will be the constant endeavour of the Railways to arrest the incidence of misclassification while booking expenditure and any instance of misclassification would be viewed severely and taken up with the defaulting Railways/Production units for determination of responsibility for the misclassification". It is, however seen from Annexure-J of Part-II-Detailed Appropriation Accounts that a large number of cases of misclassification of expenditure had again occurred even during the year 1997-98. The Public Accounts Committee (1996-97), in paragraph 50 of the 3<sup>rd</sup> Report, opined that "the gravity of the lapses (Misclassification, fictitious adjustment, adjustment of amounts to unrelated works, irregular adjustment of credits, non adjustment of debits etc.) becomes more pronounced when viewed in the context of similar lapses which had also occurred in the past. The Committee have no hesitation to say that such accounting irregularities involving large sums indicate negligence and callous attitude on the part of the authorities entrusted with the responsibility of maintenance of accounts in the Railways". The Committee had expressed their serious concern over the large number of irregularities occurring in the accounts of the Railways and desired the Ministry to thoroughly look into this aspect with a view to gearing up the functioning of their accounting units. The Committee recommended that all such lapses should invariably be enquired into and incidence of aberrations sternly dealt with.

38. On being asked about the Comments of the Ministry of Railways on the large number of cases of misclassification of expenditure occurring in their accounts year after year the representative of Ministry of Railways stated during evidence:

"I would not be able to answer that question readily. On being pointed out, misclassification has taken place. Misclassification means that instead of classifying something as say Demand-4, somebody has wrongly classified it as say Demand-8"

39. On being asked whether any action has been taken against the concerned officials the representative of Railway Board deposed: "whether a person becomes responsible to the extent of being punished is matter which has to go through a proper investigation".

## D. Irregular or unauthorised reappropriation of funds

40. The scrutiny by Audit of Accounts of Railways for 1997-98 revealed that the reappropriation of funds between plan heads (Minor Heads) under works. Grant No.16 went awry in a number of cases as detailed below:

### (a) Reappropriation of funds more than the budget provision

	(Rs.in thousand)		
	Final Grant	Actual Expenditure	(-) Savings/ (+) Excess
Plan Head – Bridge Works (Capital)			
Original	10,00	(-) 42,75	(+) 34
Reappropriation	(-)53,09		

41. Audit have pointed out that the Ministry of Railways explained that the same was due to anticipation of write back adjustments in respect of Kolanur – Bisussheeriff rebuilding of bridge Nos. 66 and 67 over South Central Railway and also due to slow progress of work. In this context, Audit have pointed out that in terms of paragraph 355 (b) (1)(c) of the Indian Railways Financial Code (Volume 1) credits to Capital or Depreciation Reserve Fund or other heads on account of write back adjustments etc. could be taken in reduction of Demand and only net figures shall be shown under the respective detailed heads of the Demand. However, the codal provision in regard to accounting adjustment of write back etc. would not lend authority to reappropriation from a plan head in excess of the sanctioned provision under that plan head.

**(b) Injudicious Reappropriation**

42. A grant or appropriation for expenditure is distributed by sub-heads or standard objects under which it is accounted. Re-appropriation of funds can take place between primary units of appropriation within a grant before the close of financial year to which such grant relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in some units of an appropriation.

**(c) Re-appropriation against “NIL” provision**

43. In the following cases, there was no budget provision originally but funds were provided for by reappropriation:-

		Final Grant	Actual Expenditure	(-)Savings/ (+)Excess	(Rs. in thousand)
Plan Head – Passenger and Other Railway Users Amenities(Capital)					
Original	--	25,00	(-)55	(-)25,55	
Reappropriation	25,00				
Plan Head – Staff Quarters (Revenue)					
Original	--	50	(-)40	(-)90	
Reappropriation	50				

**(d) Reappropriation of funds less than the budget provisions**

44. Audit have pointed out that under the following heads, original budget was supplemented by reappropriation, but the actual expenditure was less than the original budget. Thus the reappropriations proved entirely unnecessary:-

		Final Grant	Actual Expenditure	(-)Savings/ (+)Excess	(Rs. in thousand)
Plan Head – Manufacture Suspense (Capital)					
Original	44128458	44249105	43098108	(-)1150997	
Reappropriation	120647				
Plan Head – Computerisation (Railway Funds)					
Original	325000	339803	289511	(-)50292	
Reappropriation	14803				

45. On the other hand funds from the following plan heads were withdrawn, but finally there was excess of more than 50 per cent of the funds reappropriated from these plan heads:

		Final Grant	Actual Expenditure	(-)Savings/ (+)Excess	(Rs. in thousand)
Plan Head – New Lines Construction (Capital)					
Original	3938800	3755357	4007985	(+)252628	
Supplementary	275011				
Reappropriation	(-)458454				
Plan Head – Other Electrical (Railway Funds)					
Original	611100	557189	593752	(+)36563	

## Reappropriation (-)53911

On being asked as to how do the Ministry explain the cases of injudicious reappropriation orders in violation of the principles of budgeting and in utter disregard to the realistic assessment, the representative of Ministry of Railways stated during the presentation made before the Committee that reappropriation from one work/plan head to another within the same source of funding becomes necessary when progress of work on projects is slower than anticipated due to delay in land acquisition, failure of supply of material, poor progress/failure of contracts, Natural calamities, Technical reasons, poor response to Tenders, re-allocation of priorities etc.

### Other Aspects

#### A Stores Accounts

46. The Committee's scrutiny of the Appropriation Accounts of the Railways has revealed that at page 123 of Indian Railways Appropriation Accounts – Part-II, there is a statement showing result of stock verification and revaluation of stock during 1997-98. The notes below this Statement highlights that the net result of stock verification, revaluation of stores and miscellaneous items on Indian Railways was net surplus of Rs.123.35 crore made up of surplus of Rs.293.02 crore and deficiency of Rs.169.67 crore.

47. In note 4 below the aforesaid statement, it is mentioned that the balances shown in this particular statement are provisional as the accounts for the period from 1<sup>st</sup> April, 1947 to 14<sup>th</sup> August, 1947 have not been closed for want of the accounts of late Bengal, Assam and North Western Railways.

#### B. Outstanding Suspense Balances

48. The Committee's scrutiny of Appropriation Accounts, Part-II also reveals that large scale balances were outstanding under Suspense Heads as on 31 March, 1998. Incidentally, the quantum of both debit and credit under suspense and purchase is substantially high during the period prior to 1996-97 as would be seen from the following table:-

Suspense Head	Balance Outstanding		Relating to the Year 1997-98		Relating to the year 1996-97		Relating to the period prior to 1996-97	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Misc. Adv. (Revenue)	62263	2379283	29460	673433	9481	556934	23322	1148916
Misc. Adv. (Capital)	369738	1147154	186854	366047	83641	349654	99243	431453
Railways	239268	22705805	5791	1281520	4682	1391821	228795	20032464
M.T.P.*	609006	23852959	192645	1647567	88323	1741475	328038	20463917
Total								
Purchase	15081984	14865221	8242116	8651765	3478729	3568336	3361139	2645120

\* Metropolitan Transport Project (M.T.P.)

49. The main items awaiting adjustments under Debit balances inter-alia include "want of adequate particulars and correct allocation, want of relevant vouchers, Compensation claims for goods lost or damaged and paid on behalf of other Railways, Fraud cases etc." Similarly, the credit balances are mainly due to unlinked items, failure to link corresponding credits for want of relevant vouchers, complete particulars and acceptance etc.

#### Statement of under charges

50. A scrutiny of Appropriation Accounts revealed that during 1997-98 the total amount of under charges discovered by Accounts and Audit, excluding those withdrawn during the year, were Rs.68.24 crore. Further, the quantum of total outstanding under charges at the end of 1997-98 stood at Rs.73.31 crore.

51. At Annexure-D of Appropriation Accounts, Part-II (Pages 165-181), the statement showing the review of expenditure on important open line works and new constructions reveals that there were certain works which were either undertaken without budget provision or works which were not undertaken although funds had been provided for the same.

#### D. Recoveries in reduction of expenditure

52. The demands for grants/appropriations represent the gross estimated amount of expenditure, inclusive of recoveries arising from use of stores, etc. procured in the past or expenditure transferred to other Departments or Ministries. While Appropriation Audit is done by comparing the gross expenditure with the gross amount of grants/appropriations, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting. It is seen from the Appropriation Accounts that in Revenue section, against the estimated (revised) recoveries of Rs.4107.14 crore, actual recoveries were Rs.4033.38 crore. In Capital section, against estimated recoveries of Rs.11937.60 crore, actual recoveries were Rs.11844.56 crore.

### Losses in the Railways during 1997-98

53. The Committee's scrutiny of Annexure-H to the Appropriation Accounts (Part-II) disclosed that there were 161479 (against 226539 in 1996-97) incidents of losses due to theft of stores, accidents, loss due to natural calamities etc. involving Rs.86.44 crore in Railways during 1997-98 (against Rs.58.75 crore in 1996-97).

54. The number of cases of loss alongwith the amount under various grants during the year 1997-98 are as under:

(Rs. in crore)

Grant No.	No. of cases	Amount
3	76	0.01
4	18634	20.96
5	285	12.70
6	117194	24.85
7	3721	9.53
8	20040	0.85
9	259	10.30
10	34	0.23
11	859	0.002
12	29	0.41
16	348	6.60

55. On being asked about the loss of stores, the representative of the Railway Board deposed during evidence: "We have certain computerised inventory control in individual depots. All purchases which are made, the receipts and issues are fed into the computer and the stocks which are available in that depot are fed in the mainframe computer available at Head quarter in all the Railways on a monthly basis after vetting by Accounts"

56. He also added:

"While individually, the railways and the depots have got this information on computer, the linkage with the mainframe masters in the zonal Head quarters is also to be developed. Today individually in the depots whatever material is received is fed into the computer. The stocks are available. Whatever issues are made are also being entered into mainframe computer at Head quarter and the issues depotwise are there. As the hon'ble member mentioned, it is not inter linked all over the Indian Railways and that is one of the things which we will be introducing after \*FOIS and the inter linking of all the complete terminals and depots is done"

### Need for strict exchequer control

57. The Committee's scrutiny of the Appropriation Accounts of the Railways has further revealed cases of excess expenditure, substantial savings, large scale variations between expenditure estimates and actuals, excessive surrender or non-surrender of available savings under the Grants/Appropriations etc.

58. In reply to a question on revamping of existing set up with a view to improving financial control mechanism and observance of the prescribed financial rules, the representatives of the Railway Board deposed "..... apart from the internal audit mechanism that we have, through the budgetary mechanism also, we are able to control expenditure. We place spending limits and ceilings on the expenditure of various units. We also have cash exchequer control which we release quarterly and we manage to control expenditure. Then there is the monthly financial review which is monitored at the level of the Board. There are budgetary reviews, austerity and economy instructions. In the GM's conference of Railway Board, expenditure control is invariably an item on the agenda. Through the budgetary mechanism we have been able to effectively control our expenditure and keep it within the means that we have for that year".

### Conclusions/Recommendations

59. The Committee observe that during 1997-98, there were variations between the sanctioned provisions under various grants/appropriations vis-à-vis actual expenditure incurred. There were total savings of Rs.877.45 crore under the grants (Nos. 1 to 7, 9, 11-13, 15, 16 – Capital and Revenue) and in the appropriations (Nos. 5-8, 10-13, 16 – Capital and 16 – Railway funds). There was also an aggregate excess expenditure of Rs.161.73 crore in four grants and three appropriations. The result of these excesses and savings was an overall saving of Rs.715.7 crore. What is really disturbing is that the savings

exceeded in 13 out of 14 Voted grants and in three cases the savings exceeded Rs. 100 crore (Grant Nos. 13, 15 and 16-Capital). While noting that the Railways have not given any cogent reasons for these unspent balances or savings, the Committee believe that the incidence of excesses and savings in so many Grants/Appropriations can certainly be minimised to a great extent if a multi pronged strategy of budgetary control like sound internal audit system, periodic reviewing and monitoring of the trends of expenditure vis-à-vis the grants/appropriations approved by Parliament is adopted. The Committee hope that effective budgetary control mechanism will be firmly in place in the Railways so as to eliminate the recurring savings.

60. The Committee note that substantial savings amounting to Rs.158.40 crore had occurred under Grant No. 13-Provident Fund, Pension and other Retirement benefits. In their explanatory note to the Committee, the Ministry of Railways attributed that the savings under this Grant were mainly due to finalisation of less commutation cases, less cases of voluntary retirements, less finalisation of revised pension cases as per Vth Pay Commission recommendations etc. The explanation is far from tenable as, evidently, the Ministry calculated their monetary requirements for this grant merely on speculative basis rather than relying on a solid data base. The Committee would like the Ministry to compile and critically analyse the requisite data so that their budget estimates on pension and other retirement benefits do not go awry to such a large extent.

61. The Committee are deeply concerned to note that under Grant No. 16- Assets – Acquisition, construction and Replacement – Capital, there was a saving of Rs.131.68 crore. Astonishingly, the reasons for these savings were mainly attributed to slower progress of work. Taking note of the savings under this Grant during 1996-97, the Committee in their 3<sup>rd</sup> Report (12<sup>th</sup> Lok Sabha) had *inter-alia*, censured the Ministry of Railways for their failure to utilise the funds sanctioned by Parliament for acquisition of capital assets in the vital sector meant to cater to the infrastructural requirements of the Country. The committee had observed that the Ministry of Railways would draw suitable lessons from such a disheartening experience and give a serious thought to the question of managing and controlling the grant in an effective manner so as to ensure efficient and proper utilisation of funds sanctioned. Although the savings under the grant have come down to Rs.131.68 crore during 1997-98 as against Rs. 279.36 crore (after adjustment of misclassification of Rs. 10.51 crore) during 1996-97, the Committee hope the Ministry of Railways would be able to wipe out the savings through better budgetary exercises and control mechanism.

62. The Committee are unhappy to observe that out of the savings of Rs.131.68 crore under Grant No.16, the Minor Head “New Line (Const.)” registered savings of Rs.20.58 crore during the year 1997-98. The Committee have also observed that savings under this Minor Head is also attributed to slower progress of work. The Committee are surprised to note that savings have been persistently occurring year after year under this minor head which have gone up from Rs.17.08 crore in 1996-97 to Rs.20.58 crore in 1997-98. The representative of the Ministry admitted during evidence that “there is need for doing rethinking for financing the new lines and gauge conversion projects and to expedite their construction”. The Committee hope that the Ministry of Railways would take effective steps for proper utilisation of scarce resources within the stipulated period for vital project like construction of New Lines.

63. The Committee are deeply concerned to note that out of the net savings of Rs.715.72 crore, the amount surrendered was only Rs.432.31 crore. On the other hand, there was also an instance of the unusual phenomenon of surrender of Rs.13.25 crore from Grant No.16 Railway Funds which had actually registered an excess expenditure. The Committee are distressed to find that in five cases, funds exceeding the actual savings were surrendered out of the revised grant/appropriation. The erroneous surrender of funds, indubitably, speaks volumes for the faulty accounting information system and sheer negligence or apathy on the part of senior level monitoring authorities. Such glaring lapses, being hardly conscionable, deserve to be pinpointed and responsibility fixed to avoid their recurrence.

64. The Committee find from their scrutiny of Annexure-J of Part-II – detailed Appropriation Accounts that a large number of cases of misclassification of expenditure had again occurred even during the year 1997-98. The representative of the Ministry admitted during evidence that “As being pointed out, misclassification has taken place. Misclassification means that instead of classifying something as-say, Demand-4, somebody has wrongly classified it as-say, Demand-8”. The Committee take a serious view of the perfunctory manner in which the accounts are being maintained by the Railways. Despite the Committee’s repeated exhortations made from time to time in their earlier Reports to eliminate instances of misclassification of expenditure, the Ministry of Railways are yet to show tangible improvement in this regard. In the opinion of the Committee, the recurrence of these cases is clearly indicative of an atmosphere of laxity and non-accountability on the part of concerned Grant/Appropriation controlling authorities. The Committee would like that reasons for such errors be ascertained and responsibility fixed for all the lapses for misclassification of expenditure. The Committee would like to be apprised of the precise action taken in this regard.

65. The Committee note that the Railways have not been giving the requisite details in the Supplementary Grants/Appropriation as given in the Original Budget. When asked to explain the reasons for making a departure from the prescribed procedure and format as contained in the Financial Code of the Railways, the representative stated that the financial code was meant for the main Demands for Grants. The Committee outright reject the untenable contention of the Railways in view of the fact that the codal formalities have to be observed uniformly in respect of all grants/appropriations whether Original or Supplementary Grants. The Committee hope the Railways would follow the prescribed codal provisions meticulously in respect of supplementary Grants as well to facilitate better appraisal in Parliament.

66. The Committee are also distressed to observe the injudicious manner in which the reappropriation of funds was made by Ministry of Railways from or to various heads of accounts during 1997-98. The Committee are extremely unhappy to find that the reappropriations issued by Ministry of Railways in certain cases were either excessive and the amount so reappropriated remained wholly unutilised or there were instances where budget provision was not available originally but funds were provided for by reappropriation. In another case, funds from the plan heads were withdrawn but finally there was excess of more than 50 percent of the funds reappropriated from these plan heads. The Committee’s examination of results of appropriation audit revealed that the reappropriation of funds between plan heads (Minor heads) under works GrantNo.16 went awry in a number of cases. According to Audit the Ministry of Railways explained that this was due to anticipation of write back adjustments in respect of Kolanur Bisussheriff rebuilding of bridge Nos. 66 and 67 over South Central Railway and also due to slow progress of work. In fact, the Audit have pointed out that in terms of paragraph 335(b) (1) (c) of the Indian

Railways Financial Code (volume I) credits to Capital or Depreciation Reserve Fund or other heads on account of write back adjustments etc. could be taken in reduction of Demand and only net figures shall be shown under the respective detailed heads of the Demand. However, the Codal provision in regard to accounting adjustment of write back etc. would not lend authority to reappropriate from a plan head in excess of the sanctioned provision under that plan head. The Committee consider it necessary that the write back adjustments be treated as credit/recoveries outside the scope of the Grant. Keeping in view the fact that such instances have been reported in the Appropriation Accounts year after year, the Committee desire that the Railways address this issue seriously and take concrete measures to avoid issuance of injudicious reappropriation orders in future. The Committee see no reason as to why a repugnant practice like injudicious reappropriation cannot be avoided and overcome given the constant vigilance and proper monitoring by Finance Wing of the Railways.

67. The Committee note that the net result of stock verification, revaluation of stores and miscellaneous items on Indian Railways was net surplus of Rs.123.35 crore made up of surplus of Rs.293.02 crore and deficiency of Rs.169.67 crore. A searching scrutiny of the Appropriation Accounts revealed that the closing balance of stock in Central Railway and Rail Coach Factory also shows negative balance of Rs.1.48 crore and Rs.14.74 crore respectively. The Committee are perturbed to find that the balances are provisional as the accounts for the period from 1st April, 1947 to 14<sup>th</sup> August, 1947 have not been closed/settled for want of accounts of late Bengal, Assam and North Western Railways even after a lapse of over 52 years. The Committee hope the Railways would settle/close the accounts more than five decades old without further wait.

68. The Committee are deeply concerned to find rising incidents of losses involving Rs.86.44 crore in the Railways during 1997-98 due to theft of stores, accidents, loss due to natural calamities etc. as against similar losses amounts to Rs.58.75 crore in 1996-97. Significantly, Grant No.6 Repairs and Maintenance of Carriages and Wagons” had alone accounted for 117194 cases of loss involving an amount of Rs.24.85 crore during 1997-98. During evidence, the representative of the Railway Board pleaded “We have certain computerised inventory control in individual depots. All purchases which are made, the receipts and issues are fed into the computer and the stocks which are available in that depot are fed in the mainframe computer available at Head quarter in all the Railways on a monthly basis after vetting by Accounts”. The Committee are not inclined to accept these assertions made by the Ministry particularly because a substantial part of the losses are due to theft of stores. The Committee hope that with the introduction of computerised inventory control in individual depots the losses on this count would be considerably minimised, if not eliminated altogether. While deploring lack of proper vigilance by the Railway protection Force, the Committee desire that the Railways take effective steps to enhance the level of vigilance by the RPF.

69. The Committee regret to observe that despite some steps taken by the Ministry of Railways to control the expenditure, an atmosphere of lax financial discipline and non-observance of prescribed financial rules continue to persist. Evidently, the inadequacies in the financial management systems resulted in cases of excesses, large scale savings, obtaining of unnecessary supplementary grants, non-surrender or partial surrender of available savings, surrender of savings though there was excess expenditure under the some heads, injudicious reappropriations and other financial improprieties like outstanding suspense balances, under charges & loss of stores etc. While expressing their deep concern and anxiety over the prevailing state of affairs, the Committee desire Ministry of Railways to make a thorough analysis of the expenditure incurred under the grants/appropriations during preceding three years with a view to rectifying and improving the existing system of assessing and forecasting of the requirements of funds.

70. The Committee find that large scale balances were outstanding under suspense Heads as on 31 March,1998. It is also regrettable that the quantum of both debit and credit under suspense and purchase is substantially high during the period prior to 1996-97. In fact, the Committee found that the main items awaiting adjustments under Debit balances include want of adequate particulars and correct allocation, want of relevant vouchers, compensation claims for goods lost or damaged and paid on behalf of other Railways, fraud cases etc. Similarly, the credit balances are mainly due to unlinked items, failure to link corresponding credits for want of relevant vouchers, complete particulars and acceptance etc. Obviously, the reasons cited for suspense balances awaiting adjustments for substantially longer period are indicative of poor management and accounting information system. The Committee would like to be informed of the final outcome of the steps being taken, if any, to clear these outstanding balances expeditiously.

71. The Committee note that the total amount of undercharges discovered by Accounts and Audit, excluding those withdrawn during the year, were Rs.68.24 crore. Further, the quantum of total outstanding under charges at the end of 1997-98 stood at Rs.73.31 crore. In the opinion of the Committee the quantum of under charges detected subsequently by Accounts and Audit Departments is substantially higher which shows systemic deficiency. Curiously enough, there were certain works which were either undertaken without budget provision or works which were not undertaken although funds had been provided for the same. In such a situation, the Committee cannot but come to the conclusion that there has been lack of proper planning or non-observance of established financial principles or both. The Committee would like the Railway Board to review these cases with a view to find out the weaknesses and apply necessary corrective measures to ward off such lapses again as also to recover the outstanding under charges. The Committee would like to be apprised outcome of the measures taken in this behalf in due course.

NEW DELHI;  
CHAIRMAN,  
13 March, 2001

NARAYAN DATT TIWARI,  
PUBLIC ACCOUNTS COMMITTEE

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22 Phalgun, 1922 (Saka)