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

MINISTRY OF RAILWAYS

**PUBLIC ACCOUNTS
COMMITTEE
2003-2004**

FIFTY-SIXTH REPORT

THIRTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

FIFTY-SIXTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2003-2004)

(THIRTEENTH LOK SABHA)

INDIAN RAILWAYS APPROPRIATION
ACCOUNTS (1997-98)

MINISTRY OF RAILWAYS

*[Action Taken on the recommendations contained in Twentieth Report of PAC
(13th Lok Sabha)]*



Presented to Lok Sabha on 15.12.2003
Laid in Rajya Sabha on 15.12.2003

LOK SABHA SECRETARIAT
NEW DELHI

December, 2003/Agrahayana, 1925 (Saka)

PAC No. 1737

Price: Rs. 17.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eleventh Edition) and Printed by the Manager, Govt. of India Press, Minto Road, New Delhi-110002.

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2003-2004)

Sardar Buta Singh — *Chairman*
Lok Sabha

2. *Shri Haribhai Chaudhary
3. Shri Priya Ranjan Dasmunsi
4. Shri M.O.H. Farook
5. Dr. Madan Prasad Jaiswal
6. Shri Raghunath Jha
7. Dr. K. Malaisamy
8. Dr. M.V.V.S. Murthi
9. Shri Rupchand Pal
10. Shri Mohan Rawale
11. Dr. Nitish Sengupta
12. Shri Raghuraj Singh Shakya
13. Shri Brij Bhushan Sharan Singh
14. Shri Kirit Somaiya
15. **Shri Bhartruhari Mahtab

Rajya Sabha

16. Shri Santosh Bagrodia
17. Shri Prasanta Chatterjee
18. Shri K. Rahman Khan
19. Shri Bachani Lekhraj
20. Dr. Alladi P. Rajkumar
21. ***Vacant
22. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri S.K. Sharma — *Joint Secretary*
3. Shri Raj Shekhar Sharma — *Deputy Secretary*
4. Shri B.S. Dahiya — *Under Secretary*

*Shri Haribhai Chaudhary, MP resigned *w.e.f.* 9th May, 2003 and re-elected *w.e.f.* 30th July, 2003.

**Shri Bhartruhari Mahtab, MP elected *w.e.f.* 30th July, 2003 *vice* Shri Chinmayanand Swami, M. P. ceased to be a Member on his appointment as Minister *w.e.f.* 24th May, 2003.

***Shri C.P. Thirunavukkarasu, MP retired *w.e.f.* 6th October, 2003.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Fifty-Sixth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Twentieth Report (13th Lok Sabha) on "Indian Railways Appropriation Accounts (1997-98)".

2. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 8 December, 2003. Minutes of the sitting form Part-II of the Report.

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

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

NEW DELHI;
11 December, 2003
20, Agrahayana 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

CHAPTER-I

REPORT

This report deals with the action taken by the Government on the recommendations/observations of the Public Accounts Committee contained in their Twentieth Report (13th Lok Sabha) on "Indian Railways Appropriation Accounts (1997-98)".

2. The aforesaid report of the Committee was presented to Lok Sabha on 23 March, 2001 contained 13 recommendations/observations. Action Taken Notes have been received from Government in respect of all the recommendations/observations of the Committee. Those have been categorized as follows:—

- (i) Recommendations or observations which have been accepted by Government:
Sl. Nos. 4, 5, 6, 7, 10, 11, 12 and 13
[Paragraph Nos. 62, 63, 64, 65, 67, 68, 69, 70 and 71]
- (ii) Recommendations or observations which the Committee do not desire to pursue in view of the replies received from Government:
Sl. Nos. 3 and 8
[Paragraph Nos. 61 and 66]
- (iii) Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration:
Sl. Nos. 1 and 2
[Paragraph Nos. 59 and 60]
- (iv) Recommendations or observations in respect of which Government have furnished interim replies/no replies.
Nil

3. The Twentieth Report (13th Lok Sabha) of Public Accounts Committee dealt with the cases of large scale unspent provisions, injudicious surrender of funds, misclassification of expenditure, irregular or unauthorised re-appropriation of funds and other financial improprieties like outstanding under charges, outstanding suspense balances, shortfall in recoveries and loss of stores etc. under the Grants/Appropriations operated by the Ministry of Railways during the year 1997-98. The Committee's examination revealed that faulty accounting information system, laxity and non-accountability on the part of concerned Grant/Appropriation controlling authorities, lax financial discipline and non-observance of prescribed financial rules were the main contributory reasons for the aforesaid irregularities which continue to persist year after year. While expressing their deep concern and anxiety over the prevailing state of affairs the Committee had made recommendations such as effective budgetary control mechanism to eliminate the recurring savings, critical analysis of data in respect of budget estimates on

pension etc., thorough analysis of the expenditure incurred under the grants/appropriations during preceding three years with a view to rectifying and improving and existing system of assessing and forecasting of the requirements of funds, following the prescribed codal provisions meticulously in respect of Supplementary Grants as well to facilitate better appraisal in Parliament, ascertaining the reasons for all the lapses and fixing responsibility to avoid the recurrence of such lapses.

4. The Action Taken Notes furnished by the Ministry of Railways (Railway Board) on the various recommendations/observations of the Committee contained in the Report have been reproduced in the relevant Chapter of this Report. In the succeeding paragraphs, the Committee, however, deals with the action taken by the Govt. on some of their recommendations/observations.

Delay in submission of Action Taken Notes

5. In accordance with the time schedule prescribed by the Committee for furnishing the action taken notes in their 5th Report (4th Lok Sabha), notes on the action taken by Government on the recommendations contained in their 20th Report (13th Lok Sabha) were required to be furnished by the Ministry of Railways (Railway Board) by 22 September, 2001. The Ministry have furnished the Action Taken Notes on eleven recommendations (except on recommendation Nos. 65 and 66) on 29.8.2002 with the delay of more than eleven months. While the Action Taken Notes on the recommendations contained in para 65 was received in respect of the Action Taken Notes on the recommendations contained in para 66 was received only on 05.12.2003.

6. The Committee are distressed to find that the complete Action Taken Notes on the recommendations contained in 20th Report (13th Lok Sabha) were received after a delay of two years and four months from the presentation of the Report to the House. As most of the issues disclosed during the scrutiny of Indian Railways Appropriation Accounts are of recurring and routine in nature, it is essential for the Ministry to submit the ATNs on earlier Report within the prescribed time-limit of six months so that their Action Taken on the matters of recurring and routine nature could be taken into account during the course of examination of Indian Railways Appropriation Accounts for the subsequent year. The Committee observe that their repeated recommendations and the instructions issued by the Ministry of Finance (Deptt. of Expenditure—Monitoring Cell) thereon year after year has not yielded the desired results. The Committee would like the Ministry of Railways (Railway Board) to evolve a proper procedure for submission of the requisite Action Taken Notes to the Committee within the prescribed time-limit.

Need to evolve an Effective Budgetary Control Mechanism (Sl. No. 1, Para 59)

7. During the course of examination of Indian Railways Appropriation Accounts (1997-98) the Committee had observed that there were variation between the sanctioned provisions under various grants/appropriations *vis-a-vis* actual expenditure incurred. While noting that the Railway had not given any cogent reasons for these unspent balances or savings, the Committee believed that Appropriations can certainly be minimized 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-a-vis* the grant/appropriations approved by Parliament is adopted. The Committee had hoped that effective budgetary control mechanism would be firmly in place in the Railways so as to eliminate the recurring savings.

8. In their Action Taken reply, the Ministry of Railways (Railway Board) *inter-alia* stated:—

"Railways operations are spread over a vast network and are necessarily complex and dynamic in nature. So, while every effort is made at the beginning of the financial year to estimate as accurately as possible taking into account the fund requirement for the projected level of traffic and other activities, post-budgetary factors during the course of the year often result in some modifications to the original grant. These factors include the actual throughput achieved *vis-a-vis* projections made, as also hike in DA rates, diesel prices, electricity rates, rate of Productivity Linked Bonus etc. Apart from this is the Railways' continuous stress on economy for which spending limits are fixed at the beginning of the year and closely monitored thereafter; there is also great emphasis on improving asset utilization and efficiency. Adjustments to cater to the modified requirements are made up to the Final Grant stage. It would, therefore, be more appropriate to compare the actual expenditure with the Final Grants.

The Railways, however, do take note of the concern expressed by the Committee. The Railways already have an established mechanism of budgetary formulation and control. Instructions for gearing up the same have already been issued to the Railways on 19.10.2000 and are being reiterated."

9. The Committee find to note that although the Ministry of Railways are stated to have an established mechanism of budgetary formulation and control, the desired improvements in the budgetary control mechanism are not reflected in the Indian Railways Appropriation Accounts for the three years i.e. 1998-99 to 2000-2001. The Committee have also been informed that instructions for gearing up the established mechanism of budgetary formulation and control have already been issued. A mere issuance of such instructions does not make much sense unless the reasons for large scale recurrent savings in a grant appropriation are investigated and suitable remedial steps taken so as to ensure judicious utilization of scarce resources. The Committee, therefore, reiterate their earlier recommendation and desire that the Ministry of Railways should do the needful and apprise the Committee of the concrete steps taken to overcome the tendency of excess budgeting in future.

Need to critically analyse the data base

(Sl. No. 2, Para 60)

10. While examining the savings of Rs. 158.40 crore by the Ministry of Railways (Railway Board) under Grant No. 13—Provident Fund, Pension and other Retirement Benefits, the Committee in para 60 of the 20th Report (13th Lok Sabha) desired 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.

11. The Ministry of Railways in their Action Taken Note submitted to the Committee have stated as follows:—

"This grant is for booking expenditure on pension. The recommendations of Vth Central Pay Commission were implemented in 1997-98. The orders on pension came in the latter part of the financial year. There were also several revisions to the pension orders. Further, the pace of implementation of the recommendations was dependant on the flow of receipt of applications from pensioners. Due to all these reasons, the impact could be assessed accurately. This resulted in a saving of Rs. 159 crore.

The observations of the Committee are, however, noted for better assessment of pension requirements in future".

12. Noting the large scale savings under Grant No. 13—Provident Fund, Pension and other Retirement Benefits the Committee had in para 60 of their 20th Reptot (18th Lok Sabha) desired the Ministry of Railways 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. From the Action Taken Notes furnished by the Ministry, the Committee find that the Ministry have not indicated as to the initiation of any concrete measure in this regard. The Committee, therefore, reiterate their earlier recommendation and like the Ministry of Railways to examine, in consultation with the Ministry of Finance, whether there are any inherent defects in the existing system of budget estimation on pension in order to take suitable measures for ensuring better assessment of pension requirements in future.

Settlement/closing of stores accounts
(Sl. No. 9, Para 67)

13. During the course of scrutiny of Appropriation Accounts the Committee had noted that the net result of stock verification 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. The Committee had found that the balances are provisional as the accounts for the period from 1st April, 1947 to 14th 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 had, therefore, desired the Ministry of Railways to settle/close the accounts more than five decades old without further wait.

14. In their ATN the Ministry of Railways of Railways (Railway Board) *inter-alia* stated:—

"A note to the effect that the balances shown in the statement are provisional had been included because the Accounts for the period from 1st April, 1947 to 14th August, 1947 were not closed. This fact is applicable not only to the Ministry of Railways, but also to the Finance Accounts 1997-98 of the Union Government which included the remarks "Consequent on the partition of the country, the balances on 14th August, 1947 under cash and various debt heads, deposit heads, etc., were required to be allocated between the two

countries, viz., India and Pakistan. Pending a settlement of these balances with the Government of Pakistan, the preparation of Finance Accounts for the pre-partition period *i.e.* from the 1st April, 1947 to the 14th August, 1947 had to be deferred. As mentioned in paragraph 1 of Part. B-1 Report in the Finance Accounts for 1947-48 (post-partition), it was decided in consultation with the Ministry of Finance that pending the closing of the accounts for the prepartition period and final settlement between the Government of India and Pakistan, the opening balance on the 15th August, 1947 under the various heads should be worked out on a provisional basis for the purpose of the Finance Accounts for 1947-48 (post-partition) and subsequent years" (reference item No. 6 of the Introductory chapter, page 4). The above accounts have also been vetted by the office of Comptroller & Auditor General of India. However, the observations of the Committee have been noted and the matter is proposed to be resolved in consultation with the Ministry of Finance in the current year".

15. In their earlier report the Committee while examining the appropriation accounts had noted that the net result of stock verification of stores and miscellaneous items on Indian Railways was a surplus of Rs. 123.35 crores and desired the Ministry of Railways to settle/close the accounts more than five decades old without further delay. In their action taken notes the Ministry had stated that the matter was proposed to be resolved in consultation with the Ministry of Finance in the current year. The Committee would like the Ministry of Railways to give serious attention to this aspect and would like to be informed of efforts made and the progress achieved in this regard at the earliest.

CHAPTER-II

RECOMMENDATIONS OR OBSERVATIONS WHICH HAVE BEEN ACCPED BY GOVERNMENT

Recommendation

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 re-thinking 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.

[Sl.No. 4 Appendix-III Para 62 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

For executing the New Line and Gauge Conversion works, agency is one and the same viz. Construction Department of Railways. Although there was saving of Rs. 20.58 crore in New Line, there was excess expenditure of Rs. 158.32 crore in Gauge Conversion. Thus the saving in New Line was effectively utilized for creation of capital assets in Gauge Conversion. Such adjustments amongst the minor plan heads becomes necessary due to a large number of factors viz. progress of works on a certain project being slower than the anticipated due to delay in land acquisition, failure of contractors, natural calamities etc.

The expenditure on Minor Head "New Line (Const.)" during 1997-98 was Rs. 401 crore against Rs. 284 crore during 96-9, which indicates that there was substantial increase in expenditure on this plan head. This has further increased in the subsequent years. Ministry of Railways have continued to take effective steps for proper utilisation of allotted funds in these plan heads.

Sd./-

(A.S. TEWARI)
Adv. Finance.

(Ministry of Railways' O.M. No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

Recommendation

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.

[Sl. No.5 Appendix- III Para 63 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

Out of the savings of Rs. 715.72 crore, the amount surrendered during the year through Final Grants was Rs. 432.31 crore. Thus, the Savings that could not be anticipated during the year was Rs. 283 crore which works out to less than 1% of both the total authorisation and the final grants. Three of the Grants viz., 13, 15 & 16—Capital mainly accounted for this saving owing to reasons which were either beyond the control of the Railways or technical.

In the following 5 grants/appropriations which registered 'excess', funds were surrendered at the Final Grants stage.

GRANTS

Demand No.	Total Sanctioned Grant	Final Grant	Actuals	Variation (Actual & Final Grant)
4	2357	2295	2299	4
6	2431	2330	2376	46
16	4096	4082	4115	33
(Railways Funds)				

APPROPRIATION

16 (Capital)	3.78	0.29	0.46	0.17
(Railway Fund)	4.72	3.33	3.45	0.12

In most of the above cases, the amounts surrendered as well as 'excess' were not substantial. The Ministry of Railways, nonetheless, shares the concern of the Committee Instructions for gearing up the mechanism of budget formulation and control are being reiterated to the Railways.

Sd./-
(A.S. TEWARI)
Adv. Finance

(Ministry of Railways O.M. No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

Recommendations

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 somethings 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.

[Sl. No. 6 Appendix III Para 64 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. An in-depth review of the booking of expenditure at various levels was undertaken. As a result thereof, the cases of misclassification have broadly been divided under two categories *viz.*, those arising out of differences of opinion regarding the interpretation of allocation rules and those resulting from lack of adequate care at the time of preparation of vouchers. As regards the cases which arose due to different perceptions. Zonal Railways/Units have been instructed to make out the efforts to discuss and sort out such cases in consultation with their Audit, in case of any disagreement, minutes of discussion together with Audit observations may be submitted to the Ministry of Railways for resolving with DAI (Railways) at the time of finalisation of Appropriation Accounts. For cases which arose as a result of lack of care and which could therefore have been avoided, responsibility of concerned staff/officers has been fixed and they have been taken up for the lapses.

The instructions for close and concurrent review of the booking of expenditure at various levels already exist and the same have been reiterated from time to time by the Ministry of Railways. It will, however, be the constant endeavour of the Railways to reduce misclassification while allocating expenditure to the different heads of Account.

Sd/-
(A.S. TEWARI)
Adv. Finance

(Ministry of Railways' O.M.No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

Recommendation

The Committee note that the Railways have not been giving the requisite details in the Supplementary Grants/Appropriations 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 an 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.

[Sl. No.7 Appendix III Para 65 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

In keeping with the observation of the Committee, the format of the Supplementary Demands for Grants has been modified for the Supplementary Grant No. 16 obtained in November 2002.

This has been seen and vetted by Audit vide their U.O. No. 12RA-III/2-1/1999 dated 24/01/2003.

Sd/-

(N. Krishnamurthi)
AM (BUDGET)

(Ministry of Railway's O.M.No. 2001-BC-PAC/XIII/20,
dated 24.01.03)

Recommendation

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 Railways and Rail Coach Factory also show 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 14th 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.

[Sl. No. 9 Appendix III Para 67 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

The net result of stock verification, revaluation of stores and Miscellaneous items was net surplus of Rs. 123.35 crore made up of surplus of Rs. 293.02 crore and deficiency of Rs. 169.67 crore. The closing balance of stock in Central Railway and RCF was Rs. 91.39 crore and Rs. 49.41 crore respectively as stated in the statement of Stores Accounts 1997-98 which were not the negative balances. The negative closing balances of Rs. 1.48 crore and Rs. 14.74 crore in Central Railways and RCF respectively as referred to vide para 67 above have actually been shown under Miscellaneous items of the statement showing result of stock verification and revaluation of stock during 1997-98 which is not irregular and the same are subsequently cleared by Credit or Debit, as the case may be, to final heads in accordance with the existing provisions.

A note to the effect that the balances shown in the statement are provisional had been included because the Accounts for the period from 1st April, 1947 to 14th August, 1947 were not closed. This fact is applicable not only to the Ministry of Railways, but also to the Finance Accounts 1997-98 of the Union Government which included the remarks "Consequent on the partition of the country, the balances on 14th August, 1947 under cash and various debt heads, deposit heads, etc., were required to be allocated between the two countries, viz., India and Pakistan. Pending a settlement of these balances with the Government of Pakistan, the preparation of Finance Accounts for the pre-partition period i.e. from the 1st April, 1947 to the 14th August, 1947 had to be deferred. As mentioned in paragraph 1 of Part. B-1 Report in the Finance Accounts for 1947-48 (Post-partition), it was decided in consultation with the Ministry of Finance that pending the closing of the accounts for the pre-partition period and final settlement between the Government of India and Pakistan, the opening balance on the 15th August, 1947 under the various heads should be worked out on a provisional basis for the purpose of the Finance Accounts for 1947-48 (Post-partition) and subsequent years" (reference: item no. 6 of the Introductory chapter, page 4). The above accounts have also been vetted by the office of Comptroller & Auditor General of India. However, the observations of the Committee have been noted and the matter is proposed to be resolved in consultation with the Ministry of Finance in the current year.

Sd/-

(A.S. TEWARI)

Adv. Finance

(Ministry of Railways' O.M.No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

Recommendation

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, "Grand No. 6 Repairs and Maintenance of Carriage 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 computerized 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 Headquarter 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 computerized inventory control in individual depots the losses on this count would be considerably minimized, 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.

[Sl.No. 10 Appendix III Para 68 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

It is stated during the year 1997-98 138 cases of store theft have been registered as against 227 cases registered during the year 1996-97. Thus, there has been a reduction by 39.21% in the cases of stores theft. During the year 1997-98, value of total property stolen from the stores was Rs. 5,36,992/- as compared to Rs. 23,62,280/- 1996-97. There has been a reduction of 77.27% in the value of property stolen from the stores.

However, under Grant No. 6 (Railways & Maintenance of Carriage & Wagons) property worth Rs. 96.58 lakhs was lost due to theft in the year 1996-97 and property worth Rs. 114.18 lakhs was lost due to theft during the year 1997-98. The total loss of Rs. 24.85 crores was due to various reasons like loss in Transit, Accident, Shortage, Theft and Misc. Causes.

The following steps have been taken by RPF to safeguard the Railway Stores:—

1. To prevent theft of stores, RPF staff are deployed at Stores/Work shops round the clock.
2. Armed patrolling has been introduced inside the Stores/Workshops during night.
3. Vehicles entering and leaving the Stores/workshops premises are thoroughly checked.
4. Basic security arrangements of the stores are being improved so that possibilities of thefts can be prevented effectively.
5. Collection of Crime Intelligence and Vigilance in Stores/Workshops premises have been stepped up.

Sd/-

(A.S. TEWARI)
Adv. Finance

(Ministry of Railways' O.M.No. 2001-BC-PAC/XIII/20,
dated 29.8.2002

Recommendation

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 after forecasting of the requirements of funds.

[Sl. No. 11 Appendix III Para 69 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

As desired by the Committee, a review of trend of expenditure under various grants has been undertaken for three years from 1994-95 onwards, which reveals the following:

(Rs. in cr.)

Year	Aggregate Savings in Grants over Sanctioned Provisions	Savings as % age of sanctioned Provisions	Aggregate Savings in Grants over the Final Grants	Savings as % age of Final Grants
1994-95	1206	3.5	322	0.9
1995-96	1011	2.7	478	1.3
1996-97	1050	2.5	292	0.7
1997-98	707	1.5	278	0.6

As may be seen, the incidence of savings on Railways has been declining both with reference to sanctioned provision and Final Grants. In 1997-98, the savings have been the lowest in the last five years. The number of Grants showing savings has, however, increased in 1997-98 over the previous year. The thrust on economy has played an important role in this regard. Demand-wise review also indicates that there have been savings on a regular basis in some of the demands, namely, 3,10,15 & 16 (OLWR) both with reference to total sanctioned provision and the Final Grants. The railways are being instructed to analyse the

trend of expenditure in these grants so as to have improved assessment of the requirement of funds in order to avoid any excess/savings therein.

Sd./
(A.S. TEWARI)
Adv. Finance

(Ministry of Railways' O.M.No. 2001-BC-PAC/XIII/
dated 20.29.8.2002)

Recommendation

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.

[Sl. No. 12 Appendix III Para 70 of Twentieth Report of PAC
(13th Lok Sabha)]

Action Taken

Recommendation of the PAC regarding large scale balances outstanding under Suspense heads have been noted. It is submitted that accounting information system in Indian Railways is well established, prompt and effective which is reflected in the regular disposal of balances under the suspense heads every year. It is not because of poor management but accretion and clearance being a continuous process, balances keep varying year to year. In this regard it is stated that a detailed review of over one year old balances under various suspense heads is periodically carried out by all the zonal railways on a regular basis and appropriate action is taken by the unit concerned to improve the position. This review is also submitted by each Zonal Railway and Production Unit to the Railway Board on half yearly basis where the position is further analysed. Instructions are issued in respect of the suspense heads where any deterioration is noticed. With a view to further strengthen the monitoring system and make expeditious clearance a one-to-one review of Financial Advisors and Chief Accounts Officers of all Zonal Railways and Production Units was conducted at a high level in Board's office in November/December 2001. The General Managers of all Zonal Railways have also been instructed to review the progress made so as to reflect a definite improvement in the next half yearly review.

(Ministry of Railways O.M. No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

Recommendation

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 undercharges 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 undercharges. The Committee would like to be apprised of outcome of the measures taken in this behalf in due course.

[Sl. No. 13 Appendix III, Para 71 of Twentieth Report of PAC
(13th Lok Sabha)]

Action Taken

Accounts Department checks if any mistake or error in calculation of Railway freight or any other dues has taken place. During the course of Accounts inspections, undercharges detected are raised and, therefore, detection of such charges cannot be termed as on account of deficiency in the system. The undercharges occur because of misdeclaration of the commodity by the consignor, non-compliance of the special Condition(s) applicable to a particular commodity or incorrect charging of freight, punitive charges levied on overloaded wagons and non-compliance of provisions of the Goods Tariff etc. This is despite the fact that every possible care is taken to ensure that the booking staff are fully conversant with the extant instructions and that correct freight is charged. Whenever any deficiency in the manual system is observed, immediate remedial measures are taken through issue of appropriate instructions, so as to prevent recurrence of such a deficiency. It is always Railways endeavour to recover undercharges as expeditiously as possible. Most of the commercial activities in Railways are undertaken manually and therefore some mistakes do occur despite the supervisory presence and regular inspections and checks. Sometimes mistakes can arise because of difference in interpretation of any Rule or scheme notified by the Board from time to time. It may not be possible to totally eliminate the incidence of mistakes which leads to levy of undercharge.

The incidence of percentage of undercharges detected during 1997-98 *vis-a-vis* total earnings work out to 0.24% and this shows definite improvement with reference to figures for the previous two years 1996-97 and 1995-96 which were at 0.40% and 0.37% respectively. This shows that despite substantial increase in earnings there has been drop in undercharges raised during the year 1997-98.

The position of outstanding undercharges as on 31.03.98 has been reviewed and it has revealed that the zonal railways have made efforts to recover the same and the undercharges of Rs. 73.31 crore pertaining to the period under reference have come down to Rs. 42.79 crore.

Regarding works undertaken without budget provision or works not taken up despite funds provision, it is submitted that normally the works are carried out as per the Budget provisions. Minor adjustments amongst the plan heads, however, become necessary due to a large number of factors viz. progress of works on a certain project being slower than anticipated due to delay in land acquisition, failure of contractors, natural calamities of completion of a work being targeted on account of changed circumstances etc.

Sd/-

(A.S. TEWARI)

Adv. Finance

(Ministry of Railways O. M.No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

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 3rd Report (12th 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 has 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 exercise and control mechanism.

[Sl. No. 13 Appendix III Para 61 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

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 of finances, namely, Capital from General Exchequer (Budgetary Support), Railway Funds (Internal Generation) and Revenue. In addition Demand 16 is also supplemented with Market Borrowings with a view to augmenting the Plan investment. The Committee's observations is on savings under the Capital head of the Demand No. 16.

It is further submitted that budgeting for each Demand is done on gross basis. As Inventories are also budgeted and charged to Capital under Demand No. 16, the gross amount is much higher than the net allotment. The saving of Rs. 131.68 cr. has occurred in gross amount under 'Inventories' as a result of reduction in the Production programme for rolling stock. However, the net allotment under Capital was Rs. 1831 cr. in Budget Estimate, which was augmented to Rs. 2001 cr. during the course of the year

as a result of additional support of Rs. 170 cr. provided by the General Exchequer. This allocation of Rs. 2001 cr. on net basis has been utilised with a minor saving of Rs. 9.34 cr.

Ministry of Railways note and fully appreciate the concern of the Committee about the need to monitor and utilise funds sanctioned by Parliament and to ensure that the surrenders do not take place. Instructions are being issued to the Budget controlling authorities of the Zonal Railways/Production Units to ensure efficient and proper utilisation of funds sanctioned.

Sd/-

(A.S. TEWARI)
Adv. Finance

(Ministry of Railways O.M. No. 2001BC-PAC/XIII/20,
dated 29.08.2002)

No. 2001-B-342

New Delhi, 5-2001

The General Managers,
All Indian Railways (Including Production Units)

Sub: Occurrence of Savings in 1997-98—Recommendations

The Public Accounts Committee (13th Lok Sabha) in its 20th Report on 'Union Government Appropriation Accounts Railways (1997-98)' has critically commented on the large scale savings reported under Demand No. 16—Capital. A copy of their recommendation No. 61 of the above mentioned Report is enclosed for information.

The Committee has observed that the savings under Capital has resulted on account of 'Inventories', and it is a matter of concern that this has alone resulted in large scale savings of more than Rs. 200 cr. As Inventories are booked to Capital, Railways should, therefore, adopt cautious approach while projecting their requirement under this plan head, at the time of Budget. It may be appreciated that Railways should endeavour to ensure that there are no surrender under Capital, since this Ministry has been trying hard to augment the Capital investment from the General Exchequer.

Further, the Committee has also taken a serious view and expressed their unhappiness over the large scale reappropriations being resorted to in the Railways, which at time have been injudicious. Various instances reported by the Committee have indicated where excessive amount reappropriated remained either wholly or partially unutilised, or budget provisions though not available originally, funds were provided by reappropriation. In other cases, funds were reappropriated from the planheads but finally there was excess booking under these planheads implying that the funds were actually not surplus.

It may not be out of place to mention that the PAC had made similar observations on the Appropriation Accounts—Railways (1996-97) and had called for a thorough review of the existing system of reappropriation of funds, with a view to identify weakness and plugging lacunae, so that issue and defective reappropriations orders are avoided in future.

In view of reiteration by PAC of its earlier observation, the Railways should ensure that the Budget allotment to the minor heads under a demand are much realistic and optimally utilised and reappropriation should be made only in cases where augmenting/decreasing funds from and to projects becomes unavoidable in view of the latest physical/financial progress of works and not as a matter of routine.

Please acknowledge receipt.

(MOHINDER SINGH)
Joint Director, Finance (Budget)
Railway Board.

Recommendation

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 per cent 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 Grant No. 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.

[Sl. 8 Appendix III Para 66 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

An interim ATN on the above mentioned para was submitted to PAC *vide* this Ministry's O.M.No. 2001-BC-PAC/XIII/20 dated 24.01.03, a copy of which is placed at Annexure-I. The issue has been further examined.

Regarding Audit's observations on reappropriations that within a demand no reappropriation to/from a sub head is permissible, their observations can be appreciated for minimizing such cases, but the same cannot be taken as a rule for interpre-

tation of para 375 of IRFC Vol. I it is submitted that primary unit-wise distribution (which reflects the "object" of expenditure) of grant is also given in the demands for Grants. However, it does not mean that sanction of Parliament is specifically for each primary unit and no reappropriation would be possible among them. Thus it is reiterated that the vote of Parliament is for the Demand as a whole and not for each sub-head.

Regarding Audit's second observation about 'write back adjustment', the matter may be seen in historical perspective. In 1949, RCC's recommendations also included the liberalization of allocation rules. Though these recommendations were primarily related to funding and allocation of expenditure under Depreciation Reserve Fund *via-a-vis* Capital, it also led to general revision of General Code, Vol-I in 1954. A copy of extract of each of the relevant chapters (chapter 4 of 1953 edition and 1954 edition) is placed at Annexure-II & III, respectively. It may be observed that in Para 406 of 1954 edition it is stated that the Demands would be for gross expenditure. The credits/recoveries mentioned in para 553 of the same edition (page 2 of Annexure-III) would be shown in the form of footnote to the Demand. The subsequent para 554 clearly mentioned that credits to Capital or Depreciation Reserve Fund or other heads on account of write-back adjustments shall be taken in reduction of Demands and only net figures (minus or plus) shall be shown under the respective detailed heads of the Demands. The same provision of 1953 edition (para 408) placed at Annexure-II, however, did not specify so, Instead, a separate para 554 existed (page 2 of Annexure-II) which called for only the list of credits. Even here the credits on account of write-off of Capital were required to be excluded from the list of credits. Although the related papers/ files are not available in the Ministry at this distant date, it gives an insight that a distinctive line on the type of credits and their accountal was drawn for the first time in 1954 which was a fall out of RCC's recommendations of 1949. Accordingly, credits on account of 'write back adjustment' are to be taken as reduction of Demands. The reasons could be that these would have an impact on the 'Capital-at-Charge' and the dividend payable. Thus, keeping the credits/recoveries as specified in para 335(b)(1)(c) out of the scope of Demand, may not reflect the true position of Capital.

Keeping in view the forgoing submissions, the Ministry would request the PAC to reconsider the aforementioned recommendation.

Sd/-
(S.C. Gupta)
Adviser/Finance

(Ministry of Railways: O.M.No. 2001-BC-PAC/XIII/20,
dated - 11-2003)

Recommendation

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 per cent 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 Grant No. 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.

[Sl. 8 Appendix III Para 66 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

Reappropriations on the Railways are carried out in accordance with the provisions of paras 376 and 377 of Indian Railway Finance Code Volume-I and well laid down delegation of powers to Railway Board/Railways. According to rules, the Ministry of Railways is permitted to reappropriate from one plan head to another, allocation (or sources of funds) being the same.

It is submitted that the Railways are required to operate over a vast network and execute a large number of projects spread over the country. Allocation of funds to various projects made at the time of the budget have necessarily be continuously reviewed so that funds allocated bear a relationship to the actual progress of works. The progress of works in turn, is dependent upon a number of factors such as

adequacy of internal resources, availability of land, materials, contractor's efficiency, natural factors, coordination with State/Local authorities, etc, during the year. Priorities of various projects also get modified due to reasons of safety and source specific availability of resources. Reappropriation from and to various works have thus to be made.

It is further submitted that the Demands for Grants are sought from the Parliament for Demand as a whole and not Minor head-wise. The distribution of funds under a Demand between Minor heads is indicated for enabling a better appreciation of their utilisation. As already submitted in the preceding paragraphs, Ministry of Railways have been permitted to reappropriate funds for their optimum utilization. The Ministry, however, submits that while undertaking such reappropriations, the gross allotment for the Demand No. 16 was never exceeded. As regards the recommendations of the Committee on write back adjustments, the Ministry submits that it derives its authority from the extant provisions contained in the Indian Railway Financial Code Volume-I.

Ministry of Railways', however, note the concern expressed by the Committee on the scale of reappropriation being resorted to and the Railways are being suitably instructed in this regard.

This was submitted to the Audit, who *vide* their U.O. No. 12RA-III/2-1/1999 dated 24.01.03 have advised that their following observations be appended to the ATN before submitting to the PAC:—

"1. Paragraph 375 of the Indian Railways Financial Code Volume-1 defines the Reappropriation as 'the transfer of funds, originally assigned for expenditure on a specific object to supplement the funds sanctioned for another object is called "Reappropriation". According to paragraph 376, the Railways Board have full powers of transferring the provisions within a grant from one sub-head to another by a formal order of reappropriation. This necessarily implies that in case:

- (a) there is no provision (as voted by the Parliament) under a sub-head the funds cannot be withdrawn from such sub-head and reappropriated to other sub-heads of the same grant.
 - (b) also no provision could be made under those sub-heads where no provision (voted by Parliament) exist, by transferring the provisions from other sub-heads of the same Grant."
2. In regard to write back adjustments the Public Accounts Committee had recommended that '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.' As such the Ministry of Railways statement in the ATN that "As regards the recommendation of the Committee on write back adjustments, the Ministry submits that it derives its authority from the extant provision contained

in the Indian Railways Financial Code Volume-I" needs reconsideration. Since the PAC has made the above recommendation after due deliberation with the Ministry of Railways, they need to amend the Codal provisions of Paragraph 335 of Indian Railway Financial Code Volume-I and keep the write back adjustments outside the scope of the Grant by treating the same as credits/recoveries."

Comments of Ministry of Railways on above observations of Audit

The above observations of Audit needs further consideration in the Ministry of Railways for framing the final ATN, which will be submitted to the PAC in due course.

Sd/-

(N. Krishnamurthi)
AM, (BUDGET)

(Ministry of Railways' O.M. No. 2001-BC-PAC/XIII/20,
dated 24.01.03

Extract from general code (Vol. I) (1953 edition)

DEMANDS FOR GRANTS

- (iv) Sums payable to any person, who is or has been in the civil service of the Crown in India, under an order of the Secretary of State in Council given, upon an appeal made to him, in pursuance of section 248 (4) of the Government of India Act, 1935
- (v) Expenditure classified by the order of the Governor General in Council as—
 - (a) Ecclesiastical,
 - (b) External Affairs,
 - (c) Defence, or
 - (d) Relating to tribal areas.
- (vi) Expenditure of the Governor General in discharging his functions as respects matters with respect to which he is required by the provisions of the Government of India Act 1935, for the time being in force, to act in his discretion.
- (vii) Compensation payable to an officer under the orders of the Secretary of State under section 249 of the Government of India Act, 1935
- (viii) Any amount which may be ordered, under section 271(3) of the Government of India Act, 1935, to be paid to a public servant in reimbursement of the cost incurred by him in defending a suit instituted against him or of the damages or costs ordered to be paid by him.
- (ix) Any other expenditure declared by the provisions of the Government of India Act, 1935, for the time being in force, to be charged on the revenues of the Federation.

404. If any question arises as to whether any expenditure does or does not relate to the non-voted items enumerated in the preceding rule, the decision of the President will be final.

405. All expenditure in connection with the erection, maintenance and upkeep of churches and European cemeteries has been declared by the Governor General in Council as ecclesiastical and is, therefore, non-voted. Accordingly, the pay and allowances paid to Chaplains of churches and expenditure on account of grants-in-aid for the above purpose are also treated as non-voted.

406. Expenditure on other religious purposes, such as for the erection and maintenance of mosques and temples, which does not fall within the category of ecclesiastical expenditure, is classified as voted.

Demands for Grants

407. The proposals of the President in respect of money required for voted expenditure included in the Budget are submitted to the vote of the Parliament in the form of 'Demands for Grants'.

408. Heads of Demands. — The heads under which the Demands should be presented and the authorities responsible for control over expenditure in each demand against budget provision are shown below:—

Number of Demand	Particulars of Demand	Authority responsible for watching the progress of expenditure in each demand
1.	Railway Board	Secretary, Railway Board
2.	Audit	Director of Railway Audit.
3.	Miscellaneous Expenditure	Department of Industries and supplies in respect of the office of the Chief Mining Engineer (Dy. Coal Commissioner — production); President, Rates Advisory Committee for his office establishment; Railway Board for Miscellaneous establishment and Miscellaneous charges; Heads of Railway Administrations to whom grants are made for land and surveys' Financial-Advisers and Chief Accounts officer, East Indian Railway for pensionary charges and commuted value of pensions of railway officers.
4.	Working Expenses—Administration	Heads of Railways Administrations for the expenditure against the funds allotted to the respective railways and the Director, Railway Clearing Accounts office for the expenditure of his office.
5.	Working Expenses—Repairs and Maintenance	} Heads of Railway Administrations for the expenditure against the funds allotted to the respective Railways.
6.	Working Expenses—Operating Staff	

553. The statements showing revised and budget estimates of expenditure on repairs and maintenance of Electric Coaching Vehicles should be submitted to the Railway Board in the following form:—

Form No. G-553

Gauge	Average No. of vehicles on the line	Average period (in month) vehicles were in service before undergoing Working repairs during the previous year	No. of vehicles it is proposed to pass through shops during the year	Average actual cost of repair per vehicle on the line (Mechanical Workshops) during the previous year	Average actual cost of repair per vehicle on line (Transportation Depots) during the previous year	Total cost (Mechanical Department)	Total cost (Transportation Department)	Total cost (Mechanical and Transportation Departments)
						Col. 2 X Col. 5	Col. 2 X Col. 6	Col. 7 + Col. 5
	2	3	4	5	6	7	8	9
Revised Estimate, 1937-38 5'-6'—								
Electric multiple unit stock (excluding traction equipments). 3'-3 ¹ / ₂ '—								
Electric multiple unit stock (excluding traction equipment).								
Total..								
Budget Estimate, 1938-39 5'-6'—		Anticipated period (in months) vehicles will be in service before undergoing repairs		Anticipated average cost of Workshop repair per vehicle online.	Anticipated average cost of repair per vehicle on line (Transportation Depots).			
Electric multiple unit stock (excluding traction equipment). 3'—3 ¹ / ₂ '—								
Electric multiple unit stock (excluding traction equipment).								
Total..								

- NOTES. — (a) Vehicles in terms of 4-wheelers.
- (b) Unit of cost in Columns 5 and 6 in rupees. Figures in Columns 7, 8 and 9 in thousands of rupees.
- (c) If, on the known results of the first six months of the current year or in anticipation of future results, the average period between heavy repairs and the average actual cost of repair per vehicle on line in Mechanical workshops or Transportation Depots are likely to differ from the figures given in Columns 3, 5 and 6 accounts should be taken of the anticipated differences in calculating the figures in Columns 7 and 8 and a note should be appended stating what figures have been adopted in lieu of those in Columns 3, 4 and 6 for the purpose of calculating (a) the revised and (b) the budget estimates in Columns 7 and 8.
- (d) An explanatory note should be given in circumstances when the figures in Column 4 differ materially from the quotient Column 2—Column 3—12.

554. List of Credits.— The Railway Board should be furnished with a list of credits which are anticipated under each demand at the time when the revised and budget estimates are framed. The list of credits accompanying the revised estimates should be furnished in the following form:—

Particulars	Credits anticipated and taken into the account in the Budget estimates for the current year	Credit taken into the account in the Revised Estimates for the current year	Credits unanticipated in the Budget (Col. 3-2)
1	2	3	4
Totals..			

In preparing the above list the following points should be kept in view:—

- (i) Credits for Conference hire and penalty charges will be omitted from the lists as these are provided for on the basis of the information supplied by the Director of Wagon Interchange, Indian Railway Conference Association, to the Board.
- (ii) Though transactions as between budget railways will be omitted in the final consolidation of the lists of unanticipated credits in the Board's Office, individual railways should continue to exhibit them in these lists.

- (iii) Credits under the specific credit sub-heads in Demand No. 17 such as (a) Credits for released materials, (b) Credits on account of the write-off of the capital cost of dismantled lines, (c) Credits on account of the write-off the cost of abandoned assets, should be excluded from the above lists.
- (iv) Credit to one sub-head by *per-contra* debit to another sub-head of the same grant should be omitted.
- (v) Items of credits such as those on account of repairs and maintenance works, which are deducted initially from the expenditure and are not shown separately in the budget as credits, need not be included in the list.

555. Credits not anticipated in the budget estimates should in no circumstances be utilized to cover excess expenditure or to meet fresh items of expenditure.

556. Recoveries for Government Supervision.—The amounts of recoveries for Government supervision charges in respect of lines under construction, included in the estimates of new constructions, should be shown in a foot note below these estimates.

557. Summary of Working Expenses.—The Railway Board should be furnished with a summary of the working expenses in Form No. G. 557 given below, comparing, under each demand head, the actuals during each of the preceding three years, with the budget estimates and revised estimates for the current year and budget estimates for following year. The figures of actuals should agree with those intimated to the Railway Board and the differences, if any, should be suitably explained in the remarks column.

FORM No. G. 557

Particulars	Actuals, 1934-35	Actuals, 1935-36	Actuals 1936-37	Budget, 1937-38	Revised, 1937-38	Budget, 1938-39	Remarks.
Demand No. 4 ..							
Demand No. 5 ..							
Demand No. 6 ..							
Demand No. 7 ..							
Demand No. 8 ..							
Demand No. 9 ..							
Total ..							
Suspense ..							
Grand Total ..							
Working expenses of worked lines.							

558. Deleted.

REVISED AND BUDGET ESTIMATES

559. Payments in England.—The revised and budget estimates of payments in England should be prepared separately and furnished to the Railway Board, along with the grand summary of working expenses (*vide* paragraph 557) in the following form:—

FORM No. G-559

Particulars	Secretary of State		High Commissioner										Remarks
	Sundry items		Leave and Deputation salaries		Sterling overseas pay pay		Expenses connected with recruitment		*Sundry items		Total		
	Voted	Non-voted	Voted	Non-voted	Voted	Non-voted	Voted	Non-voted	Voted	Non-voted	Voted	Non-voted	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Demand No. 4—	£		£	£	£	£	£	£	£	£	£	£	
Revised Budget	..												
Demand No. 5—	..												
Revised Budget	..												
Demand No. 6—	..												
Revised Budget	..												
Demand No. 7—	..												
Revised Budget	..												
Demand No. 8—	..												
Revised Budget	..												
Demand No. 9—	..												
Revised Budget	..												
Total—													
Revised Budget	..												

* Details showing the nature of expenditure should be given on the back of the form or in a separate sheet.

Appropriation to Depreciation Reserve Fund

560. The estimate of appropriation to depreciation reserve fund is prepared in the office of the Railway Board. The amount to be shown in the estimate of each railway is calculated at 1/60th of the Capital at charge of the railway at the end of the previous year as shown in the Finance and Revenue Accounts of the Government of India. The estimate shows separately the amount actually contributed to the Depreciation Reserve Fund in accounts for the previous year, the figures of budget estimate for the current year, the revised estimate for the current year and the budget estimate for the following year.

Demands for Grants

406. Heads of Demands.—The heads under which the Demands should be presented and the authorities responsible for control over expenditure in each Demand against budget provision are shown below. The Demands shall be for gross expenditure, the credits or recoveries (*vide* paragraph 553) being shown in the form of foot notes to Demands.

Number of Demand	Particulars of Demand	Authority responsible for watching the progress of expenditure in each demand
1.	Railway Board	Secretary, Railway Board.
2.	Audit-deleted with effect from 1st April 1953.
3.	Miscellaneous Expenditure	President, Railway Rates Tribunal for his officer establishment; Deputy Chief Controller of Standardisation in charge for his office establishment; Director, research and Testing Station for his office establishment; Director of Railway Audit for cost of Statutory Audit; Railway Board for miscellaneous establishment and miscellaneous charges; Heads of Railway administrations to whom grants are made for land and surveys; Financial Adviser and Chief Accounts Offices, Eastern Railway for pensionary charges and commuted value of pensions of Railway Officers.
4.	Working Expenses—Administration	Heads of Railway Administrations for expenditure against the funds allotted to the respective railways; Chairmen, Railway Service Commissions, Allahabad, Bombay, Calcutta, and Madras for the expenditure of their respective offices.
5.	Working Expenses—Repairs and Maintenance.	} Heads of Railway Administrations for the expenditure against the funds allotted to the respective railways.
6.	Working Expenses—Operating Staff	
7.	Working Expenses—Operation (Fuel)	
8.	Working Expenses—Operation other than staff and fuel.	
9.	Working Expenses—Miscellaneous.	
9-A	Working Expenses—Labour Welfare	
10.	Payments to worked Lines and others	} Heads of Railway Administrations for the expenditure against the funds allotted to the respective railways.
11.	Working Expenses—Appropriation to Depreciation Reserve Fund.	
12-A	Open Line Works (Revenue)—Labour Welfare.	
12-B	Open Line Works (Revenue)—Other than Labour Welfare.	} Ministry of Railways (Railway Board).
13.	Appropriation to Development Fund	
14.	Appropriation to Revenue Reserve Fund	
14-A	Withdrawal from Revenue Reserve Fund.	

Number of Demand	Particular of Demand	Authority responsible for watching the progress of expenditure in each demand
15	Construction of New Lines	Heads of Railway Administrations for the expenditure against the funds allotted to the respective railways.
16	Open Line Works—Additions	Heads of Railway Administrations for expenditure against the funds allotted to the respective railways; General Manager, Chittaranjan Locomotive Works; Chief Administrative Officer, Integral Coach Factory; Ministry of Railways (Railway Board) for bulk order items of rolling-stock.
17	Open Line Works—Replacements.	Heads of Railway Administrations for expenditure against the funds allotted to the respective railways, Ministry of Railways (Railway Board) for expenditure in respect of the bulk order items of rolling-stock.
18	Open Line Works—Development Fund.	Heads of Railway Administrations for the expenditure against the funds allotted to the respective railways.
19	Capital Outlay on Vizagapatam Port.	General Manager, Eastern Railway.
20	Dividend payable to General Revenues	Ministry of Railways (Railway Board).

407. Sub-heads and detailed heads of Demands—Each Demand is divided into the following sub-heads and detailed heads—

Demand No.	Sub-heads	Detailed heads
1. Railway Board	1. Pay of officers	(a) Permanent. (b) Temporary.
	2. Pay of establishment	(a) Permanent. (b) Temporary
	3. Other charges	(a) Contribution to Provident Fund and Gratuities. (b) Allowances, & c. (c) Contingencies.
Audit	Deleted from 1st April 1953.
2. Miscellaneous expenditure	1. Land	Individual branch line railways.
	2. Surveys	Individual surveys.
	3. Pensionary Charges
	4. Cost of Statutory Audit
	5. Miscellaneous officers—	
	(i) Central Standards Office	1. Pay of Officers. 2. Pay of establishment.
	(ii) Research Directorate	3. Other charges.
6. Miscellaneous establishment.	In detail.	
7. Miscellaneous charges	In details	
3. Payment to worked lines.		

Description	Actuals, 1951-52	Budget Estimate, 1952-53	Revised Estimate, 1952-53	Budget Estimate, 1953-54
1	2	3	4	5
I. Coal carried by sea (quantity)				
II. Average sea freight per ton				

Note.—Years in the form have been shown for purpose of illustration.

553. List of Credits or Recoveries.—The following items of credits or recoveries shall be excluded from the scope of the demands presented for vote of Parliament—

(i) Commission on account of audit of military warrants and credit notes in connection with the military traffic.

(ii) Hire and haulage charges of rolling-stock from Port Trust Railways or other non-budget lines.

(iii) Service contributions from other Departments/Ministries on account of staff on deputation.

(iv) Credits for released material relating to renewal and replacement works and also those released from repair and maintenance works.

(v) Credits for energy supplied to purposes other than Revenue.

(vi) Sale proceeds in Canteens, State Government grants to schools, fees from students, & c.

(vii) Credits under 'Suspense' head—

(a) Issue from Stores.

(b) Issues under Manufacture Suspense.

(c) Credits under 'Miscellaneous Advances (Revenue)'.
(viii) Credits under Unpaid Wages.

The Railway Board should be furnished with a list of such credits or recoveries accompanying the revised and budget estimates under each demand in the following form:—

FORM NO. G553-B

Serial No.	Brief Description	Actual 1951-52	Budget Estimates, 1952-53	Revised Estimates, 1952-53	Budget Estimates, 1953-54
1	2	3	4	5	6

Note.—Years have been shown in the form for purpose of illustration.

554. The following items of credits or recoveries shall be taken in reduction of Demands and only net figures (minus or plus) shall be shown under the respective detailed heads of the Demands.—

(i) Credits on account of accounting adjustments such as—

(a) Credits realised from surplus stock, found in stock verification, & c.

(b) Credits on account of surplus stock transferred from one work to another chargeable to same or another grant or to stock.

(c) Credits to Capital or Depreciation Reserve Fund or other heads on account of write-back adjustments, & c.

(d) Credits for over-charges and under-charges under Repairs.

(ii) Credits on account of the rebate for purchases made through Supply and Disposals Department.

(iii) Credits under "Demands Payable."

555. Summary of Ordinary Working Expenses.—The Railway Board should be furnished with a summary of the ordinary working expenses in Form No. G.555 given below, comparing, under each demand head, the actuals during each of the preceding three years, with the budget estimates and revised estimates for the current year and budget estimates for the following year. The figures of actuals should agree with those intimated to the Railway Board and the differences, if any, should be suitably explained in the remarks column.

FORM NO. G. 555

Particulars	Actuals			Budget Estimate, 1952-3	Revised Estimate,	Budget Estimate, 1952-3	Remarks
	1949-50	1950-1	1951-2				
1	2	3	4	5	6	7	8
Demand NO.4							
Demand No.5							
Demand No. 6							
Demand No. 7							
Demand No. 8							
Demand No. 9 (excluding suspense).							
Demand No. 9-A							
Total							
Suspense							
Grand Total							
Working Expenses of worked lines.							

Note.—Years have been shown in the form for purpose of illustration.

CHAPTER-IV

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

Recommendations

The Committee observe that during 1997-98, there were variations between the sanctioned provisions under various grants/appropriations *vis-a-vis* actual expenditure incurred. There were total savings of Rs 877.45 crore under the grants (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. 715.72 crore. What is really cases disturbing is that the savings exceeded in 13 out of 14 Voted grants and in three cases the savings exceeded Rs 100 crore (Grants 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 minimized 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-a-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.

[Sl. 1 Appendix III Para 59 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

1. The Committee has pointed out an aggregate savings of Rs 715.72 cr. in various grants and appropriations during 1997-98. These savings have been computed by comparing the actual expenditure with the sanctioned provisions. However, a comparison of the actual expenditure with the Final Grants shows that there was a savings of only Rs. 283 cr. which works out to less than 1% of both the total authorisation as well as the final Grants.

2. Railway operations are spread over a vast network and are necessarily complex and dynamic in nature. So, while every effort is made at the beginning of the financial year to estimate as accurately as possible taking into account the fund requirements for the projected level of traffic and other activities, post-budgetary factors during the course of the year often result in some modifications to the original grant. These factors include the actual through put achieved *vis-a-vis* projections made, as also hike in DA rates, diesel prices, electricity rates, rate of Productivity Linked Bonus etc. Apart from this is the Railways' continuous stress on economy for which spending limits are fixed at the beginning of the year and closely monitored thereafter; there is also great emphasis on improving asset utilisation and efficiency. Adjustments to

cater to the modified requirements are made up to the Final Grant stage. It would therefore, be more appropriate to compare the actual expenditure with the Final Grants.

3. Savings of more than Rs 100 cr. occurred in 1997-98 in Grant Nos. 13, 15 & 16-Capital, owing to reasons which were either beyond the control of the Railways or technical.

3.1 Grant No. 13 This grant is for booking expenditure on pension. The recommendations of V Central Pay Commission were implemented in 1997-98. The orders on pension came in the latter part of the financial year and in various stages. Also the implementation of these orders was dependent on the flow of receipt of applications from pensioners. Hence the impact could not be assessed accurately. This resulted in a saving of Rs. 159 cr.

3.2 Grant No. 15 Railway Convention Committee *vide* their 9th Report for 1995-96 and 12th Report for 1996-97 recommended that pre-52 capital-at-charge of the Railway should be treated as dividend free. This recommendation could not be implemented until 1997-98 owing to objection from Ministry of Finance. The Government's decision to allow the above exemption only for 2 years, *i.e.*, 1995-96 and 1996-97, came in 1997-98 after the budgetary stages were over and, hence, adjustments in this regard were made in the actuals. This primarily resulted in savings of Rs. 141 cr. in Demand No. 15

3.3 Grant No. 16-Capital Savings were due to less 'gross' expenditure under Inventories. However, on a net basis the Capital (budgetary support) including supplementary of Rs. 170 cr. from General Exchequer was fully utilised with a minor saving of only Rs. 9.34 cr.

4. The Railways, however, do take note of the concern expressed by the Committee. The Railways already have an established mechanism of budgetary formulation and control. Instructions for gearing up the same have already been issued to the Railways on 19.10.2000 and are being reiterated.

(Sd/-)

(A.S. TEWARI)
Adv. Finance

(Ministry of Railways's O.M.No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

No. 1999-B-342/2

New Delhi, dated 6.2001

The General Manager,
All Indian Railways,

Sub: Savings over Voted Grants/Charged Appropriations — 1997-98

An aggregate saving of Rs. 877 cr. occurred in 1997-98 on total sanctioned provisions. The details are as under:—

(Rs. in thousands)

Demand No.	Grants	Appropriations
1	3,43,25	..
2	11,72,81	..
3	67,24,80	..
4	58,45,94	..
5	55,60,76	4,00
6	54,63,12	1,00
7	53,49,89	25
8	..	62
9	55,20,21	..
10	..	25
11	14,88,76	1,61
12	49,89,09	5,43,18
13	1,58,40,42	11,66
15	1,40,51,27	..
16 (Capital)	1,33,23,71	3,31,82
16 (Railway Funds)		1,27,48
16 (OLWR)	10,49,41.	

As there was also an excess in some of the grants/appropriations, the overall savings worked out to Rs. 716 cr. on net basis. Although the Zonal Railways has surrendered Rs. 433 cr. at the time of Final Grants, these savings highlight the deficiency in the system of budgetary projections. It is felt that adequate attention is not paid while projecting Grantwise requirements. Loose projections also defeat the very purpose of budgeting and planning. It need not be stressed that accurate estimates would enable proper planning and well directed investment of resources.

As has already been conveyed to the Railways, the variations over the authorised grants are to be explained in the "Appropriation Accounts" and it does not absolve the Railways to say that funds were surrendered at the Final Estimates stage. Some cases of savings/excess considered serious are:—

1. Excess has occurred in Grants even though supplementary grants were obtained.

2. Savings occurred in Grants where supplementary grants were obtained *i.e.* supplementary obtained were not utilised fully indicated inaccurate assessment of additional requirements.

3. Although funds under some Grants were surrendered at Final Modification stage, Railways exceeded the reduced allotment projected by them.

4. Grant no. 2,3,5,15 and 16 (OLWR) continue to show savings since 1993-94.

Public Accounts Committee (13th Lok Sabha) have noted with great concern the above position in their 20th Report on 'Appropriation Accounts of the Railways for 1997-98'. The Committee's displeasure conveyed in paras 59, 60, 61, 63, 65, 66 and 69 of the report are enclosed for taking remedial action to prevent recurrence of such cases.

The Minister has also viewed these instances very seriously and the Committee has rightly expressed profound concern over "the absence of precise accounting information system." It is, thus important that budgetary projections are made very carefully so as to avoid large-scale surrender of funds. Although Railways do possess a streamlined system for budget formulation and expenditure control, it needs to be strengthened so as to ensure realistic assessment of funds. The Railways may keep a special watch on the Grants where savings are occurring on a regular basis.

Steps taken by the Railways in this regard should be advised to the Board.

(Sd/-)

Director Finance (Budget)
Railway Board

Recommendation

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 V Pay Commission recommendations etc. The explanation is far from tenable as, evidently, the Ministry calculated their monetary requirements for the 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 away to such a large extent.

[Sl. No. 2 Appendix III Para 60 of 20th Report of PAC
(13th Lok Sabha)]

Action Taken

This grant is for booking expenditure on pension. The recommendations of V Central Pay Commission were implemented in 1997-98. The orders on pension came in the latter part of the financial year. There were also several revisions to the pension

orders. Further, the pace of implementation of the recommendations was dependent on the flow of receipt of applications from pensioners. Due to all these reasons, the impact could not be assessed accurately. This resulted in a saving of Rs. 159 cr.

The observations of the Committee are, however, noted for better assessment of pension requirements in future.

(Sd/-)

(A.S. TEWARI)

Adv. Finance

(Ministry of Railways' O.M. No. 2001-BC-PAC/XIII/20,
dated 29.8.2002)

CHAPTER-V

RECOMMENDATIONS OR OBSERVATIONS IN RESPECT OF WHICH GOVT.
HAVE FURNISHED INTERIM REPLIES/NO REPLIES.

— NIL —

NEW DELHI;
11 December, 2003

20 Agrahayana 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

APPENDIX

Statement of Conclusions and Recommendations

Sl. No.	Para No.	Ministry/ Deptt. concerned	Conclusions and Recommendations
1	2	3	4
1.	6.	Railways (Railway Board)	<p>The Committee are distressed to find that the complete Action Taken Notes on the recommendations contained in 20th Report (13th Lok Sabha) were received after a delay of two years and four months from the presentation of the Report to the House. As most of the issues disclosed during the scrutiny of Indian Railways Appropriation Accounts are of recurring and routine in nature, it is essential for the Ministry to submit the ATNs on earlier Report within the prescribed time limit of six months so that their Action Taken on the matters of recurring and routine nature could be taken into account during the course of examination of Indian Railways Appropriation Accounts for the subsequent year. The Committee observe that their oft repeated recommendations and the instructions issued by the Ministry of Finance (Deptt. of expenditure-Monitoring cell) thereon year after year has not yielded the desired results. The Committee would like the Ministry of Railways (Railway Board) to evolve a proper procedure for submission of the requisite Action Taken Notes to the Committee within the prescribed time limit.</p>
2.	9.	-do-	<p>The Committee find to note that although the Ministry of Railways are stated to have an established mechanism of budgetary formulation and control, the desired improvements in the budgetary control mechanism are not reflected in the Indian Railways Appropriation Accounts for the three years <i>i.e.</i> 1998-99 to 2000-2001. The Committee have also been informed that instructions for gearing up the established mechanism of budgetary formulation and control have already been issued. A mere issuance of such instructions does not make much</p>

1	2	3	4
3.	12.	Railways (Railway Board)	sense unless the reasons for large scale recurrent savings in a grant appropriation are investigated and suitable remedial steps taken so as to ensure judicious utilization of scarce resources. The Committee, therefore, reiterate their earlier recommendation and desire that the Ministry of Railways should do the needful and apprise the Committee of the concrete steps taken to overcome the tendency of excess budgeting in future.
4.	15.	-do-	12. Noting the large scale savings under Grant No. 13—Provident Fund, Pension and other Retirement benefits the Committee had in para 60 of their 20th Report (13th Lok Sabha) desired the Ministry of Railways to compile and critically analyse the requisite data so that their budget estimates on pension and other retirement benefits do not go away to such a large extent. From the Action Taken Notes furnished by the Ministry, the Committee find that the Ministry have not indicated as to the initiation of any concrete measure in this regard. The Committee, therefore, reiterate their earlier recommendation and like the Ministry of Railways to examine, in consultation with the Ministry of Finance, whether there are any inherent defects in the existing system of budget estimation on pension in order to take suitable measures for ensuring better assessment of pension requirements in future.
			15. In their earlier report the Committee while examining the appropriation accounts had noted that the net result of stock verification of stores and miscellaneous items on Indian Railways was a surplus of Rs. 123.35 crores and desired the Ministry of Railways to settle/close the accounts more than five decades old without further delay. In their action taken notes the Ministry has stated that the matter was proposed to be resolved in consultation with the Ministry of Finance in the current year. The Committee would like the Ministry of Railways to give serious attention to this aspect and would like to be informed of efforts made and the progress achieved in this regard at the earliest.

PART II

MINUTES OF THE THIRTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2003-2004) HELD ON 8 DECEMBER, 2003

The Committee sat from 1500 hrs. to 1522 hrs. on 8th December, 2003 in Committee Room "B", Parliament House Annexe, New Delhi.

PRESENT

Shri Rup Chand Pal — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Harbhai Chaudhary
3. Shri Raghunath Jha
4. Dr. Nitish Sengupta
5. Shri Brij Bhushan Sharan Singh
6. Shri Kirit Somaiya
7. Shri Bhartruhari Mahtab

Rajya Sabha

8. Shri Santosh Bagrodia
9. Shri Prasanta Chatterjee
10. Shri K. Rahman Khan

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri Raj Shekhar Sharma — *Deputy Secretary*
3. Shri B.S. Dahiya — *Under Secretary*

Office of the Comptroller & Auditor General

1. Shri P. Sesh Kumar — Pr. Director
2. Smt. Minakshi Ghosh — Pr. Director

2. In the absence of Chairman, the Committee chose Shri Rup Chand Pal to act as Chairman for the sitting under Rule 258(3) of Rules of Procedure and Conduct of Business in the House.

3. The Committee then took up for consideration the following draft Reports:—

- | | | | |
|-------|---|-----|-----|
| (i) | xxx | xxx | xxx |
| (ii) | xxx | xxx | xxx |
| (iii) | Draft Report on action taken on the recommendations contained in 20th Report of PAC (13th Lok Sabha) relating to "Indian Railways Appropriation Accounts (1997-98). | | |

4. While commending the draft reports, the Committee adopted those without any modifications or amendments.

5. The Committee authorised the Chairman to finalise the draft Reports in the light of changes, if any, arising out of factual verification by Audit and present the same to the Houses in the current session of Parliament.

The Committee then adjourned.