

Chapter 2 Appropriation Accounts

This Chapter outlines Indian Railways (IR) financial accountability and budgetary practices through audit of Appropriation Accounts.

Railway Budget is an instrument of Parliamentary Financial Control and at the same time, an important management tool for Ministry of Railways, Government of India. Parliamentary Financial Control is secured not only by the fact that all 'voted' expenditure receives Parliament's prior approval, but also by the system of reporting back to it, the actual expenditure incurred against the Grants/Appropriations voted/approved by Parliament. The statements, which are prepared for presentation to Parliament, comparing the amount of actual expenditure with the amount of Grants voted by Parliament and, Appropriations sanctioned by the President, are called the “**Appropriation Accounts**”.

Appropriation Accounts detail the accounts related to expenditure of IR for a particular year as compared to the appropriations for different purposes as specified in the schedules appended to the Appropriation Act passed by Parliament. These Accounts list the original budget allocation, supplementary grants, surrenders and re-appropriations distinctly and indicate the actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

The Appropriation Accounts are signed both by the Chairman, Railway Board and by the Financial Commissioner, Railways and transmitted to the Comptroller and Auditor General of India for audit. Audit by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and also whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1 Summary of Appropriation Accounts

IR is authorized for expenditure through operation of 16 Grants comprising of 15 Revenue Grants²⁵ (Grants number 1 to 15) and one Capital Grant²⁶ (Grant No. 16). Revenue grants were financed through the internal resources generated by IR through its earnings during the year. The Capital grant was

²⁵ Grants detailing working expenses and other revenue expenditure as voted by Parliament.

²⁶ Grant detailing expenditure on Assets Acquisition, Construction and Replacement voted by Parliament.

funded mainly through the General budget, internal resources and share of diesel cess from Central Road Fund²⁷.

Appropriation Accounts (Railways) for the sums expended during the year ended 31 March 2014, compared with the sums authorized in the Original and Supplementary Demands for Grants for expenditure and passed under Article 114 and 115 of the Constitution of India are summarized in Table 2.1.

Table 2.1- Summary of Appropriation Accounts 2013-14

(₹ in crore)

	Original Grant/ Appropriation	Supplementary Grant	Total Sanctioned Grant	Actual Expenditure	Saving (-) / Excess (+)
Voted					
Revenue	1,70,010.70	6,022.27	1,76,032.97	1,69,656.49	(-) 6,376.48
Capital	86,928.30*	1,000.00	87,928.30	83,923.45@	(-) 4,004.85
Total Voted	2,56,939.00	7,022.27	2,63,961.27	2,53,579.94	(-) 10381.33
Charged					
Revenue	215.11	64.69	279.80	192.15	(-) 87.65
Capital	91.11	62.70	153.81	166.66	12.85
Total Charged	306.22	127.39	433.61	358.81	(-) 74.80
Grand Total	2,57,245.22	7,149.66	2,64,394.88	2,53,938.75	(-) 10,456.13

*This includes an amount of ₹ 26,000 crore given by the Ministry of Finance out of National Investment Fund (NIF) as part of General Budgetary Support,

@ This includes an amount of ₹ 17,634.382 crore shown as expenditure met out of NIF.

The above Table lists out the total expenditure of IR as ₹ 2,53,938.75 crore during the financial year 2013-14, of which nearly 66.89 per cent was spent on revenue grants which include working expenses on administrative, operational and maintenance activities while 33.11 per cent was spent on capital grant dealing with creation and augmentation of infrastructure facilities through Assets Acquisition, Construction and their Replacement/Renewal. The above Table also indicates savings of 3.67 per cent (₹ 6,464.13 crore) under revenue grants and 4.53 per cent (₹ 3,992.00 crore) under capital grant against the sanctioned provisions available in 2013-14.

An analysis of grant-wise expenditure revealed that the net saving of ₹ 10,456.13 crore was a result of savings of ₹ 13,175.88 crore under nine revenue grants, three segments of capital grant, one revenue appropriation²⁸ and one segment of capital appropriation, adjusted by an excess of ₹ 2,719.75 crore in six revenue grants, ten revenue appropriations, one segment of capital grant and two segments of capital appropriation as are shown in **Appendix-2.1**.

²⁷ A dedicated Central Road Fund was created by the Central Government from collection of cess from petrol and diesel. A share of collection is provided to Railways for construction of road over/under bridges and safety works at unmanned railway crossings.

²⁸ Appropriation refers to expenditure charged on Consolidated Fund of India.

2.1.1 Revenue Grants

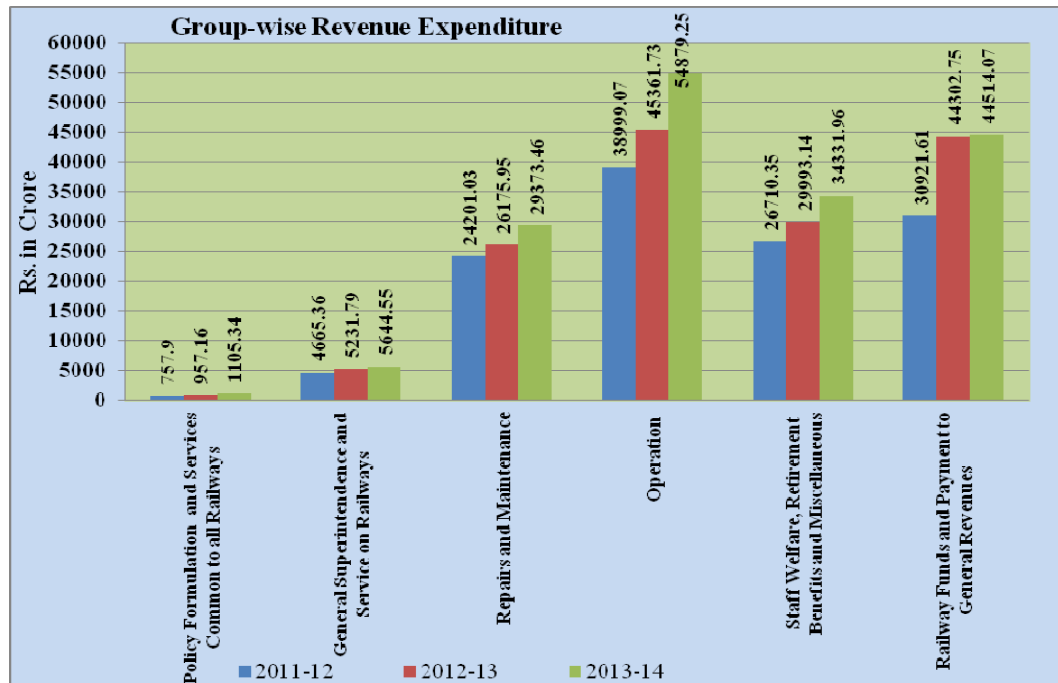
IR operates 15 Revenue Grants. These are functionally clubbed under six distinct groups as listed in Table 2.2:-

Table 2.2- Grants operated by Railways

No.	Particulars	Six Distinct Group
1	Railway Board	Policy Formulation and Services Common to all Railways
2	Miscellaneous Expenditure (General)	
3	General Superintendence and Service on Railways	General Superintendence and Service on Railways
4	Repairs and Maintenance of Permanent Way and Works	Repairs and Maintenance
5	Repairs and Maintenance of Motive Power	
6	Repairs and Maintenance of Carriages and Wagons	
7	Repairs and Maintenance of Plant and Equipment	
8	Operating Expenses-Rolling Stock and Equipment	Operation
9	Operating Expenses-Traffic	
10	Operating Expenses-Fuel	
11	Staff Welfare and Amenities	Staff Welfare, Retirement Benefits and Miscellaneous
12	Miscellaneous Working Expenses	
13	Provident Fund, Pension and Other Retirement Benefits	
14	Appropriation to Funds	Railway Funds and Payment to General Revenues
15	Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of over Capitalization	

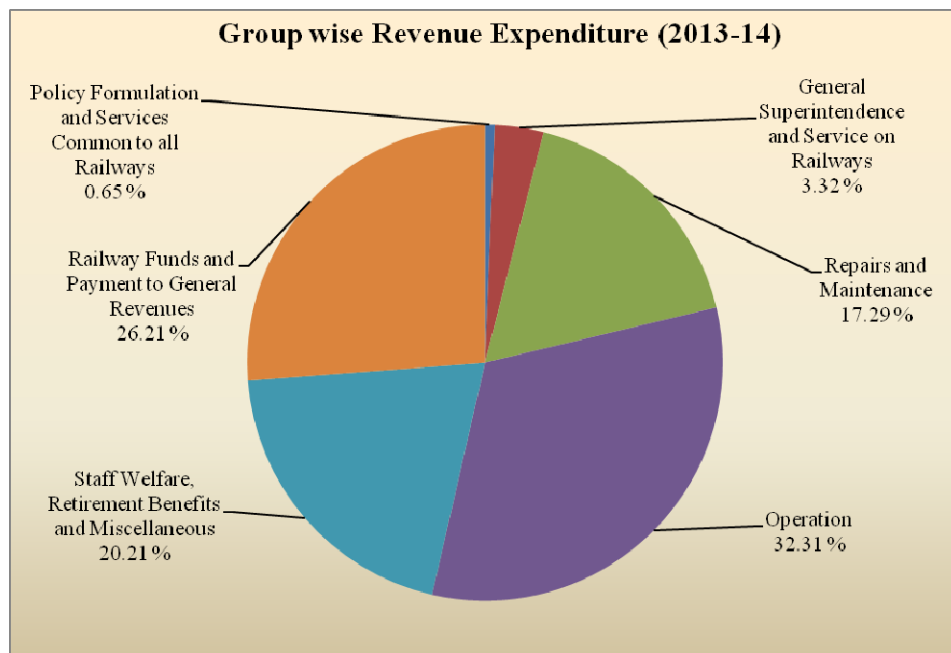
The following diagram depicts group-wise expenditure for last three years which shows an increasing trend in expenditure of Indian Railways:

Diagram 2.1 Trend of Revenue Expenditure-Group-wise during 2011-12 to 2013-14



The following Pie diagram depicts the group-wise expenditure in 2013-14:

Diagram-2.2 Group wise Revenue Expenditure (2013-14)



Group-wise estimates, expenditure and variation under the revenue grants are detailed in Table 2.3.

Table- 2.3 Group wise Estimates, Expenditure and Variation (2013-14)

(₹ in crore)

Particulars	Original Grant/ Appropriation	Supplementary Provision	Total Sanctioned Grant	Actual Expenditure	Variation w.r.t. Sanctioned Grant (-) Saving/ (+) Excess	Percentage variation
Policy Formulation and Services Common to all Railways	1,155.01	1.40	1,156.41	1,105.34	-51.07	-4.42
General Superintendence and Service on Railways	5,920.43	0.50	5,920.93	5,644.55	-276.38	-4.67
Repairs and Maintenance	29,558.52	1.28	29,559.80	29,373.46	-186.34	-0.63
Operation	52,136.17	2,322.34	54,458.51	54,879.25	420.74	0.77
Staff Welfare, Retirement Benefits and Miscellaneous	32,544.68	2,170.77	34,715.45	34,331.96	-383.49	-1.10
Railway Funds and Payment to General Revenues	48,911.00	1,590.67	50,501.67	44,514.07	-5,987.60	-11.86

The main reasons for variations with reference to sanctioned provisions are as under:

- **Indian Railways Policy Formulation**

Decrease in expenditure towards other charges such as foreign travel expenses and Rent, Rates and Taxes etc., non-execution/slow progress of certain survey works, non-finalisation of tender of some works, materialisation of less contractual payment, less expenditure towards training cost and conducting less number of examinations by various Railway Recruitment Boards during the year.

- **General Superintendence and Service on Railways**

Reduction in expenditure towards staff cost, contingencies, leave encashment, computer stationary etc., less payment of honorarium.

- **Repairs and Maintenance**

Reduction in expenditure towards salary and wages, staff cost, dearness allowances, materialization of less contractual payments, less expenditure on procurement of non-stock items, less drawl of stores from stock, more realization of credits, less direct purchases during the year, than anticipated.

- **Operation**

Increase in expenditure towards staff cost, more direct purchases, materialization of more contractual obligations, increase in prime cost of High Speed Diesel (HSD) Oil, more consumption of HSD Oil for more activity of diesel locos and more expenditure towards sales tax/excise duty, other taxes and levies during the year, than anticipated.

- **Staff Welfare, Retirement Benefits and Miscellaneous**

Reduction in expenditure due to less receipt of claims for reimbursement of tuition fees, less receipt of bills for medicines, less direct purchases, less expenditure towards staff cost, less drawal of stores from stock, less materialisation of contractual obligations, less adjustment relating to Railway Protection Force, Railway Protection Special Force, Government Railway Police and, less payments made to Indian Railway Catering and Tourism Corporation and private caterers during the year, than anticipated.

- **Railway Funds and Payment to General Revenues**

Reduction in expenditure due to less appropriation to Capital Fund, Railway Development Fund and Debt Service Fund²⁹ owing to lesser generation of internal resources during the year than anticipated

Grant wise authorisation and expenditure under the revenue and capital grants and appropriations are detailed in *Appendix-2.1*.

Analysis of capital grant is discussed in paragraph 2.2.4 and 2.6.

2.2 Financial Accountability and Budget Management

2.2.1 Excess over Budget Provision

Table 2.4 gives the grants and appropriations wherein expenditure was incurred in excess of authorized expenditure during 2013-14.

Table 2.4 Excess Expenditure (2013-14)

(₹ in crore)

S. No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Excess
Revenue-Voted					
1	Grant No. 5 - Working Expenses – Repairs and Maintenance of Motive Power	4,397.05	0.00	4,464.47	67.42
2	Grant No. 6 – Working Expenses	10,233.24	0.00	10,330.64	97.40

²⁹ An interest bearing reserve fund namely 'Railway Debt Service Fund' has been opened in year 2013-14 under Public Account as per the recommendation of the Railway Convention Committee (2009)-Sixth Report.

S. No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Excess
	– Repairs and Maintenance of Carriage and Wagons				
3	Grant No. 8- Working Expenses – Operating Expenses – Rolling Stock and Equipment	8,487.98	204.37	8,797.45	105.10
4	Grant No. 10 - Working Expenses – Operating Expenses - Fuel	26,474.10	2,056.57	29,214.22	683.55
5	Grant No. 13 - Working Expenses – Provident Fund, Pension and Other Retirement Benefits	22,626.47	2,170.66	25,529.57	732.44
6	Grant No. 15 – Dividend to General Revenues – Repayment of Loans taken from General Revenues and Amortisation of Over Capitalisation	6,249.20	1,590.67	8,008.67	168.80
	Total	78,468.04	6,022.27	86,345.02	1,854.71
Capital-Voted					
7	Grant No. 16 – Capital	68,618.76	1,000.00	70,448.44	829.68
	Total-Voted-Revenue and Capital	147,086.80	7,022.27	156,793.46	2,684.39
Revenue-Charged					
1	Appropriation No.3 – Working Expenses – General Superintendence and Services	0.00	0.50	0.88	0.38
2	Appropriation No.4 – Working Expenses – Repairs and Maintenance of Permanent Way and Works	0.33	1.28	2.34	0.73
3	Appropriation No.5 – Working Expenses – Repairs and Maintenance of Motive Power	0.00	0.00	0.04	0.04
4	Appropriation No. 6 – Working Expenses – Repairs and Maintenance of Carriage and Wagons	0.02	0.00	0.09	0.07
5	Appropriation No.7 - Working Expenses –Repairs and Maintenance of Plant and Equipment	0.00	0.0061000	0.0061385	0.0000385
6	Appropriation No.8 - Working Expenses – Operating Expenses – Rolling Stock and Equipment	0.00	0.11	0.51	0.40
7	Appropriation No 9 - Working Expenses – Operating Expenses – Traffic	0.00	0.04	3.08	3.04
8	Appropriation No 10 - Working Expenses – Operating Expenses - Fuel	0.14	61.24	78.92	17.54
9	Appropriation No.11- Working Expenses – Staff Welfare and Amenities	0.00	0.02	0.04	0.02
10	Appropriation No.13- Working	0.49	0.09	0.74	0.16

S. No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Excess
	Expenses – Provident Fund, Pension and Other Retirement Benefits				
	Total- Revenue- Charged	0.98	63.2861	86.6461385	22.3800385
Capital-Charged					
11	Appropriation No. 16 - Capital	87.30	62.70	162.16	12.16
12	Appropriation No. 16 – Railway Funds	3.50	0.00	4.32	0.82
	Total- Capital - Charged	90.8	62.70	166.48	12.98
	Grand Total	1,47,178.58	7,148.26	1,57,046.59	2,719.75

For the above mentioned grants and appropriations where excess expenditure occurred, supplementary provisions were obtained in all except in two grants (Grant No. 5-Working Expenses-Repairs and Maintenance of Motive Power and Grant No. 6- Working Expenses-Repairs and Maintenance of Carriage and Wagons) and in three appropriations (Appropriation No.5-Working Expenses-Repairs and Maintenance of Motive Power, Appropriation No. 6-Working Expenses-Repairs and Maintenance of Carriage and Wagons and Appropriation No. 16-Railway Funds). In Appropriation No.5-Working Expenses- Repairs and Maintenance of Motive Power, expenditure was incurred without obtaining original provision and supplementary provision which indicated poor budgetary forecasting.

- ***Excess in Revenue Grants and Appropriations***

The reason for excess expenditure during 2013-14 were attributed to more drawl of stores from stock, more expenditure towards wages and materials, staff cost, more direct purchases, adjustment of more workshop debits due to more Periodical Overhaul activities and materialization of more contractual payments, increase in prime cost of High Speed Diesel (HSD) Oil, more consumption of HSD Oil for more activity of diesel locos, more expenditure towards sales tax/excise duty and other taxes and levies, receipt of more debits from pension disbursing authorities on account of increase in Dearness Allowance, finalization of more number of death cum retirement gratuity cases, more expenditure towards leave encashment for pension optees, more government contribution for newly defined contribution pension scheme during the year, than anticipated and higher payment of dividend to General Revenues due to increase in the rate of dividend from 4 per cent to 5 per cent as recommended by the Railway Convention Committee (2009) for the year 2013-14 and materialization of more decretal payments, than anticipated.

- ***Excess in Grant No.16-Capital***

The main reason of excess in Capital expenditure was due to payment of entire amount of Principal Component of Leased assets to Indian Railway Finance Corporation (IRFC) from source of fund 'Capital'. The other reason for excess expenditure were attributed to materialization of more contractual payment and Stores bills, residual works, more contractual payment for supply of

Permanent Way material and other misc. expenses to commensurate the progress of work, more booking of expenditure on new rails and Pre Stressed Concrete Sleepers, adjustment of more debits, more procurement of Machinery and Plants items, variation in prices of raw materials, increase in consumption of fuel and more expenditure towards HSD oil, more procurement/receipt of stores for general purposes, and adjustment of more debits for stores over various zonal railways during the year than anticipated

Public Accounts Committee (PAC) in its Sixty Fourth Report (15th Lok Sabha) on 'Excess over Voted Grants and Charged Appropriations (2010-11) had expressed their strong displeasure over incurring uncontrolled, consistent and unauthorised excess expenditure by the defaulting Ministries/Departments and directed the nodal Ministry i.e. Ministry of Finance to bring it to the notice of the appointing authorities of the respective Chief Accounting Authority as well as Financial Advisers of the Ministries/Departments concerned with a view to facilitating remedial measures which inter-alia should included fixation of responsibility so as to avoid excess expenditure in future.

Public Accounts Committee (PAC) again in its Ninety-second Report (15th Lok Sabha) on 'Excess over Voted Grants and Charged Appropriations (2011-12) cautioned the Ministry of Railways against incurring excess expenditure despite obtaining Supplementary Grants. As the trend of incurring excess expenditure despite obtaining Supplementary Grants still persists, the Committee concluded that the Budget Provisions are not made with requisite precision and the requirement projected at the Supplementary Grant stage are also unrealistic, indicating the deeply pervading malaise in the extent Budgetary mechanism. The Committee, therefore, desired the Ministry of Railways to impress upon their budget controlling authorities to thoroughly examine the proposal for additional funds with due farsightedness and ensure proper review and scrutiny of the proposals for Supplementary demands before presenting the same to the Parliament so that additional provisions are commensurable with the actual requirement of funds. In its reply Ministry of Railways stated that the concern of the Committee is noted and reference has been sent to the Zonal Railways conveying the concern expressed by the Committee on the need for thoroughly examining the proposals and ensuring correct estimation of funds required for supplementary demands.

The PAC also expressed their concern on persistent trend of excesses over Voted Grants and Charged Appropriations and made observations that adequate and serious attention is not being paid by the Ministry of Railways to implement an effective mechanism to curb the phenomenon. The Committee recommended that the Government should earnestly undertake case studies of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years and streamline and strengthen the extant mechanism so as to tighten the financial and budgetary control to effectively check the unabated trend of excess expenditure. In its reply Ministry of Railways stated that instances of excess expenditure on Railways both in terms of number of instances and total amount involved have registered

noticeable decline in 2011-12 and the concern of the Committee is noted nonetheless.

Whereas PAC's concern over excess expenditure, Ministry of Railways incurred excess expenditure of ₹ 2,719.75 crore in the year 2013-14. It is evident from Table 2.5, there has an increasing trend after 2011-12, which is indicative of failure of Ministry of Railways and Budgetary control mechanism to arrest the practise of booking of expenditure beyond authorisation given by the Parliament. Table 2.5 shows the number of instances and amount involved in excess expenditure for the last three years:

Table 2.5 Excess Expenditure during the last three years

(₹ in crore)

Year	No of Voted Grant	No. of Charged Appropriation	Original Provision	Supplementary Provision	Actual Expenditure	Excess	Growth rate in percent
2011-12	2	2	20,164.98	1,502.86	22,715.98	1,048.14	-65.67
2012-13	3	7	47,829.04	2,338.95	51,838.23	1,670.24	59.35
2013-14	7	12	1,47,178.58	7,148.26	1,57,046.59	2,719.75	62.84

The excesses over the budgetary sanctions require regularization by Parliament under Article 115(1) (b) of the Constitution of India.

2.2.2 Persistent Excess Expenditure

There were persistent excess during 2009-10 2010-11, 2011-12, 2012-13 and 2013-14 in the Grant No. 13- Provident Fund, Pension and Other Retirement Benefits dealing with Staff Welfare, Retirement Benefits etc and Appropriation No. 3 (Charged) - Working Expenses-General Superintendence and Services as in the Table 2.6.

Table 2.6 Persistent Excess Expenditure

(₹ in crore)

S. No.	Name and Grant No.	Financial Year	Original Provision	Supplementary provision	Actual Expenditure	Excess
1	Grant No. 13 (Voted) – Provident Fund, Pension and Other Retirement Benefits	2009-10	14,265.29	1,133.52	16,911.20	1,512.39
		2010-11	14,417.50	531.24	16,352.71	1,403.97
		2011-12	16,479.74	1,077.61	18,326.97	769.62
		2012-13	19,120.66	1,456.06	21,558.67	981.95
		2013-14	22,626.47	2,170.66	25,529.57	732.44
2	Appropriation No. 3 (Charged) – Working Expenses- General Superintendence and Services	2009-10	0.01	0.09	0.35	0.24
		2010-11	0.05	0.10	0.36	0.21
		2011-12	0.00	0.03	0.30	0.27
		2012-13	0.00	0.01	0.43	0.42
		2013-14	0.00	0.50	0.88	0.38

Reasons for excess were mainly attributed to receipt of more debits from pension disbursing authorities on account of increase in Dearness Allowance, finalization of more number of death-cum-retirement-gratuity cases, more

expenditure towards leave encashment for pension optees, more government contribution for newly defined contribution pension scheme and materialization of more decretal payments, than anticipated.

The persistent excess during last five years indicates the failure of IR to accurately estimate budgetary requirements in order to enforce fiscal discipline.

2.2.3 Savings

There were aggregate savings (revenue and capital grants) of ₹ 13,175.88 crore during the year 2013-14. In 8 cases, as detailed in Table 2.7, the savings exceeded ₹ 100 crore.

Table 2.7: Savings over ₹100 crore

(₹ in crore)

S. No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Saving
1	Grant No. 3 – Working Expenses – General Superintendence and Services	5920.43	0.00	5643.66	(-) 276.77
2	Grant No. 4– Working Expenses – Repairs and Maintenance of Permanent Way and Works	9477.84	0.00	9169.62	(-) 308.22
3	Grant No. 9 - Working Expenses – Operating Expenses – Traffic	17173.95	0.00	16785.07	(-) 388.88
4	Grant No. 11 – Working Expenses – Staff Welfare and Amenities	4816.69	0.00	4505.29	(-) 311.40
5	Grant No. 12 - Working Expenses – Miscellaneous Working Expenses	4889.01	0.00	4194.36	(-) 694.65
6	Appropriation No. 12 - Working Expenses – Miscellaneous Working Expenses	212.01	0.00	101.96	(-) 110.05
7	Grant No. 14 Appropriation to Funds - Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund, Debt Service Fund	42,661.80	0.00	36,505.40	(-) 6,156.40
8	Grant No. 16-Railway Funds	16,249.85	0.00	11,461.21	(-) 4788.64

Reasons for savings (except Grant No.14-Appropriation to Funds) were attributed to less expenditure towards staff cost, salary and wages, contingencies, leave encashment, computer stationary, less payment of honorarium, materialization of less contractual payments, less expenditure on procurement of non-stock items, non-filling up of vacancies, less payment of

leasing charges to Indian Railway Finance Corporation (IRFC) and less payment of leasing charges other than IRFC, less receipt of claims for reimbursement of tuition fees, less receipt of bills for medicines, less direct purchases, less adjustment relating to Railway Protection Force, Railway Protection Special Force, Government Railway Police, less payments made to Indian Railway Catering and Tourism Corporation and private caterers, during the year than anticipated.

Reasons for savings in 'Grant No. 14-Appropriation to Funds' were attributed to less appropriation to Capital Fund, Railway Development Fund and Debt Service Fund due to lesser generation of internal resources during the year than anticipated.

Grant No. 16 - Railway Funds – Reasons for savings under this fund are given in succeeding para.

2.2.4 Persistent Savings

There were persistent savings of over ₹ 100 crore* in following grants for the last seven years ended 2013-14 as shown in the Table 2.8.

Table 2.8 Persistent Savings

(₹ in crore)

S. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	Grant No. 14 – Appropriation to Funds	373.99	6,429.96	4,301.51	2,533.20	2,802.84	7,730.75	6,156.40
2	Grant No. 16 – Railway Funds	1,634.35	1,723.38	2,815.59	861.94	3,565.24	8,217.50	4,788.64
3	Grant No. 16 – Railway Safety Fund	517.44	734.56	649.98	596.96	669.87	414.33	13.56*

* except in one case

Reasons for savings in the Grant No. 14-Appropriation to Funds and two segments of Capital Grant No.16 are as under:

- **Grant No. 14-Appropriation to Funds**

In 2013-14, an amount of ₹ 3,075 crore, ₹ 500 crore and ₹ 165.40 crore was appropriated to Development Fund (DF), Capital Fund (CF) and Debt Service Fund (DSF) respectively. The amount appropriated under DSF and CF was only 3.97 per cent and 9.20 per cent of the budget estimate. The reason for savings in Grant No.14 was due to lesser generation of net surplus available for appropriation (₹ 3,740.40 crore) against ₹ 13,146.80 crore projected in budget estimate.

- **Savings in Grant No.16-Railway Funds**

Savings occurred in Railway Funds were due to less expenditure incurred on account of renewal and replacement of assets, non-materialisation of contractual obligations, less stores debits, non/late finalization of some estimates/tenders of Passenger Reservation System works as well as adjustment of less debits for various computerization works over various Zonal Railways, no activities towards payment of Capital Component of leased assets, less booking of expenditure against non stock item of stores during the year.

- **Savings in Grant No.16- Railway Safety Fund**

Reasons for saving under Railway Safety Fund attributed to materialization of less contractual payments, adjustment of fewer stores debits and non/less finalization of tenders/proposals of conversion of unmanned level crossings into manned level crossings during the year, than anticipated.

From the above, it may be seen that there has been continuous savings in Grant No.16- Railway Funds from the years 2007-08 to 2013-14 and Grant No. 16- Capital from the years 2007-08 to 2012-13³⁰ despite huge backlog of ongoing projects. IR has 359 projects³¹ remained to be completed as of July 2014.

Ministry of Railways needs to assess the funds requirements accurately and monitor the progress of the works closely so that the allotted funds could be utilised properly and the projects completed within the target timeframe.

2.3 Supplementary Provisions

2.3.1 Revenue Grants and Appropriations

Supplementary provisions amounting to ₹ 6,022.27 crore were taken during 2013-14 in four revenue voted grants (Grant nos. 8, 10, 13 and 15). These were obtained on account of higher payment of Dearness Allowance, Kilometerage Allowance, Transport Allowance, Fuel other than Traction etc., more expenditure on fuel due to increase in traffic/prices of fuel under Diesel Traction and Electric Traction, for meeting the increased pensionary charges and increase in the rate of dividend from 4 per cent to 5 per cent etc as recommended by the Railway Convention Committee (2009). However, the supplementary provisions under charged appropriation were inadequate as there were excess expenditure of ₹ 1,689.87 crore despite obtaining supplementary provisions in all above appropriations. The reasons of excess

³⁰ Para 2.2.4 of Report No. 19 of 2014-Union Government (Railways) -Railways Finances.

³¹ Railway Minister's Budget Speech (2014-15) - July 2014.

expenditure were attributed to incurrence of more expenditure toward staff cost, materialisation of more contractual payments than anticipated, increase in prime cost of high speed diesel oil, receipt of more debits from pension disbursing authorities on account of increase in dearness allowances, higher payment of dividend to general revenues due to increase in rate of dividend for 2013-14.

Supplementary provisions of ₹ 64.69 crore were obtained under charged appropriations (Appropriation nos. 2, 3, 4, 7, 8, 9, 10, 11 and 13) on account of more payments in satisfaction of court decrees and additional requirement on account of revision of the establishment charges of audit. However, the supplementary provisions under charged appropriation were inadequate as there were excess expenditure of ₹ 22.28 crore despite obtaining supplementary provisions in all above appropriations (except Appropriation no. 2). The reasons of excess expenditure were attributed to materialization of more decretal payment than anticipated.

2.3.2 Capital Grant and Appropriation

The Supplementary provision of ₹ 1,000 crore was taken during 2013-14 in Grant No. 16 (Capital) under 'Voted' for taking up certain 'Out of Turn' works and to meet additional requirement for various important four national projects³² of North Eastern Region and for two important projects³³ on Indian Railways.

The Supplementary provisions of ₹ 62.70 crore was obtained under charged appropriations (Grant No.16-Capital) during 2013-14 for payment in satisfaction of court decrees and arbitration awards, were made into rule of the court, not anticipated earlier. However, the assessment of supplementary provisions under voted and charged appropriations were not realistic as there was excess expenditure of ₹ 829.68 crore and ₹ 12.16 crore respectively.

2.4 Surrenders

Savings in a grant or appropriation are required to be surrendered as soon as these are foreseen without waiting for the end of financial year. There were a number of cases of surrender as shown in the Table 2.9:-

³² 1. Jiribam-Imphal (New Line Project), 2. Bogibeel Bridge with linking lines between Dibrugarh and North Bank line (New Line Project), 3. Luming – Silchar including Migrendisa-Dittockchera extension from Badarpur – Bairagram and new material modification for Gauge Conversion of Bairagram Dulabchera with bypass at Karimganj and Karimganj – Maishashan (Gauge Conversion Project) 4. Rangiya – Murkongselek along with linked fingers (Gauge Conversion Project).

³³ 1. Dudhnoi – Mendhipathar (New Line Project) 2. Harmuti- Naharlagun (New Line Project).

Table 2.9 : Surrenders under various Grants

(₹ in crore)

Grant No.	Voted/ Charged (V/C)	Original	Supplementary	Actual expenditure	Net variation (Savings) ³⁴	Surrender ³⁵
1	V	254.01	0	248.85	(-) 5.16	-4.00
2	V	898.89	0	852.98	(-) 45.91	-171.27
3	V	5,920.43	0	5,643.66	(-) 276.77	-158.17
4	V	9,477.84	0	9,169.62	(-) 308.22	-364.28
5	V	4,397.05	0	4,464.47	67.42	-6.55
6	V	10,223.24	0	10,330.64	97.40	-151.56
7	V	5,450.04	0	5,406.25	(-) 43.79	-40.87
9	V	17,173.95	0	16,785.07	(-) 388.88	-347.91
11	V	4,816.69	0	4,505.29	(-) 311.40	-287.49
12	V	4,889.00	0	4,194.36	(-) 694.64	-253.27
14	V	42,661.80	0	36,505.40	(-) 6,156.40	-4,503.85
16 (Capital)	V	68,618.76	1,000.00	70,448.44	829.68	-0.0007
16 (Railway Funds)	V	16249.85	0.0003	11461.21	(-) 4,788.64	-5,142.00
16 (Railway Funds)	C	3.51	0	4.33	(-) 0.82	-0.0894
16(RSF)	V	1999.70	0.0020	1986.14	(-) 13.56	-0.0020
16 (OLWR)	V	60.00	0	27.67	(-) 32.33	-15.30

It is evident from the above table; in three grants (Grant No. 2, 4 and 16-Railway Funds-Voted) the amount surrendered exceeded the savings. In another three grants (Grant Nos. 5, 6 and 16-Capital) the amount was surrendered despite the excess expenditure under these grants.

2.5 Budgetary Control by Spending Units

Budget Estimates are usually calculated by IR after taking into account zonal railways requirements which are analyzed and moderated Re-appropriation of funds is done through Final Modification Statement³⁶ (FMS). Rule 519 of Finance Code, Volume-I provides that control of expenditure should be done through preparation in advance of estimates of the expenditure to be incurred, the allotment of fund through budget grants for the year on the basis of these estimates and continuous and concurrent review of the expenditure as incurred against the details of the estimates and against the sanctioned grants, so that revisions of estimates or re-appropriations of funds are arranged for at the earliest possible point of time.

³⁴ 'Savings' represent the difference between the sanctioned grant and actual expenditure.

³⁵ 'Surrender' represents the difference between 'Sanctioned Grant' and 'Final Grant'.

³⁶ Final Modification Statement referred to final re-appropriation of fund from one unit to other or from one work to other within the frame work of rules. It is usually done at the fag end of the year.

Rules³⁷ provide that Zonal Railways should furnish the statements showing the additional allotments required (both voted and charged) or surrenders to be made, during the current financial year under each head of appropriation, as prescribed in the budget orders, and requiring the sanction of the President. Based on the statements received from the zonal railways, Railway Board prepares a Final Modification Statement.

Audit reviewed the all the 200 cases of re-appropriations relating to Grant Accounts Nos. 3 to 13 of zonal railways. Summary of railway-wise grant accounts is given in *Appendix-2.2*.

The following analysis revealed that the estimation of the final grants as a result of FMS was defective:

- It was seen that in 98 cases, the actual expenditure exceeded the final grant.
- In 20 cases, the actual expenditure even exceeded the sanctioned grants implying that surrender was not required in those cases.
- In 7 cases, zonal railways received additional funds through re-appropriation at the fag end of the year though the actual expenditure was less than the sanctioned grant.

Such instances indicate poor budgetary control and resulted in consequent issue of injudicious re-appropriation orders.

2.6 In-depth Study of Grant No. 16-Assets, Acquisition, Construction and Replacement

IR operates one Grant for capital expenditure. Grant No. 16 i.e. Works Grant is the largest grant in terms of allocation and area of activities in the field. It deals with expenditure on construction, acquisition and replacement of assets of IR. This grant has four segments and draws its funding from four distinct sources:

- **Capital**-budgetary support advanced by general budget of Government of India,
- **Railway Funds**-internal resources kept under three different reserves³⁸,
- **Railway Safety Fund**-financed by Railways' share of diesel cess from Central Road Fund and
- **Open Line Works (Revenue)**-new or additional improvement/replacement works costing less than ₹ 1 lakh financed from revenue.

³⁷ *Paras 385 and 386 of Finance Code-Volume-I*

³⁸ *Reserve Funds were Depreciation Reserve Fund (DRF), Development Fund (DF) and Capital Fund (CF).*

Re-appropriation of funds from one segment to another is not permissible. Segment wise allocation and expenditure is given below:

Table 2.10 Segment wise Expenditure under Grant No. 16

(₹ in crore)

Particulars	Original Provision	Supplementary provision	Total sanctioned provisions	Actual Expenditure	Saving (-)/ Excess (+)
Voted Portion					
Capital	68,618.76	1,000.00	69,618.76	70,448.44	829.68
Railway Funds	16,249.85	0.00	16,249.85	11,461.21	(-) 4,788.64
Railway Safety Fund	1,999.70	0.00	1,999.70	1,986.14	(-) 13.56
Open Line Works – Revenue	60.00	0.00	60.00	27.67	(-) 32.33
Total Voted	86,928.30	1,000.00	87,928.31	83,923.46	(-) 4,004.85
Charged Portion					
Capital	87.30	62.70	150.00	162.16	12.16
Railway Funds	3.51	0.00	3.51	4.33	0.82
Railway Safety Fund	0.30	0.00	0.30	0.17	(-) 0.13
Open Line Works – Revenue	0.00	0.00	0.00	0.00	0.00
Total Charged	91.11	62.70	153.81	166.66	12.85

➤ Capital

In 2013-14, provision of ₹ 68,618.76 crore was made for acquisition and construction of assets/rolling stocks etc. Additional budgetary support of ₹ 1,000 crore was received through supplementary grant under Capital (Voted).

There was a net excess of ₹ 829.68 crore, against the sanctioned provision, in this segment of the grant. Reasons for excess are discussed in Para 2.2.1- Excess over budget provision.

➤ Railway Funds

Appropriation Accounts for 'Railway Funds' under Grant No. 16 is financed through three sources of funds viz Depreciation Reserve Fund (DRF), Development Fund (DF) and Capital Fund (CF).

- DRF-for replacement/renewal of existing assets (fund financed from internal resources by charging to working expenses).
- DF-for all passenger and other users, works including addition and replacement, labour welfare works not exceeding ₹ 1 lakh each and Safety Works (fund financed from net revenue surplus).
- CF-for meeting requirement of capital expenditure on construction and acquisition of new assets (fund financed from net revenue surplus).

All these funds are financed from the internal resources of IR either by charging to 'Working Expenses' (DRF) or from 'Net Revenue Surplus' (DF and CF). Thus, performance of IR and availability of balances in the fund accounts impacts planning of expenditure under this segment of the grant.

Source-wise break-up of sanctioned allocation and expenditure under Railway Funds is tabulated in Table 2.11.

Table-2.11-Component of Railway Funds

(*₹ in crore*)

Particulars	Original Provision	Supplementary provision	Total sanctioned provisions	Actual Expenditure	Saving (-)/ Excess (+)
Voted Portion					
Depreciation Reserve Fund	9,716.90	0.00	9,716.90	8,898.44	(-) 818.46
Development Fund	3,538.95	0.00	3,538.95	2,562.77	(-) 976.18
Capital Fund	2,994.00	0.00	2,994.00	0.00	(-) 2,994.00
Total Voted	16,249.85	0.00	16,249.85	11,461.21	(-) 4,788.64
Charged Portion					
Depreciation Reserve Fund	3.10	0.00	3.10	2.81	(-) 0.29
Development Fund	0.41	0.00	0.41	1.51	1.10
Capital Fund	0.00	0.00	0.00	0.00	0.00
Total Charged	3.51	0.00	3.51	4.32	0.81
Grand Total -Voted and Charged	16,253.36	0.00	16,253.36	11,465.53	(-) 4,787.83

Analysis of this segment of grant revealed that there were net savings (under voted) of ₹ 4,788.64 crore (29.47 per cent of the sanctioned grant).

Further examination of source wise allocation and expenditure under voted portion of funds revealed the following:

- **DRF**-There were savings of ₹ 818.46 crore constituting 8.42 per cent of the sanctioned provisions.
- **DF**- There were savings of ₹ 976.18 crore constituting 27.58 per cent of the sanctioned provisions.
- **CF**-There were savings of ₹ 2,994.00 crore (100 per cent) of the sanctioned grant of ₹ 2,994.00 crore as no expenditure was met from this fund. The expenditure towards payment of capital component of lease charges to IRFC to be met from this fund was met from source of fund 'Capital'.

- **Railway Safety Fund**

This source of capital expenditure is funded by IR's share of diesel cess in Central Road Fund. Available fund is utilized for road safety works like manning of un-manned railway crossing and construction of road over/under bridges. It was seen that proposed allocations had never been fully utilized in the last seven years as there were continuous savings in this segment of the grant as discussed in Paragraph 2.2.4 above. The savings in the fund ranged between ₹ 13.56 crore (year 2013-14) and ₹ 669.87 crore (year 2011-12). Thus, despite availability of funds there were delays in execution of road safety works. Indian Railways³⁹ have 30,348 level crossings, out of which

³⁹ *Railway Minister Budget Speech (2014-15-July 2014)*

11,563 are unmanned. IR needs to eliminate unmanned level crossings within a target time frame by utilizing the funds allotted for such road safety works.

- **Open Line Works (Revenue)**

This segment of the grant was financed from the revenue of IR. Cost of all works (other than passenger amenities works) whether new or additional improvement/replacement, where cost is less than ₹ 1 lakh, is chargeable to this segment of grant. Under this segment 53.88 per cent (₹ 32.33 crore) of the originally allocated funds of ₹ 60.00 crore was not utilized. The savings were attributed to delay in finalization of tenders of some works and materialization of less contractual obligations, less contractual payment related to computerization, delays in executions of works, less procurement of some Machinery and Plant items, less receipts of debits than anticipated.

2.6.1 Withdrawal/Utilization of Funds

The Table below depicts the status of Budget Estimate and Actual with regard to 'Appropriation to funds' and 'Amount utilized' from the funds during the last three years:

Table 2.12-Appropriation to Railway Funds and withdrawal there from during the last three years ended 31 March 2014

(₹ in crore)

Fund	Particulars	2011-12	2012-13	2013-14
DRF	Appropriation to Fund(BE)	7,100.00	9,700.00	7,700.00
	Appropriation to Fund(Actual)	6,720.00	7,050.00	8,100.00
	Excess (+)/Short (-) appropriation	(-)380.00	(-)2,650.00	400.00
	Expenditure/withdrawal from fund	6,680.72	7,045.47	7,119.91
DF	Appropriation to Fund(BE)	2,400.00	10,557.00	3,550.00
	Appropriation to Fund(Actual)	610.00	7,815.00	3,075.00
	Excess (+)/Short (-) appropriation	(-)1,790.00	(-)2,742.00	(-) 475.00
	Expenditure/withdrawal from fund	2,222.56	2,457.82	2,561.43
CF	Appropriation to Fund (BE)	2858.41	5,000.00	5,433.80
	Appropriation to Fund (Actual)	515.57	451.25	500.00
	Excess (+)/Short (-) appropriation	(-)2,342.84	(-)4,548.75	(-) 4,933.80
	Expenditure/withdrawal from fund	0	0	0
Total (Railway Funds)	Appropriation to Fund (BE)	12,358.41	25,257.00	16,683.80
	Appropriation to Fund (Actual)	7,845.57	15,316.25	11,675.00
	Excess (+)/Short (-) appropriation	(-) 4,513.04	(-) 9,940.75	(-) 5,008.80
	Expenditure/withdrawal from fund	8,903.28	9,503.29	9,681.34

From the above, it is seen that the appropriation to the funds was not made under DF and CF as per budget projections due to lower availability of funds during current year. Analysis of appropriation under DF and CF during the last three years revealed that the deviation in appropriation to DF and CF, as compared to budget projections ranged between 13.38 per cent to 74.58 per cent and 81.96 per cent to 90.98 per cent respectively.

DRF, which is created to meet the requirement of funds needed for renewal/replacement of existing over aged assets, is not being appropriated as per the life of the assets but the appropriation in the fund was made to extent the working expenses could bear. During 2013-14, the appropriation of fund under DRF was, however, exceeded by 5.19 *per cent* of Budget provision.

Through forward value of assets under DRF was estimated to ₹ 47,310.94 crore from DRF during 2013-14. However, appropriation to DRF was not sufficient to clear the backlog of renewal/replacement of overaged assets.

2.6.2 Re-appropriation within Grant No. 16

Works/activities under each segment of the grant were grouped under 33 Plan Heads (Minor Heads of Account) like Construction of New Lines, Doubling, Gauge Conversion, Rolling Stock etc. Investment decisions which form the budget estimates for construction, acquisition and replacement of assets (Works Budget) were processed through the annual "Work, Machinery and Rolling Stock Programme" prepared on the basis of advance and continuous planning process.

Despite detailed exercise in formulation of Works Budget of Capital Grant, non-utilization of sanctioned grant (as tabulated in Table No.2.10) besides large scale re-appropriation of original allocated funds had been noticed.

Some of the cases of re-appropriation of funds are given in the Table 2.13.

Table 2.13-Re-appropriation of funds in Grant No. 16

Source of Fund	Plan Head No. and Name	(+) Re-appropriation through additional fund/ (-) Re-appropriation through non-utilization/surrender of fund
Capital	1100 (Voted) – New Line Construction	₹ 663.62 crore (12.25 <i>per cent</i>)
Capital	1100 (Charged) - New Line Construction	₹ 15.34 crore (19.39 <i>per cent</i>)
Capital	1400 (Voted) – Gauge Conversion	₹ 411.09 crore (15.64 <i>per cent</i>)
Capital	1500 (Charged) – Doubling	(-) ₹ 26.74 crore (60.40 <i>per cent</i>)
Capital	1700 (Voted) – Computerization	(-) ₹ 75.45 crore (50.30 <i>per cent</i>)
Capital	2200 (Voted) – Capital Component	₹ 2864.00 crore (135.99 <i>per cent</i>)
Railway Funds	1500 (Voted) – Doubling	(-) ₹ 17.55 crore (70.19 <i>per cent</i>)
Railway Funds	1600 (Voted) – Traffic Facilities – yard remodeling and others	(-) ₹ 163.28 crore (26.18 <i>per cent</i>)
Railway Funds	1700 (Voted) – Computerization	(-) ₹ 74.18 crore (36.19 <i>per cent</i>)

Railway Funds	1900 (Voted) – Railway Research	(-) ₹ 26.28 crore (52.57 per cent)
Railway Funds	2200 (Voted) – Capital Component	(-) ₹ 2994.00 crore (100 per cent)
Open Line Works Revenue	1600 (Voted) – Traffic Facilities – Yard remodeling and others	(-) ₹ 10.02 crore (66.80 per cent)
Open Line Works Revenue	5300 (Voted) – Passenger Amenities and Other Railway user’s Amenities	(-) ₹ 1.65 crore (82.60 per cent)
Railway Safety Fund	2900 (Voted) – Road Safety Work – Level Crossings	(-) ₹ 89.98 crore (15 per cent)

Note-Figures in bracket represent percentage to the sanctioned grant

Large scale changes in priorities and re-appropriation of originally allocated resources from one plan head to another were indicative of the lack of reliability in preparation of budgetary estimates for assets acquisition, construction and replacement/renewal. This affected the long term advance planning of construction and acquisition of assets and also schedules of completion of works/projects.

To sum up analysis of the Capital Grant (No. 16) revealed the following:

- **Inadequate planning**
- **Weak links between policy making, planning and budgeting**
- **Inadequate relationship between budget as formulated and budget as executed**

2.7 Defects in Budgeting

A large number of instances of defective budgeting (439 cases) resulting in excess/savings beyond the prescribed limits⁴⁰ were noticed. Northern (67 cases), East Central (55 cases), North Central (50 cases), North Western (36 cases), Southern (29 cases) and South Central (29 cases) were the railways with most number of cases on defective budgeting. A few instances of defects in budgeting are given in the table below:

Table 2.14-Cases of Defects in Budgeting

Zonal Railway	Grant No./Name (Voted/Charged)	Minor Head/Plan Head	Excess/Short Provision	Rs. in crore	Percentage w.r.t Final Grant
CR	9 - Revenue - Working Expenses – Operating Expenses – Traffic	600 – Safety	Excess	0.04	94.67
CR	12 - Revenue - Working Expenses – Miscellaneous Working Expenses	200 – Compensation Claims	Short	5.74	65.59
NCR	6 - Revenue - Working Expenses – Repairs and Maintenance of Carriages	300 – Wagons	Short	45.21	75.35

⁴⁰Paragraph 409 and 410 of Indian Railways Finance Code prescribed limit for permissible variations which is 5 per cent or ₹ 50 lakh whichever is less and for grant no.16- it is 10 per cent or ₹ 100 lakh whichever is less.

	and Wagons				
NER	4 - Revenue - Working Expenses - Repairs and Maintenance of Permanent Way and Works	500 - Water supply, Sanitation and Roads (other than colonies, staff quarters and welfare buildings)	Excess	6.56	29.83
NWR	16 - DRF	2100 - Rolling Stock	Short	51.46	107.00
NWR	16 - Capital	2100 - Rolling Stock	Short	28.06	90.85
NWR	16 - DF	6400 - Other Specified Works	Excess	3.59	47.52
NWR	16 - DF	3600 - Other Electrical Works	Short	0.26	131.30
NWR	16 - Capital	3300 - Signaling and Telecommunication Work	Short	0.34	133.07
WR	16 - DRF	2100 - Rolling Stock	Short	78.37	45.72
WR	16 - DRF	5300 - Passenger Amenities	Excess	2.79	35.07
WCR	16 - Railway Funds	4100 - Machinery and Plant	Excess	6.22	88.86
WCR	16 - DRF	5300 - Passenger Amenities	Excess	4.29	79.15
CLW	16 - DRF	5200 - Amenities for Staff	Short	0.92	96.58
CORE	16 - Capital (Charged)	3500 - Electrification Projects	Short	5.07	68.51

IR need to take a comprehensive relook at its budgeting process and make the projections more realistic, so as to ensure that funds are fully utilised for the purposes sanctioned by the Parliament.

2.8 Misclassification of Expenditure

Instances of misclassification of expenditure and other accounting mistakes had been noticed while verifying the Accounts of the zonal railways. Cases of misclassification of expenditure and important accounting mistakes have been listed in the “Appropriation Accounts of IR 2013-14-Detailed Accounts-Part II. These cases included misclassification of expenditure from one revenue grant to another and also from revenue to capital grant and vice-versa. Cases on misclassification of expenditure from capital to deposit heads of accounts were also identified in audit. Misclassification of expenditure from revenue to capital head of accounts or capital to deposit heads understated the revenue and capital expenditure in the accounts. The revised Annexure-J containing cases of such misclassifications was not furnished by the Ministry of Railways.

Some instances of mis-classification of expenditure and receipts by the zonal railways during 2013-14 are mentioned below:

- **Mis-classification between Revenue expenditure and Capital expenditure**

- (i) In NR, freight charged on stone ballast and cost of Pre Stressed Concrete sleepers amounting to ₹ 2.37 crore was debited to Revenue Grant No.4-Repairs and Maintenance of Permanent Way and Works instead of Capital Grant No. 16 (DRF).
- (ii) In SR, cost of ballast for gauge conversion works amounting to ₹ 1.17 crore was debited to Revenue Grant No.4-Repairs and Maintenance of Permanent Way and Works instead of Capital Grant No. 16 (DRF).
- (iii) In NWR, cost of Permanent Way staff engaged in gauge conversion work amounting to ₹ 0.79 crore was debited to Revenue Grant No.4-Repair and Maintenance of Permanent Way and Works instead of gauge conversion work under Capital Grant No. 16 (Capital).
- (iv) In SER, maintenance charges of line already opened to traffic amounting to ₹ 0.47 crore was debited to Capital Grant No.16 (Capital) instead of Revenue Grant No.4-Repairs and Maintenance of Permanent Way and Works.
- (v) In SCR, cost of maintenance of track after opening the line to traffic amounting to ₹ 0.40 crore was debited to Capital Grant No. 16 (Capital) instead of Revenue Grant No.4-Repairs and Maintenance of Permanent Way and Works.
- (vi) In SR, pay and allowances of trainees during induction training amounting to ₹ 0.20 crore was debited to Capital Grant No.16 (Capital) instead of Revenue Grant No.12-Miscellaneous Working Expenses.

- **Mis-classification of expenditure under Revenue Grants**

- (i) In SWR, expenditure on bed roll contracts amounting to ₹ 6.79 crore was debited to Revenue Grant No. 9-Operating Expenses-Traffic instead of Revenue Grant No.8-Operating Expenses-Rolling Stock and Equipment.
- (ii) In SWR, track machine usage charges amounting to ₹ 1.77 crore was debited to Revenue Grant No.7-Repairs and Maintenance of Plant and Equipment instead of Revenue Grant No.4-Repairs and Maintenance of Permanent Way and Works.

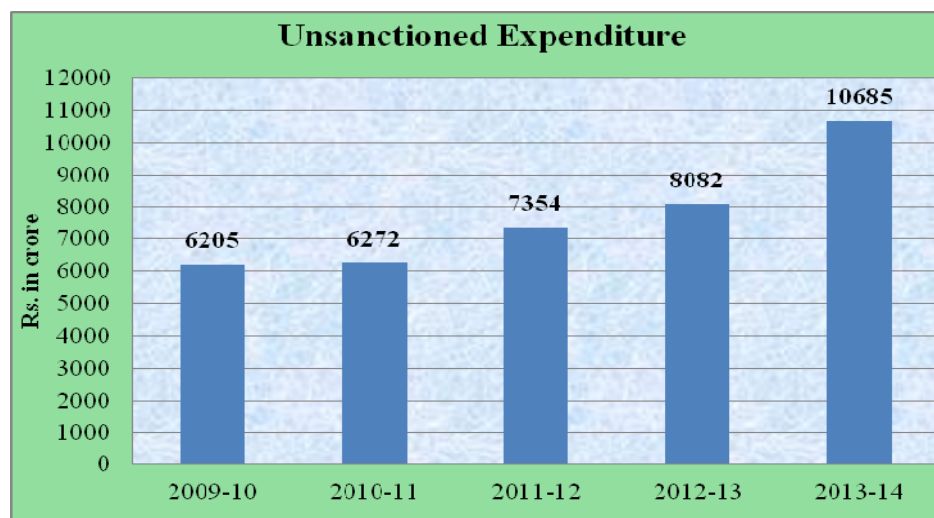
- (iii) In SER, pay and allowances of Gate keepers amounting to ₹ 0.99 crore was debited to Revenue Grant No.4-Repairs and Maintenance of Permanent Way and Works instead of Revenue Grant No.9-Operating Expenses-Traffic.
 - (iv) In NR, cost of repair and maintenance of carriages and wagons amounting to ₹ 0.34 crore was debited to Revenue Grant No.8-Operating Expenses-Rolling Stock and Equipment instead of Revenue Grant No.6-Repairs and Maintenance of Carriages and Wagons.
 - (v) In NR, pay and allowances to staff during training/refresher course amounting to ₹ 0.08 crore was debited to Revenue Grant Nos.4-Repairs and Maintenance of Permanent Way and Works, 6-Repairs and Maintenance of Carriages and Wagons, and 8-Operating Expenses-Rolling Stock and Equipment instead of Revenue Grant No.12-Miscellaneous Working Expenses.
- **Mis-classification of expenditure under Capital Grant**
 - (i) In NR, cost of level crossings works amounting to ₹ 0.12 crore was debited to Capital Grant No.16 (Development Fund)-Passenger Amenities instead of Capital Grant No. 16 (DRF)-Road Safety Works-Level crossings.
 - (ii) In ECoR, cost of 25 nos. Touch Screen provided at stations of Vishakhapatnam Division amounting to ₹ 0.07 crore was debited to Capital Grant No.16 (DRF) instead of Capital Grant No.16 (DF).
 - **Mis-classification of receipts**
 - (i) In ECoR, an amount of ₹ 2.45 crore relating to sale proceeds of scrap was credited to Revenue Grant No.5- Repair and Maintenance of Motive Power instead of Depreciation Reserve Fund under Capital Grant No.16 (2013-14).
 - (ii) In SCR, an amount of ₹ 1.92 crore relating to electrical energy charges recovered from other government departments and outsiders was credited to Revenue Grant No.8-Operating Expenses-Rolling Stock and Equipment instead of crediting it under Sundry Earnings.
 - (iii) In SCR, an amount of ₹ 0.02 crore relating to interest earned on deposit with SEB was treated as reduction in expenditure under Grant No. 8-Operating Expenses-Rolling Stock and Equipment instead of crediting it under Sundry Earnings.

The Public Accounts Committee (PAC) in its Ninety Second Report (15th Lok Sabha) observed that a large number of cases of misclassification of expenditure under various Grants/Appropriations operated by Ministry of Railways have turned out to be a recurring phenomenon. The Committee recommended that the existing budgetary mechanism in Railways needs to be revamped to overcome systemic lacunae/loopholes and progressive elimination of misclassification syndrome and responsibility fixed on the persons responsible for the apparent lapses. The Committee also recommended that Ministry of Railways should ensure proper upkeep and maintenance of books of accounts so that the propensity for misclassification/wrong booking of expenditure are detected in time and rectified accordingly. Ministry of Railways in its reply stated that the PAC's recommendations are noted for strict compliance. Apart from fixing responsibility on the defaulting staff for lapses, workshops have been organised and instructions issued for guidance to staff so that instances are avoided in future. It shall always remain in the endeavour of Ministry of Railways to avoid misclassification/mistakes altogether. Despite PAC's remarks on misclassification, the instances of Misclassification were noticed during 2013-14 also.

2.9 Unsanctioned Expenditure

All items of irregular expenditure incurred by IR, such as expenditure incurred in excess of sanctioned estimates, expenditure incurred without detailed estimates and miscellaneous overpayments etc. are noted in objection books by the zonal railways administration and treated as unsanctioned expenditure.

Diagram-2.3 Unsanctioned Expenditure



A review of such expenditure held under objection disclosed an increasing trend ₹ 6,205 crore (March 2010), ₹ 6,272 crore (March 2011), ₹ 7,354 crore (March 2012), ₹ 8,082 crore (March 2013) and ₹ 10,685 crore (March 2014). Unsanctioned expenditure as of 31 March 2014, included ₹ 7,651 crore

(71.60 per cent of total unsanctioned expenditure) related to items which were more than two years old.

It was further noticed that out of unsanctioned expenditure of ₹ 7,354 crore as on 31 March 2012, 1381 cases involving an amount of ₹ 1,765 crore were more than ten years old.

2.10 Conclusions

The Appropriation Accounts reflects the comparison of the actual expenditure with the amount of grants voted by the Parliament and appropriations sanctioned by the President. Article 114 (3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India except under appropriations made by law passed in accordance with the provisions of the Article. Further, General Financial Rules 52 (3) stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriations authorised by the Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund.

During 2013-14, Ministry of Railways against the sanctioned grant⁴¹ of ₹ 2,64,394.88 crore in respect of 15 Revenue Grants and one Capital Grant, incurred an expenditure of ₹ 2,53,938.75 crore thereby registering a net savings of ₹ 10,456.13 crore. An analysis of grant-wise expenditure revealed that the net saving of ₹ 10,456.13 crore was a result of savings of ₹ 13,175.88 crore under nine revenue grants, three segments of capital grant, one revenue appropriation and one segment of capital appropriation, adjusted by an excess of ₹ 2,719.75 crore in six revenue grants, ten revenue appropriations, one segment of capital grant and two segments of capital appropriation.

The savings in the Revenue Grants and Capital Grant indicate that the core activities, creations of assets, value addition for which the funds were demanded through Demands for Grants were not done and the desired benefits could not be achieved by the Railways. At the same time, incurring of excess expenditure over the sanctioned grants indicates that the unauthorised expenditure incurred without the same voted by the Parliament/President's sanction.

Instances of persistent excess expenditure, persistent savings, re-appropriations of funds, surrender of funds, incorrect assessment of demands for supplementary grants, misclassification of expenditure from Revenue Grant to Capital Grant and vice versa, charged expenditure to voted expenditure, one revenue grant to another, unsanctioned expenditure remained un-regularised by the competent authority etc have regularly been pointed out by Audit.

The Public Accounts Committee (PAC) time and again expressed their strong displeasure over incurring uncontrolled, consistent and unauthorised excess

⁴¹ Sum of Original and Supplementary Grants

expenditure by the Ministry of Railways. PAC also recommended the Ministry of Railways to review and overhaul their existing mechanism for estimation of budgetary requirements which has proved to be a failure year after year. However, despite repeated recommendations of the PAC, the excess expenditure has regularly been incurred by the Ministry of Railways.

As trend of incurring excess expenditure despite obtaining Supplementary Grants is increasing, Ministry of Railways should impress upon their budget controlling authorities to thoroughly examine the proposal for additional funds with due farsightedness and ensure proper review and scrutiny of the proposals for Supplementary demands before presenting the same to the Parliament so that additional provisions are commensurable with the actual requirement of funds.

The cases of misclassification of expenditure have been a regular feature in the accounts of IR. The PAC observed that a large number of cases of misclassification of expenditure under various Grants/Appropriations operated by Ministry of Railways have turned out to be a recurring phenomenon. The Committee recommended that the existing budgetary mechanism in Railways needs to be revamped to overcome systemic lacunae/loopholes and progressive elimination of misclassification syndrome and responsibility fixed on the persons responsible for the apparent lapses.

However, no concerted efforts have been taken by the Ministry of Railways to curb/eliminate the instances of misclassification of expenditure by the spending units.

2.11 Recommendations

- ***Financial Adviser & Chief Accounts Officer (FA&CAO) at Zonal Railways and Financial Commissioner (Railways) in Railway Board should strengthen the budgetary mechanism and system of expenditure monitoring at various levels (spending units, zonal and Railway Board levels) so that the instances of savings, excesses beyond authorisation are minimised. Cases of defects in budgeting need to be analysed and measures taken to avoid recurrence in future.***
- ***FA&CAO at Zonal Railways and Financial Commissioner (Railways) in Railway Board should assess the Supplementary Demand of Grants realistically so that sums obtained through Supplementary Demands for Grants do not remain unutilised or become short of the requirement.***

- *FA&CAO at Zonal Railways and Financial Commissioner (Railways) in Railway Board should make its internal controls effective to reduce the instances of misclassification of expenditure. Deterrent sanctions should be put in place to foster greater responsibilities and accountability at the level of key controlling officers.*
- *Increasing trend of unsanctioned expenditure should be controlled; administration should ensure all unsanctioned expenditure is regularised on priority.*