

## ACCOUNTING OF PROJECTS IN INDIAN RAILWAYS

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 109<sup>th</sup> Report (16<sup>th</sup> Lok Sabha)]

MINISTRY OF RAILWAYS (RAILWAY BOARD)

PUBLIC ACCOUNTS COMMITTEE  
(2019-20)

EIGHTH REPORT

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SEVENTEENTH LOK SABHA



LOK SABHA SECRETARIAT  
NEW DELHI

PAC NO. 2189

# **EIGHTH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE** **(2019-20)**

(SEVENTEENTH LOK SABHA)

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[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 109<sup>th</sup> Report (16<sup>th</sup> Lok Sabha)]

**MINISTRY OF RAILWAYS (RAILWAY BOARD)**



*Presented to Lok Sabha on:* .....

*Laid in Rajya Sabha on:* .....

04 FEB 2020

**LOK SABHA SECRETARIAT  
NEW DELHI**

February, 2020 /Magha, 1941 (Saka)

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- II Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their One Hundred and Ninth Report (Sixteenth Lok Sabha)

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*\*Not appended to the cyclostyled copy of the Report*

# COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

**Shri Adhir Ranjan Chowdhury - Chairperson**

## MEMBERS

### LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

### RAJYA SABHA

16. Shri Rajeev Chandrasekhar
17. Prof. M. V. Rajeev Gowda
18. Shri Naresh Gujral
19. *Vacant\**
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

### SECRETARIAT

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri M.L.K Raja - Director
3. Smt. Anju Kukreja - Deputy Secretary

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\* Shri Bhubaneswar Kalita ceased to be a Member of Committee consequent upon his resignation from Rajya Sabha on 05 August, 2019

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2019-20), having been authorised by the Committee, do present this Eighth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Ninth Report (Sixteenth Lok Sabha) on "**Accounting of Projects in Indian Railways**".

2. The One Hundred and Ninth Report was presented to Lok Sabha/laid in Rajya Sabha on 9<sup>th</sup> August, 2018. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Eighth Report at their Sitting held on 28<sup>th</sup> January, 2020. Minutes of the Sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

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.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the One Hundred and Ninth Report (Sixteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;  
30 January, 2020  
10 Magha, 1941 (*Saka*)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

## REPORT

### PART - I

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their One Hundred and Ninth Report (16<sup>th</sup> Lok Sabha) on "Accounting of Projects in Indian Railways".

2. The One Hundred and Ninth Report (16<sup>th</sup> Lok Sabha) which was presented to Lok Sabha/laid in Rajya Sabha on 9<sup>th</sup> August, 2018, contained 10 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Railways are broadly categorised as follows:

- (i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1-10

Total: 10  
Chapter - II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Para Nos. NIL

Total: NIL  
Chapter - III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos. NIL

Total: NIL  
Chapter - IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para Nos. NIL

Total: NIL  
Chapter -V

3. The One Hundred and Ninth Report of the Committee was based on Audit review of accounting of projects in Indian Railways wherein Audit had observed that Indian Railways was in general not following its own rules and regulations laid down in the Financial Code and Engineering Code for efficient execution of projects and for proper accounting of financial transactions. The detailed examination of the subject by Committee had revealed various shortcomings/lapses in the management of the railway projects by the Ministry of Railways and the Committee had accordingly given their Observations/Recommendations in their One Hundred and Ninth Report.

#### **Gist of Committee's Observations/Recommendations**

4. Some of the important Observations/Recommendations made by the Committee in their 109<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) are as under:

- 1) The Ministry of Railways should take appropriate steps for prompt reconciliation of expenditure booked under various projects so as to ensure financial propriety.
- 2) After taking stock of the total non completion Report, the Committee recommended that the Chief Accounting Authorities in the Railways Board as well as the concerned accounting authorities in all the Railway zones should be held responsible for this lapse and suitable punishment awarded to them.
- 3) The Ministry should ensure that the extant procedure for monitoring the supply of materials and utilization thereof is further monitored so as to make it more effective.
- 4) Ministry should prepare investment schedule of all on-going projects after proper consultation with concerned State Governments so that the cost of sharing projects is not exceeded.
- 5) Ministry of Railways should pinpoint the inadequacies and evolve an effective mechanism to bring systemic improvement in accurate estimation of budget requirements.
- 6) Ministry should strengthen the internal control mechanism so as to avoid incurring of expenditure without proper sanction by the competent authority and also to timely regularise the unsanctioned expenditure.

5. The Action Taken Notes furnished by the Ministry of Railways have been reproduced in the relevant chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the action taken by the Government on some of their Observations/Recommendations which need reiteration or merit comments.

**I. Introductory  
(Recommendation Para No. 1)**

6. In their 109<sup>th</sup> Report, the Committee had noted that Indian Railways was in general not following its own rules and regulations laid down in the Financial Code and Engineering Code for efficient execution of projects and for proper accounting of financial transactions. The Committee had also noted that completion reports were not prepared for 674 projects completed/commissioned prior to March 2011. This included 92 projects commissioned during 2008-09 to 2010-11 and 466 projects commissioned more than three years ago, of which 78 projects were commissioned twenty years ago. The date of completion of 116 projects was not on record. Cases of expenditure in excess to sanctioned estimate etc remained un-regularized for decades and has led to the situation of no control/check over expenditure on capital works. The Ministry of Railways incurred expenditure more than its agreed percentage of cost due to non-following the terms and conditions of the agreements executed with the State Governments relating to cost-sharing projects.

7. The Ministry of Railways in their Action Taken Note have submitted as follows:

" The observations of the Committee regarding lapses and delays in selected projects covered under C&AG Report has led to resurgence in activities towards streamlining procedures and processes relating to execution of project and accounting of financial transactions. Overall checks on expenditure on capital works are being exercised through budgetary controls. However, directions have been issued by the Ministry of Railways to ensure timely sanction of detailed/revised estimates and monitoring of preparation of completion reports. The Ministry of Railways has also directed fast tracking the end to end computerisation of process for greater precision and ensuring that there is no loss of data due to unforeseen delays."

8. In their vetting comments to the above said Action Taken Note, Audit have observed as follows:



"The response of the MoR is not specific to the observations of PAC. While the unsanctioned expenditure has shown a decreasing trend, it is still quite significant. During 2017-18, 3729 cases of unsanctioned expenditure (for want of sanctioned estimate, excess over sanctioned estimate etc.) of Rs. 5113 crore was noticed. Despite issue of instructions and monitoring mechanism in place, completion reports were not drawn for years in respect of many completed works as was observed during a recent review on track renewal works in Indian Railways. MoR may please offer specific remarks to PAC's observations."

9. In response to the Audit Comments on the above reply the Ministry of Railways have stated as under:—

"Endeavour is made for avoiding the instances of excess over/unsanctioned estimate to the extent possible. However, due to safety considerations and other operational exigencies, the works are required to be executed pending regularisation of the expenditure through revised/completion estimate. The position of such cases is monitored on regular basis. As a result the quantum of such expenditure has come down to 1.3% of total expenditure incurred during 2017-18 as compared to 2.5% during 2016-17. Railways have been advised to clear the pending cases in a time bound manner besides taking timely action in respect of the new cases."

10. Audit have further observed as follows:

"Ministry's reply is silent on delay in drawal of completion reports. The status of preparation of completion reports as brought out in the report may please be furnished."

11. The Ministry of Railways have further replied as under:

"Out of 674 completion reports reported by Audit, 265 CRs have since been drawn and 409 CRs are outstanding. All Zonal Railways have been asked to clear the outstanding CRs at the earliest."

12. Audit have vetted the aforesaid Action Taken Note with the following remarks:

"It is observed that the Chairman, Railway Board, vide letter No. 2014-BC-AP-Chapter 3/12-13/PAC XVI/109 dated: 17.09.2018 and 13.02.2019 to GMs of all Zonal Railways, reiterated that there should be no further delays in preparation of completion report. Despite such repeated instructions, 409 completion reports are yet to be drawn.

In view of the above, no further comments are offered."

13. **The Committee note that the Railways have initiated various measures viz. exercising overall checks on expenditure on capital works through budgetary controls, issuing directions for timely sanction of detailed/revised estimates and**

monitoring of preparation of completion reports etc. Besides, the Ministry of Railways have also directed fast tracking the end to end computerisation of process. However, what concerns the Committee is the inability of the Ministry to reduce the unsanctioned expenditure which is quite significant. The Committee are not convinced with the Ministry's contention that due to safety considerations and other operational exigencies, the works are required to be executed pending regularisation of the expenditure through revised/completion estimate. In view of the large number of cases of unsanctioned expenditure (for want of sanctioned estimate, excess over sanctioned estimate etc) it seems imperative that monitoring mechanisms in the Ministry should be made more robust, so that corrective measures, as and when warranted can be resorted to. Moreover, in the present age of technological advancement and instant connectivity between zonal Railways, there is no valid justification for occurrence of irregularities like unsanctioned/excess expenditure. Furthermore, since the directions issued by the Ministry in this regard, year after year have not produced tangible results, the Committee recommend that the Ministry of Railways should now make sincere efforts to find the exact reasons responsible for the unrealistic budgetary assumptions being made, by devising definite yardsticks to be scrupulously adhered to by all the units involved in the budget preparation exercise for making accurate budgetary projections, which would substantially reduce the unsanctioned expenditure. Ministry should also make it incumbent upon budget controlling authorities to ensure that such cases of unsanctioned/excess expenditure are not incurred in future.

The Committee are deeply constrained to note that out of 674 completion Reports, 265 CRs have since been drawn and 409 CRs are outstanding. In this regard, the Ministry have apprised the Committee that all Zonal Railways have been asked to clear the outstanding CRs at the earliest. The Committee note that despite the repeated instructions, 409 Completion Reports are yet to be drawn which indicates that instructions are not being scrupulously followed by the Zonal Railways. Since repeated instructions have not produced the desired results, the Committee recommend that penal measures should be taken against

the officers concerned for not submitting the CRs in time. The Committee reiterate their earlier recommendation that in the absence of Completion Reports, the final expenditure incurred on a project cannot be compared with that provided in the last sanctioned estimate. The Committee would, therefore, like the Ministry of Railways to give serious attention to this aspect and would like to be informed of the efforts made and the progress achieved in this regard at the earliest.

**II. Non-reconciliation of expenditure booked in Works Register  
(Recommendation Para No. 2)**

14. In their 109<sup>th</sup> Report, the Committee observed that the total expenditure of ₹51,667.83 crore was booked (up to March 2013) in 305 Works Registers in respect of 144 projects (excluding 10 projects each in NR and ECoR) maintained by accounts office whereas the expenditure mentioned in the books of Executives was only ₹35,960.86 crore. The variation in expenditure of ₹15,706.97 crore was not reconciled. The Committee had, therefore, desired to know as to how the Ministry of Railways was trying to augment the accounting staff for proper maintenance of all the Works Registers as per the Engineering codes. Since expenditure booked in Works Registers was not reconciled, it was not possible to ascertain the actual expenditure incurred on a project. The Committee, had therefore, felt for an urgent need to take appropriate steps for prompt reconciliation of expenditure booked under various projects so as to ensure financial propriety. They had also desired to be apprised of the present status of reconciliation of variation in expenditure to the tune of ₹15,706.97 crore and similar instances/cases identified in all other projects of Ministry of Railways for the last three years.

15. The Ministry of Railways in their Action Taken Note have stated as follows:

"Recourse to computerisation of activities of process flows to capture project transactions and bill passing work is being done to efficiently handle record keeping for projects with available staff strength. As per codal provision, (Para 1472 of Indian Railway Engineering Code) a single set of Works Registers is to be maintained by Accounts Office. The works register captures information on expenditure actually charged to the estimate and the actual expenditure on the Projects is ascertained primarily from Works Register maintained in Accounts Office. These figures are arrived at after considering cash expenditure as well as

adjustment on accounts of receipt of material etc. from other Railways/expenditure on labour etc. Thus, the amount booked in the Works Register is the actual expenditure vis-à-vis the Project. Parallel sets of subsidiary register are separately maintained by the Executive, which capture information at various stages - at the time of preferring of bill, quantum of work, material at site etc. After finalization of Accounts for the month, the detailed work-wise expenditure statement is prepared and sent to the executive offices to facilitate reconciliation of expenditure booked under projects. The Zonal Railways are ensuring that the subsidiary registers are reconciled with Work Registers every month. As a result, out of un-reconciled amount of ₹15,706.97 crore pointed out in the report, the variation of ₹ 15581.80 crore has since been reconciled by the Railways. Railways have been directed to complete the same by 31.3.2019. Further, with end to end computerization of works register, which is expected to be in place by March/2019, the difference in record of Accounts and Executive shall be eliminated."

16. In their vetting comments to the aforesaid Action Taken Note Audit have observed as under:-

"Test check of records revealed that the register of works was either not maintained or maintained partially. Due to improper maintenance of works register, mismatch of expenditure actually incurred with that of expenditure booked in the works register was noticed. MoR may please intimate the action taken in respect of similar instances/cases identified in all other projects of MoR for the last three years."

17. In response to the said Audit observation on the above reply the Ministry of Railways have stated as under:

"As already clarified, the system has since been streamlined and differences pointed out by Audit in their Report have been reconciled. As a result, to end of March 2018, the expenditure as per Works Register has been reconciled and difference is about 3.26%, which is under process of investigation. Further, with ongoing computerisation of Work Register, the differences in records and Executives will be eliminated completely."

18. Audit in their vetting comments have observed as under:-

"Apart from 144 projects, the status of reconciliation in respect of all other projects may be furnished."

19. Ministry's comments on the abovesaid Audit observation are given as under:

"The current position as on 31.03.2018 has already been advised. Apart from works pointed out by Audit, reconciliation has been carried out in 5102 works and difference is about 3.26%, which is under process of reconciliation."

20. Audit have further vetted the Action Taken Note with the following remarks:-

"Since the differences between the expenditure booked in the Works Register of Accounts and Executive office has been reduced considerably, no further comments are offered."

21. Upon noticing the difference in booking of expenditure in the works Registers maintained by the Accounts and Executives, the Committee in their 109<sup>th</sup> Report had recommended taking appropriate steps for prompt reconciliation of expenditure booked under various projects so as to ensure financial propriety. In this regard, the Committee are informed that out of un-reconciled amount of ₹ 15,706.97 crore, the variation of ₹ 15581.80 crore has since been reconciled and Railways have been directed to complete the same by 31 March, 2019. Further, it is stated that with end to end computerisation of works registers, which is expected to be completed by March 2019, the difference in record of Accounts and Executive shall be eliminated. While appreciating that the differences have been reduced considerably, the Committee desire to know about the present position of reconciliation of remaining works registers as well as end to end computerisation of works registers which were required to be completed by March, 2019.

**III. Non/Delayed completion of Productivity Test  
(Recommendation Para No. 4)**

22. In their earlier Report the Committee found that in none of the 93 major projects completed (New Lines, Doubling & Gauge Conversion) during 2007-08 to 2011-12, the Productivity Test was carried out by Zonal Railways. Thus, the mandatory test to assess the actual financial returns of the projects vis-à-vis the estimated return was not carried out in all the 93 projects reviewed in audit across the Zonal Railways. The Committee had further noted that productivity test was delayed in some cases due to non-finalization of completion reports and non-availability of information with respect to parameters of assumption made at the time of estimation. The Committee were surprised to note that non-conducting the post project appraisal of major projects had not only violated the codal provisions but also resulted in non-payment of deferred dividend liability on New Lines to Government of India as recommended by Railway

Convention Committee. In such a situation, the Committee concluded that non-observance of codal provisions had led to such a situation that productivity test was not carried out even in a single project out of the 93 major projects completed during 2007-08 to 2011-12. The Committee had therefore desired the Ministry of Railways to review these cases and apply necessary corrective measures to ward off such lapses again.

23. The Ministry of Railways in their Action Taken Note have submitted as follows:
- "As per extant instructions post project appraisal is due in all major works. It has to be undertaken in projects 7 years after the completion. Productivity test was delayed in some cases due to non-finalization of Completion reports and non-availability of information with respect to parameters of assumption made at the time of estimation. After audit has taken up this issue, the system was reviewed. 53 Productivity tests were finalized in the years 2014-15 to 2016-17. Out of pending 93 cases pointed out in the Report, Productivity tests have been carried out for 17 works in 2017-18 and 10 were not due. The remaining are in process. Detailed guidelines for streamlining the process of Productivity Test have also been reiterated by Rly. Bd. vide No. 2018/F(X)II/10/24 dated 11.10.2018 to ensure that such lapses do not occur again."
24. In their vetting comments Audit have observed as under:-
- "MoR may please provide the details of 27 works for which productivity tests were either carried out or not due. MoR may also intimate the reasons for not conducting productivity tests of the remaining 66 major works. The action taken in this regard may also be intimated."
25. In response to the vetting comments by Audit on the above reply, the Ministry have stated as under:
- "As has been stated earlier productivity tests were delayed in some cases due to non-finalisation of completion reports and non-availability of information with respect to parameters of assumption made at the time of estimation. In addition, Detailed guidelines have also been reiterated by Railway Board vide letter no. 2018/F(X)II/10/24 dated 11.10.2018 and CRB to ensure that such lapses do not occur again."
26. Audit in their vetting comments have observed as under:-
- "MoR stated that detailed guidelines had been issued by Railway Board vide letter no. 2018(F(X)II/10/24 dated 11.10.2018 and CRB to ensure that such lapses do not occur again. As desired by PAC, the outcome of corrective measures taken in conducting productivity tests of 66 major works may please be furnished."

27. The Ministry of Railways have further stated as under:

"Zonal Railways have carried out productivity test in 22 projects, in 9 projects the productivity tests were not due and 1 work is yet to be completed. The Productivity tests in remaining cases are pending due to non-finalisation of completion reports and non-availability of information with respect to parameters of assumption made at the time of estimation. Concerned Zonal Railways have been asked to complete the pending tests at the earliest."

28. Audit comments on the aforesaid Action Taken Note of the Ministry are as follows:

"The Committee noted that productivity test was not carried out even in a single project out of the 93 major projects completed during 2007-08 to 2011-12. MoR furnished the status of 32 projects. The position in respect of remaining 61 projects may be intimated."

29. On the vetting comments of Audit on the above said reply, the Ministry have stated as follows:

"As per the updated status, Productivity tests for 26 projects have been carried out and in 14 cases productivity tests are not due. Further, Zonal Railways are regularly being advised to carry out productivity test for remaining 53 Projects, where these are due, at the earliest."

30. Audit in their vetting comments have further observed as under:-

"In the ATN dated 11.06.2019, MOR stated that in nine cases, productivity tests were not due. This contradicts the present updated position which shows that in 14 cases, productivity tests were not due. The action taken by MoR to carry out productivity tests seems to have not yielded desired results as productivity tests for 53 projects are yet to be carried out even after a lapse of more than eight years since completion."

31. The Ministry have further submitted as under:

"The reply furnished by MoR is based on the updated position submitted by Zonal Railways from time to time. There may further be a possibility that 'productivity test not due' number may increase from 14 after due diligence in pending productivity tests. Thus, there is no contradiction in MoR's reply. As per updated status, Productivity tests for 38 projects have been carried out and in 14 cases productivity tests are not due. Further, Zonal Railways are regularly being advised to carry out productivity tests for remaining projects, where these are due, at the earliest."

32. The Committee are pleased to note that out of 93 cases of pending productivity tests, the tests in 38 cases have been carried out and in 14 cases productivity tests are not due. For remaining 41 cases the Committee are

informed that Zonal Railways are regularly being advised to carry out such tests, at the earliest. While taking note of the fact that due to the concerted efforts of the Ministry pending productivity tests have been reduced, the Committee feel that a large number of tests are yet to be carried out. The Committee therefore, recommend that far greater and sustained efforts need to be made to carry out the remaining productivity tests. The Committee also recommend that a sound and efficacious mechanism should also be put in place to ward off such incidents in future.

**IV. Passing of bills without preparation of material reconciliation statement  
(Recommendation Para No. 6)**

33. In their 109<sup>th</sup> Report, the Committee were surprised to note that out of 5737 on-account bills, 5118 bills were passed without material reconciliation statement while the Ministry stated that they had a sound mechanism for monitoring the supply of materials and utilization thereof. On being observed that the procedure followed by the Ministry was not in line with the extant provisions of reconciliation of material while passing each on-account bill, the Committee had desired that the Ministry of Railways should ensure that the extant procedure in this regard is further monitored so as to make it more effective and instructions issued are followed by all the Zonal Railways in letter and spirit.
34. The Ministry of Railways in their Action Taken Note have stated as under:  
"Railways have substantially reduced issue of material to the contractor as contractors have started using their own cement and steel items. Material is issued in S&T, Electrical and Track linking projects as free supply items. The supply of materials and utilization thereof is being monitored by executive at regular intervals and no bill is made without the issue/receipt statement of material. On completion of the work, the final material statement is made and accordingly recoveries effected, if necessary, in the final bill. Passing of bills without material reconciliation statement was an error by the Zonal Railways and instructions have now been reiterated to follow the same. Test checks are also being carried out on regular basis to ensure compliance of codal provisions."
35. During the course of vetting Audit have observed as under:-  
"Audit test checked compliance of codal provision in respect of 393 track renewal works completed or on-going during 2012-17. It was observed that material-at-



site account was not maintained in case of 209 works pertaining to 11 Zonal Railways.

In view of the above, action taken by the Railways seems not effective enough to ensure compliance of codal provision.

MoR may, therefore, needs to review the effectiveness of the action taken to address the issue."

36. In response to the vetting comments by Audit on the above reply, the Ministry have further stated as under:-

"The supply of material and utilisation thereof is monitored by Executive at regular intervals and no bill is made without issue/receipt statement of material. On completion of work, the final material statement is made and accordingly recoveries effected, if necessary, in the final bill.

Instructions have again been reiterated that no bill may be processed for payment without proper material reconciliation statement for the period involved. Zonal railways have been asked to follow the instructions scrupulously. Test checks are also being carried out on regular basis to ensure compliance of codal provisions."

37. In their original Report, while observing that out of 5737 'on-account bills', 5118 bills were passed without material reconciliation statement, the Committee desired the Ministry to further monitor the extant procedure and make it more effective. In this regard, the Ministry of Railways in their Action Taken Note have now admitted that it was an error by the Zonal Railways and instructions have now been reiterated to follow the same. Test checks are also being carried out on regular basis to ensure compliance of codal provisions. Keeping in view the large number of cases of non-reconciliation of bills, the Committee are of the opinion that action taken by the Ministry does not seem to be effective enough to ensure compliance of codal provision. They have not been provided with the details of the efforts made for making their monitoring mechanism more effective. The Committee, therefore, recommend initiation of a vigorous and purposive action for prosecution of persons responsible for such errors. A Committee of experts may be set up to study and suggest the best possible solution to this problem as also prosecuting the culprits. The Committee also believe that with the increasing use of electronic surveillance systems, prevention and pursuance of these cases should be easier, faster and more decisive. For this, the Railways may enter into a formal coordinating arrangement with zonal Railways to undertake proper

investigation of such cases and arrest the culprits for taking appropriate action as per law. Further, an effective mechanism should be put in place for regular monitoring of such cases.

V. Excess expenditure over sanctioned estimate  
(Recommendation Para No. 10)

38. In their earlier Report the Committee were appalled to note that in respect of 60 works projects, expenditure of ₹ 44.35 crore was incurred without sanction of estimate and ₹4,957.52 crore was incurred in excess of sanctioned estimate in respect of 555 projects/works. Thus expenditure of ₹ 5,001.87 crore was incurred on 615 projects ranging from one year to more than twenty years remained unsanctioned as of March 2013. These unsanctioned expenditure that remained un-regularised for two decades depicts the slackness on the part of the concerned Executive departments for not following these cases and getting them regularised for such a long period. The Committee had desired to know as to whether any responsibility had been fixed against the concerned officers for showing laxity in such cases. Obviously such cases indicated not only apparent inadequacies in the accounting system in the Railways but also glaring lapses on the part of accounting officials. The Committee had, therefore, strongly recommended the Ministry of Railways to enquire into the reasons for such a long pendency for sanctioning of expenditure in order to identify the individual officers responsible for such a glaring lapse and to initiate disciplinary action against them. The internal control mechanism should also be strengthened so as to avoid incurring of expenditure without proper sanction by the competent authority and also to timely regularise the unsanctioned expenditure. The Committee had also desired to be apprised of the present status of regularisation of all pending items of unsanctioned expenditure.

39. The Ministry of Railways in their Action Taken Note have stated as under:-

"Normally no expenditure is incurred unless the work has sanctioned estimate. However, sometimes for safety consideration/operational exigencies/ avoid delay in completion of works, booking of expenditure in excess of sanctioned estimate becomes inescapable. In such cases revised estimates are prepared and processed for sanction of competent authority and simultaneously the works are kept progressing. In case of delay in sanction of estimates, there can be chances

of excess expenditure over sanctioned estimates but efforts are made to keep the same within permissible limit of 10% over sanctioned estimate. Out of the 615 cases referred to in the report, 306 cases have already been regularised. Given the volume of projects handled by Railways, instructions have been issued to streamline the process of regularisation of excess expenditure by Ministry of Railways vide letter No. 2018/F(X)II/10/24 dated 11.10.2018 for framing an action plan with prescribed timelines."

40. In their vetting comments, Audit have made the following observation:-

"MoR has not explained the action taken on the recommendation of the Committee to enquire into the reasons for such a long pendency for sanctioning of expenditure in order to identify the individual officers responsible for such a glaring lapse and to initiate disciplinary action against them.

MoR's remarks are silent on the action taken by the Ministry to strengthen internal control mechanism so as to avoid incurring of expenditure without proper sanction by the competent authority and also to timely regularize the unsanctioned expenditure.

MoR may please offer specific remarks to PAC's observations."

41. In response to the vetting comments by Audit on the aforesaid reply, the Ministry have stated as under:-

"Normally no expenditure is incurred unless the work has sanctioned estimate. Endeavour is made for avoiding the instances of excess over/unsanctioned estimate to the extent possible. However, due to safety considerations and other operational exigencies, the works is required to be executed pending regularisation of the expenditure through revised/completion estimate.

The position of such cases is monitored on regular basis. The position is receiving due attention and as a result the quantum of such expenditure has come down to 1.3% of total expenditure incurred during 2017-18 as compared to 2.5% during 2016-17. Railways have been advised to clear the pending cases in a time bound manner besides taking timely action in respect of the new cases."

42. Audit have further made the following observation:-

"Despite regular monitoring as stated by MoR, the instances of incurrence of expenditure without proper sanction by the competent authority (Rs. 5000 crore) were observed during 2017-18. This indicates the weakness in the existing internal control mechanism."

43. In response to the Audit's further vetting comments on the abovesaid reply, the Ministry have made the following comments:-

"The position of such cases is monitored on regular basis. The position is receiving due attention and as a result the quantum of such expenditure has come down to 1.3% of total expenditure incurred during 2017-18 as compared to

2.5% during 2016-17. Railways have been advised to clear the pending cases in a time bound manner besides taking timely action in respect of the new cases."

44. Upon noticing that expenditure of ₹ 5,001.87 crore was incurred over a period ranging from one year to more than twenty years on 615 projects that remained unsanctioned as of March 2013, the Committee had desired the Ministry to enquire into the reasons for such a long pendency for sanctioning of expenditure and to fix responsibility on the officers concerned. However, the action taken by the Ministry is silent about enquiring into the reasons and fixing of responsibility for such lapses. The Ministry have merely stated that instructions have been issued to streamline the process of regularisation of expenditure on 11.10.2018 for framing an action plan with prescribed timelines. The Committee deplore the vague and evasive response given by the Ministry to their recommendation that required specific tangible action. The Ministry's reply is also silent on any specific timeline drawn up by the Ministry for clearing the cases which are pending for more than twenty years. The Committee, therefore, reiterate their earlier recommendation for regularisation of expenditure and desire that clear timelines be specified for clearance of backlog as well as timely sanctioning of expenditure in future.

NEW DELHI;  
30 January, 2020  
10 Magha, 1941 (Saka)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

**APPENDIX-II**  
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE  
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE  
CONTAINED IN THEIR ONE HUNDRED AND NINTH REPORT (SIXTEENTH LOK  
SABHA)**

(i)	Total number of Observations/Recommendations	10
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1 to 10	Total : 10 Percentage: 100%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:  Para Nos. -Nil	Total : 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:  Para Nos. -Nil	Total : 0 Percentage: 0
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies:  Para Nos. -Nil	Total : 0 Percentage: 0