

**UNION GOVERNMENT
APPROPRIATION
ACCOUNTS—RAILWAYS
(1996-97)**

**PUBLIC ACCOUNTS
COMMITTEE
1998-99**

TWELFTH LOK SABHA



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10 LOK SABHA SECRETARIAT
NEW DELHI

THIRD REPORT

PUBLIC ACCOUNTS COMMITTEE (1998-99)

(TWELFTH LOK SABHA)

UNION GOVERNMENT APPROPRIATION ACCOUNTS RAILWAYS (1996-97)



*Presented to Lok Sabha on 22 December, 1998
Laid in Rajya Sabha on 22 December, 1998*

LOK SABHA SECRETARIAT
NEW DELHI

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(12TH LOK SABHA)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(1998-99)

Shri Manoranjan Bhakta — *Chairman*

MEMBERS

Lok Sabha

2. Shri Prithviraj D. Chavan
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2. Shri P.D.T. Achary — *Joint Secretary*
3. Shri Devender Singh — *Deputy Secretary*
4. Shri Rajeev Sharma — *Under Secretary*

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf, this Third Report of the Committee on Union Government Appropriation Accounts—Railways (1996-97).

2. The Committee examined the Union Government Appropriation Accounts of the Railways for the year 1996-97 and audit observations thereon in the light of written information furnished by the Ministry of Railways. The Committee also took oral evidence of the representatives of the Ministry of Railways on 27 October, 1998. The Committee considered and finalised this Report at their sitting held on 17 December, 1998. Minutes of the sittings 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-II to the Report.

4. The Committee would like to express their thanks to the officers of the Ministry of Railways for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

5. The Committee also 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;

18 December, 1998

27 Agrahayana, 1920 (*Saka*)

MANORANJAN BHAKTA,

*Chairman,
Public Accounts Committee.*

REPORT

UNION GOVERNMENT APPROPRIATION ACCOUNTS— RAILWAYS (1996-97)

I. Annual Appropriation Accounts of the Union Government

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

2. The Annual Appropriation Accounts in respect of the grants/ appropriations pertaining to the Railways are prepared by the Ministry of Railways and audited by the Comptroller and Auditor General of India who also submits a separate Audit Report thereon to the President, who in turn, causes them to be laid before each House of Parliament in terms of Article 151 of the Constitution.

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

II. Appropriation Accounts of Railways for 1996-97

4. The Appropriation Accounts of the Railways for the year 1996-97 and Audit Report thereon were laid in both the Houses of Parliament on 9 June, 1998.

5. The results of examination by Audit of the Appropriation Accounts of the Railways for the year 1996-97 have been brought out in paragraph 1.8 of the Report of the C&AG of India for the year ended 31 March, 1997, No. 9 of 1998, Union Government (Railways).

6. In the succeeding parts of this Report, the Committee have examined the Union Government Appropriation Accounts of the Railways for the year 1996-97 and audit observations thereon in the light of the written information furnished and oral evidence tendered before the committee by the representatives of the Ministry of Railways (Railway Board) on this subject.

III. Financial allocations and utilisation

7. The Ministry of Railways operated 16 grants/appropriations during the year 1996-97. The following table gives a brief summary of the expenditure incurred by Railways during 1996-97 compared with the grants and appropriations authorised by Parliament for that year:

(Rs. in crore)

	Original grant	Sup- plemen- tary grant	Total grant/ appropria- tion	Actual expendi- ture	Excess (+) Savings (-)
I. Revenue					
Voted	27921.71	395.63	28317.34	27704.27	(-)613.07
Charged	10.98	9.66	20.64	14.43	(-)6.21
Total	27932.69	405.29	28337.98	27718.70	(-)619.28
II. Capital					
Voted	12878.81	474.74	13353.55	13105.62	(-)247.93
Charged	9.00	1.44	10.44	8.43	(-)2.01
Total	12887.81	476.18	13363.99	13114.05	(-)249.94
Total Voted	40800.52	870.37	41670.89	40809.89	(-)861.00
Total Charged	19.98	11.10	31.08	22.86	(-)8.22
Grant Total	40820.50	881.47	41701.97	40832.75	(-)869.22

8. Another table giving grant-wise summary of Appropriation Accounts (Railways) for the year 1996-97 is enclosed at *Appendix-I*.

9. A detailed analysis of the Appropriation Accounts revealed that there were substantial variations between the sanctioned provisions under various grants/appropriations *vis-a-vis* actual expenditure incurred by Railways during 1996-97. There were total savings of Rs. 1060.23 crore under the grants (Nos. 1, 2, 3, 5, 9, 10, 14, 15, 16—Capital and Revenue) and in the appropriations (Nos. 4, 5, 6, 7, 8, 10, 11, 12, 13, and 16—Capital). There was also an aggregate excess expenditure of Rs. 191.01 crore in eight grants and three appropriations. All these instances of excesses and savings under different grants and appropriations resulted in an overall net saving of Rs. 869.22 crore against the total sanctioned provision of Rs. 41,701.97 crore during the year 1996-97.

10. In the light of the explanatory note furnished and oral evidence tendered by the representatives of Ministry of Railways, the Public Accounts Committee have examined the reasons for and the circumstances leading to excess expenditure of Rs. 191.01 crore under eight voted grants (4, 6, 7, 8, 11, 12, 13 and 16—Railway Funds) and three charged

appropriations (3, 9 and 16—Railway Funds) for the year 1996-97 and presented their Report on the subject (1st Report of PAC—12th Lok Sabha) to Parliament on 8 December, 1998 recommending regularisation of the excess expenditure under Article 115 (1) (b) of the Constitution subject to certain observations/recommendations.

IV. Savings in various Grants/Appropriations

11. Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. These may be illustrative of poor budgeting, casual attitude or shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided. During the course of examination of Appropriation Accounts relating to Railways for the year 1996-97, the Committee noticed savings of the order of Rs. 613.07 crore and Rs. 247.93 crore in the Revenue and Capital Sections (Voted) respectively in ten cases of the grants operated by the Ministry of Railways.

12. The complete text of the explanatory note furnished by Ministry of Railways in respect of five grants (Nos. 5, 9, 10, 14 and 16—Capital) where savings exceeded Rs. 100 crore in each grant during the year 1996-97 is reproduced at *Appendix-II*.

(A) Savings under Voted Grants

13. The Committee's scrutiny of the Appropriation Accounts of the Railways revealed that savings were registered by the Railways in the following Voted grants during 1996-97:—

(Rs. in crore—Approx.)

Grant No.	Nature of expenditure	Total Grant	Actual expenditure	Saving	% of saving
1	2	3	4	5	6
1.	Railway Board	24.21	22.14	2.07	8.55
2.	Misc. expenditure (General)	123.27	116.63	6.64	5.38
3.	General Superintendance and Services	850.63	839.97	10.66	1.25
5.	Repairs and Maintenance of motive power	1189.44	1069.83	119.61	10.06
9.	Operating expenses—Traffic	3365.50	3216.50	149.00	4.43
10.	Operating expenses—Fuel	4003.61	3753.42	250.19	6.25
14.	Appropriation to Funds	7076.00	6942.06	133.94	1.85
15.	Dividend to General Revenues, Repayment of loans from General Revenues and Amortisation of over-capitalisation	1587.37	1507.46	79.91	5.03

1.	2	3	4	5	6
16.	Assets—Acquisition, Construction and Replacement—Open Line Works (Revenue Section)	45.00	228.03	16.97	37.71
16.	Assets—Acquisition Construction and Replacement (Capital Section)	8271.90	7991.03	280.87	3.40

(B) Savings under Charged Appropriations

14. The Committee's scrutiny has further revealed that savings were registered by the Railways in the following charged appropriations during 1996-97 :—

(Rs. in lakh—Approx.)

Grant No.	Nature of expenditure	Total Appropriation	Actual expenditure	Saving	% of saving
4.	Repairs & Maintenance of Permanent Way and Works	10.00	4.66	5.34	53.43
5.	Repairs & Maintenance of Motive Power	4.00	Nil	4.00	100.00
6.	Repairs & Maintenance of Carriages and Wagons	1.85	00.49	1.36	73.32
7.	Repairs & Maintenance of Plant and Equipment	11.00	1.24	9.76	88.76
8.	Operating Expenses — Rolling Stock and Equipment	6.00	3.88	2.12	35.38
10.	Operating Expenses — Fuel	1.00	Nil	1.00	100.00
11.	Staff Welfare and Amenities	00.50	00.24	00.26	51.07
12.	Misc. Working Expenses	1958.29	1358.47	599.82	30.63
13.	Provident Fund, Pension and other Retirement benefits	65.19	56.48	8.71	13.36
16.	Assets—Acquisition, Construction and Replacement — other Expenditure (Capital)	572.89	168.59	404.30	70.57

(C) Grants registering savings over Rs. 100 crore

15. Under 5 grants (Nos. 5, 9, 10, 14 and 16—Capital), the Railways registered savings of over Rs. 100 crore in each case. In the subsequent parts, the Committee have dealt with these savings in the light of the contributory reasons therefor as furnished by the Ministry of Railways :—

(i) Grant No. 5 — Working Expenses—Repairs and Maintenance of Motive Power

16. The Committee's examination of Grant No. 5 revealed that the overall savings of Rs. 119.61 crore under this grant was the net result of

excess in one Minor Head and savings in four Minor Heads. The Minor Heads under which savings occurred and the contributory reasons therefor are given below :—

(Rs. in crore)

Minor Heads	Savings	Contributory reasons Advanced by the Railway Board
Establishment in Offices	9.60	Less staff cost due to non-filling up of vacancies
Steam Locomotives	12.87	Closure of Steam Loco Sheds and re-deployment of surplus staff in other activities
Diesel Locomotives	65.33	Receipt of less Store debits and less POH activities than anticipated
Electric Locomotives	36.15	Non-receipt of high value items of stores and less receipt of debits than anticipated

17. Explaining the reasons for savings under Grant No. 5, the representative of the Railway Board deposed during oral evidence before the Committee as under:—

“.....in Grant No. 5, which deals with repair and maintenance of motive power, the volume of repairs undertaken both of electric locomotives and diesel locomotives — periodical overhauls — were less than what we have planned for. Consequently we had to incur some savings on this.”

(ii) Grant No. 9 — Working Expenses — Operating Expenses—Traffic

18. The Committee's scrutiny of this grant revealed that the Railways had obtained Rs. 3365.50 crore at the budget estimate but they incurred the actual expenditure of Rs. 3216.50 crore and thus had unspent balances of Rs. 149 crore. The overall savings of Rs. 149.00 crore under this grant were net result of savings of Rs. 229.46 crore under four Minor Heads which were partially offset by excesses of Rs. 80.46 crore under three Minor Heads. The savings constituted 10.07 per-cent of the total sanctioned

provision under this grant. The Minor Heads under which the savings were registered by the Railways under this grant alongwith contributory reasons therefor are indicated below:—

(Rs. in crore)

Minor Heads	Savings	Contributory reasons Advanced by the Railway Board
Establishment in Office	1.95	Less staff cost and less expenditure on contractual payments
Yard Operations	14.96	Receipt of less store debits and less expenditure on staff cost
Transshipment and Repacking Operations	0.38	Lesser activities under Transshipment and Repacking operations
Other Misc. Expenses	212.17	Decrease under terminal charges and receipt of more credits on accounts of IRFA

(iii) Grant No. 10 — Working Expenses—Operating Expenses—Fuel

19. A scrutiny of Grant No. 10 revealed that there was a saving of Rs. 250.19 crore against the sanctioned budget of Rs. 4003.61 crore. The Minor Heads under this grant where savings had occurred during 1996-97 alongwith the contributory reasons therefor are given below:—

(Rs. in crore)

Minor Heads	Savings	Contributory reasons Advanced by the Railway Board
Steam Traction	15.82	Closure of Steam Loco Sheds thereby resulting in less consumption of coal from stock
Diesel Traction	135.80	Less performance in GTKMs/EKMs as well as less adjustment of debits of freight and handling charges due to decrease in activity
Electric Traction	98.57	Reduction in consumption of energy, less Contractual payment to State Electricity Boards and adoption of energy saving measures

(iv) Grant No. 14—Appropriation of Funds—Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund

20. The Committee's scrutiny of this grant revealed that the sanctioned provision for Appropriation of Funds was Rs. 7076.00 crore. However, the Railways incurred actual expenditure of Rs. 6942.06 crore thus registering savings of Rs. 133.94 crore under this grant. The amount of the savings under the relevant minor heads and the contributory reasons therefor are given below:—

(Rs. in crore)

Minor Heads	Savings	Contributory reasons Advanced by the Railway Board
Pension Fund	535.00	Non-materialisation of implementation of 5th Pay Commission's recommendations
Development Fund	35.79	Less expenditure

The above savings under this grant were partly offset by excess expenditure under the following Minor Heads:—

Depreciation Reserve Fund	200.00	More expenditure in this Fund
Capital Fund	236.85	Availability of surplus left after appropriation to Development Fund

(v) Grant No. 16—Assets—Acquisition, Construction and Replacement—Capital

21. The Committee's scrutiny has revealed that a grant of Rs. 8101.90 crore was obtained at the Budget Estimate stage. A supplementary grant of Rs. 170.00 crore was also obtained for certain on-going projects under Plan head "New Lines" and for 'Out-of-turn' works, which were regarded as "New service New instrument of Service". There was also a misclassification of Rs. 1.51 crore. The overall savings of Rs. 280.87 under this grant were that net result of aggregate excesses of Rs. 172.57 crore

under four Minor Heads and aggregate savings of Rs. 453.44 crore under 13 Minor Heads. The Minor Heads under which the savings were registered by Railways under this grant are given below:— (Rs. in crore)

Minor Heads	Savings	Contributory reasons Advanced by the Railway Board
(a) New Lines (Construction)	17.08	Slower progress of work
(b) Doubling	0.15	-do-
(c) Traffic Facilities—Yard Remodelling and Others	7.36	-do-
(d) Signalling and Telecommunication Works	1.22	-do-
(e) Electrification Projects	50.09	-do-
(f) Workshops—including Production Units	2.37	-do-
(g) Staff Quarters	20.39	-do-
(h) Investment in Government Commercial Undertakings—Public Undertakings	10.00	-do-
(i) Other Specified Works	0.55	-do-
(j) Store Suspense	52.11	-do-
(k) Manufacturing Suspense	244.42	-do-
(l) Misc. Advance	3.73	-do-
(m) MTPs	43.97	-do-

22. The Committee's scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that the Railways have not furnished any plausible explanation for savings under the above 13 minor heads of the grant except that these savings were attributable to slower progress of work.

23. On being asked as to why the Railways were not able to spend the money allocated to them for the projects like electrification of lines, repairing of signalling system etc., the representative of the Railway Board deposed before the Committee as under:—

“It is true that the electrification projects, we had to save Rs. 50 crore for which I have got the reasons. The reason is non-materialisation of some conducting wires. That itself was to the extent

of about Rs. 11 crore. Then steel structure, tower wagons, S&T stores etc. also accounted for the rest of the amount saved. Mostly we depend upon the contractors to supply these items in which event, an contractual failure to supply these items in time we run into problems.”

24. The Committee’s scrutiny of Grant No. 16 further revealed that the minor head “Manufacturing suspense” alone accounted for savings of Rs. 244.42 crore out of the total net savings of Rs. 280.87 crore. On being asked about the savings under manufacturing suspense, the representative of the Railway Board stated during evidence:—

“Manufacturing suspense account is operated in our production units. We have got six production units—two for locomotives, two for coaches, one for diesel locomotive rebuilding at Patiala, and another one at Wheel and Axle Plant. They operate manufacturing suspense account. Besides that, every zonal Railway has got repair workshops. It is a suspense account where the initial booking of expenditure, whether it is relating to materials, labour, incidentals or on-cost features, is budgeted for. It is a huge budget. The figure is close to Rs. 4,000 crore. In the initial stage, the debits are booked there. Afterwards, when the manufacture takes place, the value of the manufacture is transferred to some other final Head of account for which also budget is taken. This is a huge figure and so many fluctuations are possible in this activity. This is how, in that particular year some surrender has occurred....

Basically, the surrender has taken place in the production units. The three production units which were involved are RCF, CLW and ICF. In RCF, we had an industrial problem in the month of December. Therefore, the number of coaches which had been planned could not be turned out during that year. Earlier, we had budgeted for 1030 coaches in the manufacturing suspense account, but 100 coaches were produced less. That resulted in savings in the manufacturing suspense account.”

V. Persistence savings in the Voted Grants

25. The Committee’s detailed scrutiny has also disclosed that large scale savings had been a recurring trend from 1994-95 onwards under

the voted grants of the Railways. The following table indicates the quantum of savings in Revenue as well as Capital sections of the Voted grant from 1994-95:—

Year	Quantum of Savings in Voted Grants		
	Revenue Section	Capital Section	Total
1994-95	276.95	717.96	994.91
1995-96	116.64	290.68	407.32
1996-97	613.07	247.93	861.00

26. In reply to a question on persisting savings in the Railways, the representatives of the Railway Board deposed as under:—

“Savings, of course, have become slightly more in the year under review. It will be our efforts to see that we are able to identify the reasons in time.”

27. On being asked as to what percentage of variation between authorised funds and actual expenditure was justifiable, the representative of the Railway Board stated as under:—

“We would certainly like to have a system of budgeting in which there is hardly any variation.”

VI. Budgeting and Control Mechanisms

(A) Supplementary Grants/Appropriations

28. The Government have to obtain necessary supplementary grants or appropriations in accordance with the provision of article 115(1)(a) of the Constitution whenever the amount provided for in the sanctioned budget for any service in a financial year is found to be insufficient for the purposes of that year or when a need has arisen during that financial year for supplementary or additional expenditure upon some “new service” not contemplated in the annual financial statement for that year.

29. In this context, the Ministry of Finance had also issued instructions to all Ministries/Departments on 27 March, 1986 stipulating that supplementary demands should be severely restricted to genuine unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements of decision or developments taking place after the approval of the budget i.e. in respect of post-budget decision and not for continuing schemes and programmes.

30. The Committee's scrutiny of the Appropriation Accounts of the Railways has however, revealed that in the following seven cases, supplementary grants were obtained which remained wholly or partially unutilised and funds were reappropriated to other plan heads. In four out of the seven cases, funds more than the supplementary grants obtained were reappropriated to other plan heads.

(Rs. in crore)

	Final Grant	Actual Expenditure	(-) Savings/ (+) Excess
Plan Head—Investment in Public Sector Undertakings (Capital)			
Original	10.00	10.00	—
Supplementary	10.00		
Reappropriation (-)	10.00		
Plan Head—New Lines Construction (Capital)			
Original	213.96	287.90	4.98
Supplementary	96.00		
Reappropriation (-)	22.06		
Plan Head—Manufacturing Suspense (Capital)			
Original	3919.84	3684.60	(-) 6.69
Supplementary	2.50		
Reappropriation (-)	237.74		
Plan Head—Miscellaneous Advance (Capital)			
Original	107.27	80.39	24.65
Supplementary	1.50		
Reappropriation (-)	28.38		
Plan Head—Traffic Facilities (Railway Funds)			
Original	134.34	126.62	(-) 4.58
Supplementary	7.00		
Reappropriation (-)	14.72		
Plan Head—Rolling Stock (Railway Funds)			
Original	1320.56	1407.44	24.07
Supplementary	171.73		
Reappropriation (-)	84.85		
Plan Head—Signalling and Telecommunication Works (Railway Funds)			
Original	242.84	217.72	3.06
Supplementary	24.92		
Reappropriation (-)	50.04		

31. The audit observations on the Appropriation Accounts (Railways) also brought out that the supplementary grants (Rs. 870.37 crores) and appropriations (Rs. 11.10 crores) obtained during 1996-97 constituted 2.16 per cent of the original grants and appropriations against 0.62 per cent and 2.27 per cent in 1994-95 and 1995-96 respectively. The supplementary provisions under Grant No. 1 (Rs. 1.16 crores), Grant No. 2 (Rs. 3.47 crores) and Grant No. 16—Capital (Rs. 170 crores) obtained during the year remained wholly unutilised, as the savings of Rs. 2.07 crores, Rs. 6.64 crores and Rs. 280.87 crores respectively under these grants were more than the supplementary provisions.

(B) Injudicious Surrender of Funds

32. Savings in a Grant/Appropriation are to be surrendered as soon as these are foreseen without waiting for the last day of the year. A scrutiny of the Appropriation Accounts, however, revealed that while there was the total net savings of Rs. 869.22 crore, the Ministry of Railways surrendered only Rs. 794 crore at the final modification stage. It is seen from the audit observations on Appropriation Accounts (Railways) that in three cases (Grant Nos. 7, 12 and Appropriation No. 9), the Railways surrendered the funds despite the excess expenditure over sanctioned provisions. Similarly, in the following cases, more funds than the actual savings were surrendered at the final modification stage resulting in excess over the final modified grant/appropriation:

(Rs. in crore-Approx.)

Particulars	Final grant/ Appropriation	Actual Expendi- ture	Savings	Amount surrend- ered	Excess
Grant No. 5	1189.44	1069.83	119.61	125.54	5.93
Grant No. 9	3365.50	3216.50	149.00	153.07	4.27
Appropriation	5.73	1.69	4.04	4.31	0.27

(C) Injudicious re-appropriation of funds

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

34. It is seen from the audit observations on appropriation accounts of the railways for the year 1996-97 that re-appropriations of funds under Grants No. 16 were made in injudicious manner as detailed below:—

(a) Reappropriation of funds more than the budget provisions

(Rs. in crore - Approx.)

	Final Grant	Actual Expenditure	(-) Savings/ (+) Excess
Plan Head -- Traffic Facilities (Capital)			
Original -- 2.00	(--)4.19	(--)5.36	(--)1.16
Reappropriation (--)6.19			

35. The Ministry explained that the same was due to transfer of materials relating to assets abandoned without replacements over Northern Railway and writeback adjustment in respect of Bitra Gunta and Vijayawada redudant lines over South Central Railway. This was irregular as the writeback adjustments are to be treated as credit/recoveries outside the scope of the Grant. Further, depiction of minus expenditure in the Grants Account is not in order. Moreover, the reappropriation of more funds than originally provided is also against the laid down principles of reappropriation.

(b) Infructuous reappropriation

36. In the case given below, the Original Budget was supplemented by reappropriation, but finally an amount more than the reappropriation made was saved, rendering the entire reappropriation infructuous and ill-planned:—

(Rs. in crore - Approx.)

	Final Grant	Actual Expenditure	(-) Savings/ (+) Excess
Plan Head - Stores suspense (Capital)			
Original 2819.63	2870.05	2767.52	(-) 102.53
Reappropriation 50.42			

(c) Reappropriation against 'NIL' provision

37. In the following three cases, no budget provision was made originally but funds were provided for by reappropriation. While expenditure was incurred under two heads, the entire reappropriated fund remained unutilised under one head:—

(Rs. in crore - Approx.)

		Final Grant	Actual Expenditure	(-) Savings/ (+) Excess
Plan Head—Other Electrical Works (Capital)				
Original	—	0.0017	—	(-)0.0017
Reappropriation	0.0017			
Plan Head—Restoration of Dismantled Lines (Railway Funds)				
Original	—	1.13	1.13	—
Reappropriation	1.13			
Plan Head—Staff Quarters (Revenue)				
Original	—	0.04	0.01	(-)0.03
Reappropriation	0.04			

(d) Irregularities in Accounting System

38. The Committee's scrutiny of Annexure-J to the Appropriation Accounts (Part-II) of the Ministry of Railways for the year 1996-97 revealed that there were a large number of the cases where the irregularities in the nature of wrong booking of expenditure, non-accounting of charges, belated adjustment of amount, booking of expenditure over the above sanctioned provisions, fictitious adjustment, adjustment of amount to unrelated works, irregular adjustment of credit, irregular financial adjustment, non-adjustment of debits, incorrect computation of rates, irregular adjustment of the transactions; and irregular booking of expenditure etc. had occurred in various zonal Railways.

(e) Misclassification of expenditure

39. In the light of recurring nature of a number of cases of misclassification of expenditure being reported in the Appropriation Accounts of the Ministry of Railways, the Public Accounts Committee had in Paragraph 1.38 of their 74th Report (10th Lok Sabha), desired that the cases of misclassification in expenditure should be sternly dealt with and the Committee apprised of the precise action taken against officers held responsible for these lapses. In their action taken note, the Ministry stated that "it will be the constant endeavour of the Railways to arrest the incidence of misclassification while booking expenditure and any instance of misclassification would be viewed severely and taken up with and the defaulting Railways/Production units for determination of responsibility for the misclassification". It is,

however, seen from *Annexure—J of Part—II—Detailed Appropriation Accounts* that a large number of cases of misclassification of expenditure had again occurred even during the year 1996-97.

40. On being asked as to why the misclassification is happening despite its being pointed out by the earlier PAC in their 74th Report (10th LS), the representative of the Railway Board stated as under:—

“Misclassification seems to be a chronic issue. It has been coming forward as the hon'ble Member has rightly pointed out, over the years. The basic reason for this is that we have got lakhs and lakhs of transactions. These lakhs of transactions are booked in the accounts at the lowest levels. Somebody in the executive side identifies the accounting head to which it should go. Somebody in the accounting side checks it as a test check basis. Thereafter it is taken into account. I would first of all like to assure that these are not deliberate misclassifications. They are purely errors of judgement.”

The witness further deposed:—

“I am sorry to say that this misclassification is persisting. We are reiterating the instructions which prescribe that transactions at different levels must be scrutinised by the accounts officers in order to keep them under control. I would not claim complete improvement but we are keeping under control”.

VI. Losses in the Railways during 1996-97

41. The Committee's scrutiny of Annexure-H to the Appropriation Accounts (Part-II) of the Railways for the year 1996-97 disclosed that there were 2,26,539 incidents of losses involving Rs. 58.74 crore in Railways during 1996-97. These losses occurred mainly due to theft, accident, natural calamities and in transit. The number of cases of loss alongwith the amount under various grants are as under:—

(Rs. in crore)

Grant No.	No of cases	Amount
1	2	3
3	6	0.06
4	14746	21.13
5	4946	5.67
6	140667	23.79
7	17801	3.01
8	41989	1.40
9	90	0.15
10	2978	9.35

1	2	3
11	1135	0.02
12	1108	0.50
16	1073	2.66
Total	226539	58.74

42. On being asked about the reasons for loss of Rs. 58.74 crore in 2,26,539 incidents having taken place during 1996-97, particularly in transit and because of theft in Railways, the representative of the Railway Board deposed as under:—

“These transit losses take place because of accident, adverse weather conditions and law and order problems. Sometimes, due to a derailment which has taken place, the goods are lost at the site of the accident.

These are losses which are inherent in any system of transportation.”

CONCLUSIONS AND RECOMMENDATIONS

43. The Committee are astounded to find the substantial variations between the sanctioned provisions and the actual expenditure incurred thereagainst by Railways in all the grants/appropriations operated by them during the year 1996-97. There were aggregate savings of Rs. 1060.23 crore in ten cases under the Grant Nos. 1, 2, 3, 5, 9, 10, 14, 15 and 16—Capital & Revenue and in ten cases under the Appropriation Nos. 4, 5, 6, 7, 8, 10, 11, 12, 13 and 16—Capital. The savings in all the cases of voted grants exceeded Rs. 2 crore each and ranged between Rs. 2.07 crore and 280.87 crore. What is still more disturbing is the fact that the quantum of savings exceeded even Rs. 100 crore each in the case of Grant Nos. 5, 9, 10, 14 and 16—Capital. To cap it all, there was also an aggregate excess expenditure of Rs. 191.01 crore in eight grants and three appropriations. All these instances of excesses and savings under different grants and appropriations resulted in an overall net saving of Rs. 869.22 crore during the year 1996-97. Obviously, these instances of large scale variations under all grants/appropriations leading to either excesses or savings betray absence of a sound budgetary mechanism for assessing the actual requirements of funds and the casual and routine manner in which the budget estimates are being prepared by the Railways. Although the Financial Commissioner, Railway Board stated during evidence that he would certainly like to have a system of budgeting in which there was hardly any variation, the Committee are apprehensive that this sorry spectacle of financial indiscipline will not improve unless the Ministry of Railways impress upon their budget controlling authorities to undertake the task of budget preparation with utmost seriousness and care, taking into consideration the indicators like the past trends of expenditure, the stage of formulation/implementation of various schemes for which funds are sought. The Committee, therefore,

recommend that the Ministry of Railways should address this issue seriously and devise a fool proof mechanism to overcome the deficiencies in their existing system of assessing the requirement of funds. The Committee would also desire the Ministry of Railways to carefully review and scrutinise the budget estimates prepared by their lower formations and apply the necessary correctives so as to make the budget exercise more realistic and to obviate such large scale variations in future. The Committee would like to be apprised of the precise steps taken by the Ministry in this regard.

44. The Committee note that substantial savings amounting to Rs. 518.80 crore had occurred under grant Nos. 5, 9 and 10 relating to Working Expenses of Railways on Repairs and Maintenance of Motive Power, Operating Expenses Traffic and Operating Expenses—Fuel respectively. In the explanatory note, the Ministry of Railways stated that the savings under these grants were mainly due to closure of Steam Loco Sheds, receipt of less store debits and decreased activities undertaken by Railways in their operations. In the opinion of the Committee, these factors were not such as to crop up suddenly or which could not be anticipated at the time of preparation of expenditure estimates by an experienced organisation like the Railways. Such substantial savings, which are, in fact, unspent provisions, indicate that the monetary requirements under these grants were calculated by the Ministry in a non-serious manner without critical application of mind and careful evaluation of various works/programmes on the ground. The Committee hope that the Ministry of Railways would take sufficient care in this regard in future so as to make their budgetary projections more realistic and meaningful.

45. The Committee are anguished to note that funds of the order of Rs. 453.44 crore had remained unutilised in 13 minor heads under Grant No. 16—“Assets—Acquisition, Construction and Replacement—Capital”. What heightens the anxiety and concern of the Committee is the fact that the entire savings in 13 minor heads had been attributed to “slower progress of work.” The Committee have been informed during evidence that a part of these savings were due to non-materialisation of expected stores on account of contractual breaches. The Committee have also been informed that part of savings in minor head “Manufacturing Suspense” had occurred due to an industrial problem at the Railway Coach Factory with the result that the number of coaches planned for production during 1996-97 could not be turned out. While conceding that there might be one or two isolated cases of slippages in supplies or industrial unrest during a financial year, the Committee cannot but help infer that the all round savings in 13 minor heads under this grant reflect only poor performance on the part of Railways. The Committee consider it unfortunate that the Ministry of Railways woefully failed in efficiently utilising the funds sanctioned by Parliament for acquisition of capital assets in the vital sector meant to cater to the infrastructural requirements of the country. The Committee trust that the Ministry of Railways would draw suitable lessons

from this disheartening experience and give a serious thought to the question of managing and controlling this grant in an effective manner so as to ensure efficient and proper utilisation of funds sanctioned.

46. The Committee are perturbed to find that large scale savings under various grants have been occurring persistently in the Railways at least from 1994-95 onwards. Surprisingly, the savings registered by the Ministry of Railways during the year under review increased to more than double the magnitude of savings registered during the preceding year 1995-96. The Committee feel that this recurring trend of savings in various grants/appropriations and the explanations offered therefor under specific minor heads represent the grossly unwarranted tendency of the Railways to overestimate their requirement of funds. The Committee, therefore, recommend that the Railways should undertake a thorough analysis of the trend of expenditure incurred under various grants/appropriations operated by them during preceding three years with a view to rectifying and improving upon the existing system of assessing requirement of fund.

47. According to the instructions issued by the Ministry of Finance to all Ministries/Departments of Government of India on 27 March, 1986, the supplementary demands are required to be severely restricted to genuine unforeseen expenditure which could not be anticipated at the time of preparation of Budget Estimates. The Committee's examination has, however, revealed that apparently the mechanism of obtaining supplementary funds was used by Railways during 1996-97 without proper assessment of the expenditure incurred or likely to be incurred by them against the funds already obtained. The net result was that the supplementary provision under Grant No. 1 (Rs. 1.16 crore), Grant No. 2 (Rs. 3.47 crore) and Grant No. 16-Capital (Rs. 170 crore) obtained during the year remained wholly unutilised as the savings of Rs. 2.07 crore, Rs. 6.64 crore and Rs. 280.87 crore respectively under these grants were more than the supplementary provisions. The Committee are of the firm view that the facts brought out above amply prove that Railways had been obtaining supplementary grants on inaccurate assumptions without ensuring proper and full utilisation of funds already sanctioned to them for specific services. The Committee therefore, recommend the Railways to impress upon their budget controlling authorities to project their requirement of additional funds only after properly monitoring the pace of expenditure before presenting the same to Parliament for approval so as to maintain sanctity of budgetary exercise.

48. The Committee are deeply concerned to note that out of the total savings of Rs. 869.22 crore registered under various grants and appropriations operated by the Railways during 1996-97, the amount surrendered by the Railways at the final modification stage was only Rs. 794 crore. Surprisingly, the funds were surrendered from Grant Nos. 7 and 12 and Appropriation No. 9 despite excess expenditure incurred under them. Further, the Railways also surrendered more funds than the actual

savings under Grant Nos. 5 and 9 and appropriation No. 16-Capital. Evidently, the Railways did not make any attempt to ascertain the actual availability of funds for surrender even at the close of the financial year. While expressing their profound concern over the absence of precise accounting information system and the failure of the Railways to surrender the available savings and erroneous surrender of funds, the Committee desire the Railways to take appropriate steps to develop their accounting information on suitable lines to avoid such lapses in future.

49. The Committee are extremely unhappy to observe the injudicious manner in which the Railways resorted to reappropriation of funds from or to various heads of accounts during 1996-97. In fact, the results of the appropriation audit have brought out instances where reappropriation of fund to certain heads was uncalled for as the amount so transferred had remained wholly unutilised. The Committee are at a loss to appreciate as to how an organisation like the Railways reappropriated funds from a minor head more than the budget provision sanctioned under that head of account and also made reappropriations against 'nil' provisions. Apparently, such gross lapses demonstrate lack of effective and constant vigil by concerned authorities over expenditure *vis-a-vis* sanctioned funds under specific heads when reappropriation proposals were considered in the Ministry. The Committee cannot help express their deep dissatisfaction particularly because reappropriation orders are generally issued in the closing months of the financial year when the Ministries are expected to possess adequate data on their expenditure incurred and committed liabilities. The Committee, therefore, recommend that the Ministry of Railways should undertake a thorough review of their existing system of reappropriation of funds with a view to identifying the weaknesses in their accounting information and exchequer control system and plugging lacunae therein so that issuance of injudicious and defective reappropriation orders are avoided in future. The Committee would also like the Railways to apprise them of the precise circumstances which led to issuance of injudicious reappropriation orders during the year under review.

50. From their scrutiny of the Annexure-J to the Appropriation Accounts (Part-II) of the Ministry of Railways for the year 1996-97, the Committee are perturbed to note that there were a large number of cases where the accounting irregularities had occurred in various Zonal Railways in the nature of wrong booking of expenditure, belated adjustment of amounts, booking of expenditure over and above sanctioned provisions, fictitious adjustment, adjustment of amounts to unrelated works, irregular adjustment of credit, irregular financial adjustment, non-adjustment of debits, incorrect computation of rates etc. In the opinion of the Committee, the gravity of these lapses becomes more pronounced when viewed in the context of similar lapses which had also occurred in the past. The Committee have no hesitation to say that such accounting

irregularities involving large sums indicate negligence and callous attitude on the part of the authorities entrusted with the responsibility of maintenance of accounts in the Railways. While expressing their serious concern over the large number of irregularities occurring in the accounts of the Railways, the Committee desire the Ministry of Railways to thoroughly look into this aspect with a view to gearing up the functioning of their accounting units. The Committee also recommend that all such lapses should invariably be enquired into and any incidence of aberration be sternly dealt with.

51. The Committee find that there were as many as 2,26,539 incidents of losses involving Rs. 58.74 crore in Railways during 1996-97. These losses had occurred mainly on account of reasons like theft, in transit, accident and natural calamities. A detailed scrutiny of the Appropriation Account revealed that the Grant No. 6 "Repairs and Maintenance of Carriages and Wagons" had alone accounted for 1,40,667 cases of loss involving an amount of Rs. 23.79 crore. While accepting the plea advanced by the representative of Railway Board during evidence that certain losses are inherent in any system of transportation, the Committee are of strong view that large number of cases of losses particularly those occurring due to theft are clearly indicative of laxity of control by the Railway authorities in protecting the public property. The Committee, therefore, recommend the Railways to strengthen their existing network particularly Railway Protection Force and also to take other safety measures so as to ensure that such losses are minimised in future. The Committee also stress that the Railways should make sincere efforts to complete the investigations in all such cases within a limited time-frame strictly in accordance with prescribed rules and initiate expeditious action not only to make good the losses but also to punish the delinquent officials whose laxity of supervision had led to such losses.

52. The Committee view with grave concern the faulty system of budgeting and financial management in the Railways leading to multiple cases of excess expenditure, failure to execute projects and attain targets leading to large scale savings, obtaining of unnecessary supplementary grants, partial or excessive surrender of available savings, injudicious re-appropriations and other improprieties in classification of expenditure. While expressing their deep concern over such disquieting trends, the Committee desire Ministry of Railways to take effective steps to streamline their procedures and budgetary processes with a view to effecting strict exchequer control and financial discipline.

NEW DELHI;
18 December, 1998

27 Agrahayana, 1920 (Saka)

MANORANJAN BHAKTA,
Chairman,
Public Accounts Committee.

APPENDIX—I

Grand Summary of Appropriation Accounts 1996-97

(In units of Rupees)

Number and name of the Grant/ Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+) Savings(-)
1. Revenue-Railway Board					
Voted	23,04,87,000	1,16,36,000	24,21,17,000	22,14,22,193	(-) 2,06,94,807
2. Revenue-Miscellaneous Expenditure (General)					
Voted	119,80,08,000	3,47,39,000	123,27,47,000	116,63,75,217	(-) 6,63,71,783
3. Revenue-Working Expenses-General Superintendence and Services					
Charged	93,000	1,17,000	2,10,000	7,69,900	(+) 5,59,900
Voted	828,01,47,000	22,61,44,000	850,62,91,000	839,96,99,112	(-) 10,65,91,888
4. Revenue-Working Expenses-Repairs and Maintenance of Permanent Way and Works					
Charged	10,00,000	—	10,00,000	4,65,679	(-) 5,34,321
Vote	1,707,36,13,000	56,35,56,000	1,763,71,69,000	1,777,39,79,326	(+) 13,68,10,326
5. Revenue-Working Expenses-Repairs and Maintenance of Motive Power					
Charged	4,00,000	—	4,00,000	—	(-) 4,00,000
Voted	1,189,43,80,000	—	1,189,43,80,000	1,069,83,11,208	(-) 119,60,68,792
6. Revenue-Working Expenses-Repairs and Maintenance of Carriages and Wagons					
Charged	1,85,000	—	1,85,000	49,360	(-) 1,35,640
Voted	1,769,44,32,000	60,16,39,000	1,829,60,71,000	1,860,34,06,643	(+) 30,73,35,643

Number and name of the Grant/ Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+) Savings(-)
7. Revenue- Working Expenses-Repairs and Maintenance of Plant and Equipment					
Charged	1,00,000	10,00,000	11,00,000	1,23,620	(-) 9,76,380
Voted	908,89,10,000	27,95,89,000	936,84,99,000	950,67,27,905	(+) 13,82,28,905
8. Revenue- Working Expenses-Operating Expenses-Rolling Stock and Equipments					
Charged	6,00,000	—	6,00,000	3,87,720	(-) 2,12,280
Voted	1,459,60,62,000	79,68,35,000	1,539,28,97,000	1,563,41,69,533	(+) 24, 12, 72, 533
9. Revenue- Working Expenses-Operating Expenses-Traffic					
Charged	4,60,000	—	4,00,000	9,43,502	(+) 5,43,502
Voted	3,365,49,98,000	—	3,365,49,98,000	3,216,49,68,604	(-) 1,49,00,29,396
10. Revenue- Working Expenses-Operating Expenses-Fuel					
Charged	1,00,000	—	1,00,000	—	(-) 1,00,000
Voted	4,003,60,83,000	—	4,003,60,83,000	3,753,42,09,213	(-) 250,18,73,787
11. Revenue- Working Expenses-Staff Welfare and Amenities					
Charged	4,000	46,000	50,000	24,463	(-) 25,537
Voted	667,13,52,006	8,66,97,000	675,80,49,000	680,31,90,893	(+) 4,51,41,893
12. Revenue- Working Expenses-Miscellaneous Working Expenses					
Charged	10,00,56,000	9,54,73,000	19,58,29,000	13,58,46,505	(-) 599,82,497
Voted	854,52,84,000	—	854,52,84,000	882,75,42,991	(+) 28,22,58,991

Number and name of the Grant/ Appropriation	(In units of Rupees)				
	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+) Savings(-)
13. Revenue-					
Working Expenses-Provident Fund, Pension and Other Retirement Benefits					
Charged	65,19,000	—	65,19,000	56,48,137	(-) 8,70,863
Voted	2361,96,52,000	135,54,68,000	2497,51,20,000	2521,35,86,708	(+) 23,84,66,708
14. Appropriation to Funds-Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund					
Voted	7076,00,00,000	—	7076,00,000	6942,05,62,209	(-) 133,94,37,791
15. Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation					
Voted	1587,37,00,000	—	1587,37,00,000	1507,45,70,123	(-) 79,91,29,877
16. Assets-Acquisition, Construction and Replacement.					
Open Line Works-Revenue					
Voted	45,00,00,000	—	45,00,00,000	28,02,90,041	(-) 16,97,09,959
Assets-Acquisition, Construction and Replacement-Other Expenditure					
Capital					
Charged	5,72,89,000	—	5,72,89,000	1,68,59,252	(-) 4,04,29,748
Voted	8101,90,36,000	170,00,01,000	8271,90,37,000	7991,03,14,639	(-) 280,87,22,364
Assets-Acquisition, Construction and Replacement-Other Expenditure					
Railway Funds					
Charged	3,27,11,000	1,44,10,000	4,71,21,000	6,74,90,574	(+) 2,03,69,574
Voted	4731,90,64,000	304,73,47,000	5036,64,11,000	5086,55,25,775	(+) 49,91,14,775
Grand Total					
Charged	19,97,57,000	11,10,46,000	31,08,03,000	22,86,08,710	(-) 8,21,94,290
Voted	40800,52,08,000	870,36,45,000	41670,89,53,000	40809,88,52,333	(-) 861,00,00,667
Grand Total					
Charged	40820,49,65,000	881,46,91,000	41701,96,56,000	40832,74,61,043	(-) 869,21,94,957
+Voted					

receipt of high value items of stores and less receipt of debits than anticipated; partly offset by excess under (c) Rail Cars, Ferry Steamers and Other Maintenance Expenses (Rs. 4.34 crore) mainly due to more adjustment of credits to Stock adjustment account. A sum of Rs. 125.54 crore was surrendered at the final modification stage.

(ii) Grant No. 9—Working Expenses—Operating Expenses - Traffic

	Rupees
Original Grant	3365,49,98,000
Supplementary Grant	—
Total Sanctioned Grant	3365,49,98,000
Actual Expenditure	3216,49,68,604
Saving (-)	(-)149,00,29,396
Misclassification	—
Total Saving	(-)149,00,29,396
Percentage	4.43

A Grant of Rs. 3365.50 crore was obtained at the Budget Estimate stage. The actual expenditure of Rs. 3216.50 crore was Rs. 149.00 crore less than the sanctioned Budget. The saving was under the following Minor heads :—

(a) Establishment in Offices (Rs. 1.95 crore) due to less staff cost and less expenditure on contractual payments (c) Yard Operations (Rs. 14.96 crore) due to receipt of less store debits and less expenditure on staff cost (d) Transshipment and Repacking Operations (Rs. 0.38 crore) due mainly to lesser activities under Transshipment and Repacking Operations (g) Other Miscellaneous Expenses (Rs. 212.17 crore) due mainly to decrease under terminal charges and receipt of more credits on account of IRFA; partly offset by excess under (b) Station Operations (Rs. 58.18 crore) due to increase in establishment charges (c) Trains Operations (Rs. 22.11 crore) due mainly to incurrance of more expenditure towards staff cost. (f) Safety (Rs. 0.17 crore) due to more expenditure under direct purchase etc. A sum of Rs. 153.07 crore was surrendered at the final modification stage.

(iii) Grant No. 10—Working Expenses—Operating Expenses - Fuel

	Rupees
Original Grant	4003,60,83,000
Supplementary Grant	—
Total Sanctioned Grant	4003,60,83,000
Actual Expenditure	3753,42,09,213
Saving (-)	(-)250,18,73,787
Misclassification	—
Total Saving	(-)250,18,73,787
Percentage	6.25

A Grant of Rs. 4003.61 crore was obtained at the Budget Estimate stage. The actual expenditure of Rs. 3753.42 crore was Rs. 250.19 crore

less than the sanctioned Budget. The saving was under the following four Minor heads :—

(a) Steam Traction (Rs. 15.82 crore) mainly due to closure of Steam Loco Sheds thereby resulting in less consumption of coal from stock, (b) Diesel Traction (Rs. 135.80 crore) mainly due to less performance in GTKMs/EKMs as well as less adjustment of debits of freight and handling charges due to decrease in activity, (c) Electric Traction (Rs. 98.57 crore) mainly due to reduction in consumption of energy, less Contractual payment to State Electricity Boards and adoption of energy saving measures. A sum of Rs. 211.48 crore was surrendered at the final modification stage.

(iv) Grant No. 14—Appropriation of Funds—Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund

	Rupees
Original Grant	7076,00,00,000
Supplementary Grant	—
Total Sanctioned Grant	7076,00,00,000
Actual Expenditure	6942,05,62,209
Saving (-)	(-)133,94,37,791
Misclassification	—
Total Saving	(-)133,94,37,791
Percentage	1.89

At the Budget Estimate stage Appropriation to the Funds was sanctioned for Rs. 7076.00 crore. Grant No. 14 provides for appropriation to the four Railway Funds, namely Depreciation Reserve Fund, Pension Fund, Development Fund and Capital Fund. The first two appropriations are taken from Revenue. The next two appropriations are taken from the surplus of revenue left after payment of Dividend to the General Exchequer.

The saving was mainly under Pension Fund (Rs. 535 crore). The main reason being that provision of Rs. 1000 crore was kept in the Original Grant for implementation of 5th Pay Commission's recommendations which did not materialise, as a consequence Rs. 450 crore was surrendered at the time of Revised Estimate/Final Grant. Further, keeping in view less outgo from the fund, Rs. 85 crore was less appropriated.

Under Depreciation Reserve Fund, Rs. 115 crore was increased at the Revised Estimate/Final Grant and Rs. 85 crore more was appropriated as compared to Revised Estimate, to meet with more expenditure under depreciation Reserve Fund.

Less appropriation to Development Fund (Rs. 35.79 crore) was made due to less expenditure under Development Fund keeping in view the actual Plan outlay requirements and more appropriation to Capital Fund

(Rs. 236.85 crore) was made due to availability of surplus left after appropriation to Development Fund.

Thus the saving which occurred under Grant 14-Appropriation to Funds, is not saving in the normal sense of expenditure incurred less than the Budget Grant. It is a saving only in a technical sense shown as such because of appropriations being made into the Railway Funds at levels lower than budgeted.

(v) Grant No. 16 - Assets - Acquisition, Construction and Replacement—
Capital

	Rupees
Original Grant	8101,90,36,000
Supplementary Grant	170,00,01,000
Total Sanctioned Grant	8271,90,37,000
Actual (Expenditure) Appropriation	7991,03,14,639
Saving	(-)280,87,22,361
Misclassification	1,50,91,184
Total Saving	(-)279,36,31,177
Percentage	3.38

A Grant of Rs. 8101.90 crore was obtained at the Budget Estimate stage. A supplementary grant of Rs. 170.00 crore was obtained for certain on-going projects under Plan head "New Lines" and for 'Out-of-turn' works, which were regarded as 'New service / New instrument of service'. The actual expenditure of Rs. 7991.03 crore was Rs 280.87 crore less than the sanctioned provision of Rs 8271.90 crore. There was a misclassification of Rs. 1.51 crore. The saving under Capital thus worked out to Rs. 279.36 crore. The saving was mainly under the following Plan Heads (Minor Heads):—

New Lines (Construction) (Rs. 17.08 crore), doubling (Rs. 0.15 crore), Traffic Facilities—Yard remodelling and Others (Rs. 7.36 crore), Signalling & Telecommunication work (Rs. 1.22 crore), Electrification Projects (Rs 50.09 crore), Workshops—including Production Units (Rs. 2.37 crore), Staff Quarters (Rs. 20.39 crore), Investment in Government Commercial Undertakings—Public Undertakings (Rs. 10.00 crore), Other Specified Works (Rs. 0.55 crore), Store Suspense (Rs. 52.11 crore) and Manufacturing Suspense (Rs. 244.42 crore), Miscellaneous Advance (Rs. 3.73 crore) and MTPs (Rs. 43.97 crore) mainly due to slower progress of work. This was partly offset by excess under the following the Plan Heads (Minor Heads):—

Gauge conversion (Rs. 15.23 crore), Computerisation (Rs. 0.05 crore), Rolling Stock (Rs. 156.99 crore) and Machinery and Plant (Rs. 0.03

crore), due to speedier progress of work and due to more activities under construction / acquisition of Rolling Stock etc. A sum of Rs. 196.73 crore was surrendered at the final modification stage.

2. The Grant-wise excesses being relatively small considering the total volume of transactions spread over the entire Railway System, the excess over the Appropriation / Grant as brought out in Para 1.2 may kindly be recommended for regularisation by Parliament under Article 115 (1) (b) of the Constitution of India.

3. It is submitted that every care has been taken (a) to assess the expenditure under various Appropriation / Grants as precisely as possible and (b) to obtain supplementary allotments where necessary so that excess is avoided to the maximum extent possible.

4. This has been seen by the Audit.

The Chairman & Members of the
Public accounts Committee,
New Delhi.

(C.S. Sharma)
Addl. Member (Finance),
Railway Board.

APPENDIX III

STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Deptt. concerned	Conclusions and Recommendations
1	2	3	4
1.	43	Ministry of Railways	The Committee are astounded to find the substantial variations between the sanctioned provisions and the actual expenditure incurred there against by Railways in all the grants/appropriations operated by them during the year 1996-97. There were aggregate savings of Rs. 1060.23 crore in ten cases under the Grant Nos. 1, 2, 3, 5, 9, 10, 14, 15 and 16—Capital & Revenue and in ten cases under the Appropriation Nos. 4, 5, 6, 7, 8, 10, 11, 12, 13, and 16—Capital. The savings in all the cases of voted grants exceeded Rs. 2 crore each and ranged between Rs. 2.07 crore and 280.87 crore. What is still more disturbing is the fact that the quantum of savings exceeded even Rs. 100 crore each in the case of Grant Nos. 5, 9, 10, 14 and 16—Capital. To cope it all, there was also an aggregate excess expenditure of Rs. 191.01 crore in eight grants and three appropriations. All these instances of excesses and savings under different grants and appropriations resulted in an overall net savings of Rs. 869.22 crore during the year 1996-97. Obviously, these instances of large scale variations under all grants/appropriations leading to either excesses or savings betray absence of a sound budgetary mechanism for assessing the actual requirements of funds and the casual and routine manner in which the budget estimates are being prepared by the Railways. Although the Financial

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Commissioner, Railway Board stated during evidence that he would certainly like to have a system of budgeting in which there was hardly any variation, the Committee are apprehensive that this sorry spectacle of financial indiscipline will not improve unless the Ministry of Railways impress upon their budget controlling authorities to undertake the task of budget preparation with utmost seriousness and care, taking into consideration the indicators like the past trends of expenditure, the stage of formulation/implementation of various schemes for which funds are sought. The Committee, therefore, recommend that the Ministry of Railways should address this issue seriously and devise a fool proof mechanism to overcome the deficiencies in their existing system of assessing the requirement of funds. The Committee would also desire the Ministry of Railways to carefully review and scrutinise the budget estimates prepared by their lower formations and apply the necessary correctives so as to make the budget exercise more realistic and to obviate such large scale variations in future. The Committee would like to be apprised of the precise steps taken by the Ministry in this regard.

2. 44 **Ministry of Railways** The Committee note that substantial savings amounting to Rs. 518.80 crore had occurred under grant Nos. 5, 9 and 10 relating to Working Expenses of Railways on Repairs and Maintenance of Motive Power, Operating Expenses
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Traffic and Operating Expenses—Fuel respectively. In the explanatory note, the Ministry of Railways stated that the savings under these grants were mainly due to closure of Steam Loco Sheds, receipt of less store debits and decreased activities undertaken by Railways in their operations. In the opinion of the Committee, these factors were not such as to crop up suddenly or which could not be anticipated at the time of preparation of expenditure estimates by an experienced organisation like the Railways. Such substantial savings, which are, in fact, unspent provisions, indicate that the monetary requirements under these grants were calculated by the Ministry in a non-serious manner without critical application of mind and careful evaluation of various works/programmes on the ground. The Committee hope that the Ministry of Railways would take sufficient care in this regard in future so as to make their budgetary projections more realistic and meaningful.

2. 45 Ministry of Railways The Committee are anguished to note that funds of the order of Rs. 453.44 crore had remained unutilised in 13 minor heads under Grant No.16—“Assets—Acquisition, Construction and Replacement—Capital”. What heightens the anxiety and concern of the Committee is the fact that the entire savings in 13 minor heads had been attributed to “slower progress of work” The Committee have been informed during evidence that a part of these savings were due to non-materialisation of expected stores on account of contractual breaches. The Committee has also been informed that part of savings in minor head “Manufacturing Suspense” had occurred due to

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

4. 46 Ministry of Railways

The Committee are perturbed to find that large scale savings under various grants have been occurring persistently in the Railways at least from 1994-95 onwards. Surprisingly, the savings registered by the Ministry of Railways during the year under review increased to more than double the magnitude of savings registered during the preceding year 1995-96. The Committee feel that this recurring trend of savings in various grants/appropriations and the explanations offered therefor under specific minor heads represent the grossly unwarranted tendency of the Railways to overestimate their

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			<p>requirement of funds. The Committee, therefore, recommend that the Railways should undertake a thorough analysis of the trend of expenditure incurred under various grants/appropriations operated by them during preceding three years with a view to rectifying and improving upon the existing system of assessing requirement of fund.</p>
5.	47	-do-	<p>According to the instructions issued by the Ministry of Finance to all Ministries/ Departments of Government of India on 27 March, 1986, the supplementary demands are required to be severely restricted to genuine unforeseen expenditure which could not be anticipated at the time of preparation of Budget Estimates. The Committee's examination has, however, revealed that apparently the mechanism of obtaining supplementary funds was used by Railways during 1996-97 without proper assessment of the expenditure incurred or likely to be incurred by them against the funds already obtained. The net result was that the supplementary provisions under Grant No. 1 (Rs. 1.16 crore), Grant No. 2 (Rs. 3.47 crore) and Grant No. 16—Capital (Rs. 170 crore) obtained during the year remained wholly unutilised as the savings of Rs. 2.07 crore, Rs. 6.64 crore and Rs. 280.87 crore respectively under these grants were more than the supplementary provisions. The Committee are of the firm view that the facts brought out above amply prove that Railways had been obtaining supplementary grants on inaccurate assumptions without ensuring proper and full utilisation of funds already</p>

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sanctioned to them for specific services. The Committee therefore, recommended the Railways to impress upon their budget controlling authorities to project their requirement of additional funds only after properly monitoring the pace of expenditure before presenting the same to Parliament for approval so as to maintain sanctity of budgetary exercise.

6. 48 Ministry of
Railways

The Committee are deeply concerned to note that out of the total savings of Rs. 869.22 crore registered under various grants and appropriations operated by the Railways during 1996-97, the amount surrendered by the Railways at the final modification stage was only Rs. 794 crore. Surprisingly, the funds were surrendered from Grant Nos. 7 and 12 and Appropriation No. 9 despite excess expenditure incurred under them. Further, the Railways also surrendered more funds than the actual savings under Grant Nos. 5 and 9 and Appropriation No. 16—Capital. Evidently, the Railways did not make any attempt to ascertain the actual availability of funds for surrender even at the close of the financial year. While expressing their profound concern over the absence of precise accounting information system and the failure of the Railways to surrender the available savings and erroneous surrender of funds, the Committee desire the Railways to take appropriate steps to develop their accounting information on suitable lines to avoid such lapses in future.

7. 49 -do-

The Committee are extremely unhappy to observe the injudicious manner in which the Railways resorted to reappropriation of funds from or to

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various heads of accounts during 1996-97. In fact, the results of the appropriation audit have brought out instances where reappropriation of fund to certain heads was uncalled for as the amount so transferred had remained wholly unutilised. The Committee are at a loss to appreciate as to how an organisation like the Railways reappropriated funds from a minor head more than the budget provision sanctioned under that head of account and also made reappropriations against 'nil' provisions. Apparently, such gross lapses demonstrate lack of effective and constant vigil by concerned authorities over expenditure *vis-a-vis* sanctioned funds under specific heads when reappropriation proposals were considered in the Ministry. The Committee cannot help express their deep dissatisfaction particularly because reappropriation orders are generally issued in the closing months of the financial year when the Ministries are expected to possess adequate data on their expenditure incurred and committed liabilities. The Committee, therefore, recommend that the Ministry of Railways should undertake a thorough review of their existing system of reappropriation of funds with a view to identifying the weaknesses in their accounting information and exchequer control system and plugging lacunae therein so that issuance of injudicious and defective reappropriation orders are avoided in future. The Committee would also like the Railways to apprise them of the precise circumstances which led to issuance of injudicious reappropriation orders during the years under review.

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8.	50	Ministry of Railways	<p>From their scrutiny of the Annexure-J to the Appropriation Accounts (Part-II) of the Ministry of Railways for the year 1996-97, the Committee are perturbed to note that there were a large number of cases where the accounting irregularities had occurred in various Zonal Railways in the nature of wrong booking of expenditure, belated adjustment of amounts, booking of expenditure over and above sanctioned provisions, fictitious adjustment, adjustment of amounts to unrelated works, irregular adjustment of credit, irregular financial adjustment, non-adjustment of debits, incorrect computation of rates etc. In the opinion of the Committee, the gravity of these lapses becomes more pronounced when viewed in the context of similar lapses which had also occurred in the past. The Committee have no hesitation to say that such accounting irregularities involving large sums indicate negligence and callous attitude on the part of the authorities entrusted with the responsibility of maintenance of accounts in the Railways. While expressing their serious concern over the large number of irregularities occurring in the accounts of the Railways, the Committee desire the Ministry of Railways to thoroughly look into this aspect with a view to gearing up the functioning of their accounting units. The Committee also recommend that all such lapses should invariably be enquired into and any incidence of aberration be sternly dealt with.</p>
9.	51	-do-	<p>The Committee find that there were as many as 2, 26, 539 incidents of losses involving Rs. 58.74 crore in Railways</p>

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during 1996-97. These losses had occurred mainly on account of reasons like theft, in transit, accident and natural calamities. A detailed scrutiny of the Appropriation Accounts revealed that the Grant No. 6 "Repairs and Maintenance of Carriages and Wagons" had alone accounted for 1,40,667 cases of loss involving an amount of Rs. 23.79 crore. While accepting the plea advanced by the representative of Railway Board during evidence that certain losses are inherent in any system of transportation, the Committee are of strong view that large number of cases of losses particularly those occurring due to theft are clearly indicative of laxity of control by the Railway authorities in protecting the public property. The Committee, therefore, recommend the Railways to strengthen their existing network particularly Railway Protection Force and also to take other safety measures so as to ensure that such losses are minimised in future. The Committee also stress that the Railways should make sincere efforts to complete the investigations in all such cases within a limited time-frame strictly in accordance with prescribed rules and initiate expeditious action not only to make good the losses but also to punish the delinquent officials whose laxity of supervision had led to such losses.

10. 52. **Ministry of Railways**

The Committee view with grave concern the faulty system of budgeting and financial management in the Railways leading to multiple cases of excess expenditure, failure to execute projects and attain targets leading to large scale savings, obtaining of unnecessary supplementary grants,

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partial or excessive surrender of available savings, injudicious re-appropriations and other improprieties in classification of expenditure. While expressing their deep concern over such disquieting trends, the Committee desire Ministry of Railways to take effective steps to streamline their procedures and budgetary processes with a view to effecting strict exchequer control and financial discipline.

PART II

MINUTES OF THE FOURTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 27 OCTOBER, 1998 (FN)

The Committee sat from 1100 hrs. to 1315 hrs. on 27 October, 1998 in Room No. "53", Parliament House.

PRESENT

Shri Manoranjan Bhakta — *Chairman*

MEMBERS

Lok Sabha

2. Shri Prithviraj D. Chavan
3. Shri Ram Tahal Choudhary
4. Shri C. Gopal
5. Maj. Gen. B.C. Khanduri
6. Shri Rupchand Pal
7. Dr. T. Subbarami Reddy

Rajya Sabha

8. Shri Md. Salim
9. Shri Satishchandra Sitaram Pradhan

SECRETARIAT

1. Dr. A.K. Pandey — *Addl. Secretary*
2. Shri P.D.T. Achary — *Joint Secretary*
3. Shri Devender Singh — *Deputy Secretary*
4. Shri Rajeev Sharma — *Under Secretary*
5. Shri B.S. Dahiya — *Assistant Director*

Officers of the Office of C&AG of India

1. Shri P.K. Lahiri — *Dy. C&AG of India*
2. Shri Jayanti Prasad — *Director*

Representatives of the Ministry of Railways (Railway Board)

1. Shri P.V. Vasudevan — *Financial Commissioner*
2. Shri V.K. Agnihotri — *Member (Engineering)*
3. Shri Ashok Kumar — *Member (Mechanical)*
4. Shri S.K. Khanna — *Member (Electrical)*
5. Shri Shanti Narain — *Member (Traffic)*

2. The Officers of the Office of the C&AG of India explained the salient points arising out of the examination of Union Government Appropriation

Accounts (Railways) for the year 1996-97 and audit observations thereon as contained in Paragraph 1.8 of the Report of the C&AG of India for the year ended 31 March, 1997 (No. 9 of 1998). Thereafter, the representatives of the Ministry of Railways (Railway Board) were called and the Committee took their evidence.

3. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

5. The Committee reassembled at 1630 hrs to consider the draft Report on Union Government Appropriation Accounts—Railways (1996-97). The Committee adopted the draft Report without any amendments/modifications.

6. The Committee also authorised the Chairman to finalise the draft Report in the light of verbal and consequential changes arising out of factual verification by Audit and present the Report to the House.

The Committee then adjourned.

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Sl. No.	Name of Agent
ANDHRA PRADESH		UTTAR PRADESH	
1.	M/s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500 306.	12.	Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.
BIHAR		WEST BENGAL	
2.	M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).	13.	M/s. Manimala, Buys & Sells, 123, Bow, Bazar Street, Calcutta-1.
GUJARAT		DELHI	
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380 006. (T.No. 79065)	14.	M/s. Jain Book Agency, C-9, Connaught Place, New Delhi. (T.No. 351663 & 350806)
MADHYA PRADESH		15.	M/s. J.M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T.No. 2915064 & 230936)
4.	Modern Book House, Shiv Vilas Place, Indore City. (T.No. 35289)	16.	M/s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110 001. (T.No. 3315308 & 45896)
MAHARASHTRA		17.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110 009. (T.No. 7112309).
5.	M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400 002.	18.	M/s. Rajendra Book Agency, IV-DR 59, Lajpat Nagar, Old Double Storey, New Delhi-110 024. (T.No. 6412362 & 6412131).
6.	The International Book Service, Deccan Gymkhana, Poona-4.	19.	M/s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110 033.
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400 001.	20.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
8.	M/s. Usha Book Depot, Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400 002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110 001. (T.No. 344448, 322705, 344478 & 344508).
9.	M & J Services, Publishers, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road, Nalgaum, Dadar, Bombay-400 014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Service India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400 001.	23.	M/s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110 052. (T.No. 269631 & 714465).
TAMIL NADU		24.	M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110 002.
11.	M/s. M.M. Subscription Agencies, 14th Murali Street, (1st Floor), Mahalingapuram, Nungambakkam, Madras-600 034. (T. No. 476558)		