

**STRUCTURED Training  
Manual  
On  
Audit Of Finance and  
APPROPRIATION  
ACCOUNTS OF Railways**

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# Preface

## Structured Training Manual on Audit of Finance and Appropriation Accounts of Railways

### **Training Need:**

In view of Railway organization's huge net work with multiple activities and procedural diversities in different Departments and units of the Indian Railways the accounting systems and set up are also different. The Railways in India are as much as Government concern as well as commercial enterprise as they are engaged in manufacturing and in selling of transport services thus earning profits, maintaining its own assets and paying interest (i.e. dividend) to the General Revenues.

The Government Accounts are kept purely on cash basis whereas the accounts of the Railways are kept on accrual basis. While the Railway is required to keep the records, prepare and present the reports in commercial terms it has also to feed the information to Government in the format prescribed for that. Therefore, the Railway has to maintain various accounts and records for meeting the requirements of both.

It is, therefore, necessary to equip the Railway Audit offices to conduct audit of Railway finance and Appropriation Accounts with the systematized training documents for continuous training of officers and staff working in Railway Audit. Hence, this Structured Training Manual has been prepared to cope up with the situation.

### **Aim:**

The training will equip the participants with adequate knowledge of the Accounting Structure of Railways and various types of accounts/statements and documents prepared to reflect the financial picture of the Railways. It will thus familiarize the participants with key areas of finance and appropriation accounts and enable them to conduct audit of the Railway's finance and appropriation accounts efficiently and effectively.

### **Objectives:**

At the end of the training, the participants will

- i) Formulate an overall background of the Indian Railways.
- ii) Know about the back ground for separation of Railway Finance and Budget from the main budget (i.e. General Budget) of Government of India and formation of separate accounting wing under Railway Finance Commissioner.

- iii) Various duties and functions of Accounts Department.
- iii) Form an idea about the Accounting structures of the Indian Railways and the basic concepts of the Accounting system of the Indian Railways.
- iv) Various books of accounts prepared/maintained by the Railway Accounts Offices (Open line, Construction, Stores, Workshops and Traffic) and necessity of preparation of various accounts.
- v) Acquire an understanding of the basic concept of the Railway Budget, Grants and Appropriation Accounts.
- vi) Understand the Duties and Powers of the Comptroller and Auditor General of India with reference to Railway Finance and Appropriation Accounts and certificates to be issued by Principal Director of Audit, Zonal Railways.
- vii) Audit of Railway Finance and Appropriation Accounts in the present environment.

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## List of Abbreviations and Acronyms

Sl. No.	Abbreviated Form	Full Form
1	RDSO	Research, Designs and Standards Organisation
2	GM	General Manager
3	DRM	Divisional Railway Manager
4	FA&CAO	Financial Advisor and Chief Accounts Officer
5	PDA	Principal Director of Audit
6	DRF	Depreciation Reserved Fund
7	DF	Development Fund
	CF	Capital Fund
8	OLWR	Open-Line Works (Revenue)
9	RSF	Railway Safety Fund
10	RAM	Railway Audit Manual
11	E	Railway Code for the Engineering

Sl. No.	Abbreviated Form	Full Form
		Department
12	A	Railway Code for Accounts Department (Part I & II)
13	S	Railway Code for Stores Department
14	W	Railway Code for Mechanical Department
15	F	Indian Railway Financial Code, (Vol. I & II)
16	WMS	Workshop Manufacturing Suspense Account
17	WGR	Workshop General Register
18	SS	Stores Suspense
19	DP	Demands Payable

## Regional Training Institute, Kolkata

### Training Manual on Audit of Railway Finance and Appropriation Accounts.

**Training Objective:** Familiarization with the conceptual and organizational and accounting frameworks of the Railways, reasons for keeping of various accounts vis-a vis enabling the participants to-

- (i) understand the Railways accounting system and Structure of Railway Accounts, different heads of accounts maintained.
- (ii) basic records maintained/kept by the accounts department of Railway,
- (iii) types of different accounts prepared,
- (iv) method of compilation of various accounts,
- (v) why and how annual budget is prepared,
- (vi) reasons for preparation of Appropriation Accounts,
- (vii) duties and responsibilities of C & AG in connection with Railway Finance and Appropriation Accounts and different audit checks to be exercised.

**Training Method:** Interactive lectures, PowerPoint Presentations and exercises

### Sessions at a glance

#### Day 1

Session		Time Required	Topic
1	Forenoon Session	150 mins	Introduction and Organisational Set-up of Indian Railways.
			Need for separation of Railway Finance and Budget from General Budget of Govt. of India and formation of separate accounting wing of Railway and functions of Accounts Department.
2	Afternoon Session	150 mins	Accounting System of Railways and Structure of Railway Accounts.
			-do-

#### Day 2

Session		Time Required	Topic
2 & 3	Forenoon Session	150 mins	-do-
			Different kinds of Accounts and records maintained and prepared by Accounts Office (Open line, Construction, Workshop, Stores & Traffic).
3	Afternoon Session	150 mins	-do-
			-do-

## Training Objectives & Session at a glance

### Day 3

Session		Time Required	Topic
3 & 4	Forenoon Session	150 mins	-do-
			Compilation of various Important Accounts by the Accounts Office.
4	Afternoon Session	150 mins	-do-
			-do-

### Day 4

Session		Time Required	Topic
5	Forenoon Session	150 mins	Railway Budget and Appropriation Accounts.
			-do-
5	Afternoon Session	150 mins	-do-
			-do-

### Day 5

Session		Time Required	Topic
6	Forenoon Session	150 mins	Audit of Railway Finance Accounts including various Railway books & Accounts, Accounts Current of Open line, Construction, Stores, Workshop & Traffic.
			-do-
6	Afternoon Session	150 mins	-do-
			Audit of Railway Budget & Appropriation Accounts with different schedules/ Annexures /Statements etc., different kinds of Audit objections noticed and discussion of cases studies.

### Day 6

Session		Time Required	Topic
6	Forenoon Session	150 mins	-do-
			-do-
	Afternoon Session	150 mins	Test
			Valediction





# Session: 1



**Introduction and Organizational Set-up of Indian Railways; back ground for separation of Indian Railway finances from General finances and creation of separate finance department of Railways, set up and functions of Accounts Department.**

<b>Session Title: Introduction and Organisational Set-up of Indian Railways; back ground for separation of Indian Railway finances from General finances and creation of separate finance department of Railways, set up and functions of Accounts Department.</b>		Session Guide
<b>Instructor's Guide</b>	Reference	Participants' Response
<b>Session Overview</b>		
<b>Welcome</b> participants to the session and remind them that their active participation is critical for the success of each session.	Lecture	
<b>Learning Objective</b>		
<b>Inform:</b> Given the inputs of overall views of Indian Railways through group discussion, lecture and Power Point slide show, the participants will, at the end of the session, be able to grasp the basic concepts of set up of the Indian Railways and accounts' function which will help them to focus on audit issues in the practical work environment.	Lecture	
<b>Basic Concepts</b>		
<b>Discuss:</b> <ul style="list-style-type: none"> <li>● Historical back ground of railways in India.</li> <li>● Organizational structure of Indian Railways.</li> <li>● Historical background of separation of railway accounts from general accounts.</li> <li>● Organizational structure of Indian Railways' Accounts Department.</li> <li>● Functions of Accounts Department..</li> </ul>	Lecture with Power Point Slide Show <b>Session 1 INTRODUCTION</b>	
<b>Summarise:</b>		
<b>Distribute</b> Participants' Note <b>Tell</b> the participants that during the session, we discussed historical perspectives and salient features of the Indian Railway, organizational structure of railway and its finance and accounts department, different functions of accounts department. <b>Invite</b> questions on themes discussed. If participants have any doubts/clarifications about themes, clarify the same. Answer participants' queries. <b>Thank</b> the participants and bring the session to a close.	Session 1 Participants' Note	

**Training Method:** Interactive Lecture and Power Point Slide Show.

**Materials Required:** Power Point Slides, Projector, White Board, Marker Pen and Participants' Notes.

## Session Title: Introduction and Organizational Set-up of Indian Railways.

### Session Overview

#### 1.1. Historical background of Railways in India

The Indian Railways have had a long history. A plan for a rail system in India was first put forward in 1832. The idea of a railway between Bombay and Thana and beyond was conceived first in 1843. The idea took a concrete shape when a new Company was formed in England under the name of Great Indian Peninsula Railway Company which was incorporated in England by an Act of Parliament on 1<sup>st</sup> August, 1849. The Railway Company entered into a contract on 17<sup>th</sup> August, 1849 with the East India Company. The first train in India became operational on 22<sup>nd</sup> December, 1851 and was used for the hauling of construction material in Roorkee. A year and a half later, on 16<sup>th</sup> April, 1853, the first passenger train service was inaugurated between Bori Bunder, Bombay and Thana covering a distance of 34 km (21 miles), barely 28 years after the World's first train made its successful run between Stockton and Darlington in England in 1825. Within a year the line was extended to Kalyan and was commissioned on 1<sup>st</sup> May, 1854.

Subsequently, trains for some other lines were opened for traffic as follows:

Eastern Sector-first passenger train from Howrah Station to Hooghly-39 kilometers was opened on 15<sup>th</sup> August, 1854, subsequently extended upto Pundooah (61 kms. from Howrah) on 1<sup>st</sup> September, 1854 and upto Raniganj on 3<sup>rd</sup> February, 1855.

Southern Sector-first railway line was opened on 1<sup>st</sup> July, 1856 between Veyasparpaudy and Walajah Road (Arcot)-101 kms.

Northern Sector-192 kms. from Allahabad to Kanpur on 3<sup>rd</sup> March, 1859, subsequently other sections were opened.

Extreme East-Dibrugarh Town to Dinjan-was opened on 15<sup>th</sup> August, 1882.

The first railways built in India were constructed and worked by private companies who were guaranteed a fixed rate of exchange and a specified return on the capital invested by them. During 1854-60 contracts for construction of railways were made by the East India Co. or (after 1858-60) by the Secretary of States for India, with some private Railways. Under these contracts the Railway Companies undertook to construct and manage specified lines, while the East India Company agreed to provide land free of cost along with the guaranteed return at specified rate of interests on Capital invested. The companies were placed under the supervision and control of the Govt. for standard and details of construction, standard of maintenance etc. and above all, the forms of accounts. In 1862 attempts were made to secure the construction of Railways on more favourable terms than before and to induce private investors to construct Railways at their own risk and cost by providing land free of cost and a subsidy at a specified rate for a given period. But the system did not go well. After 1869, the capital expenditure on Railways was mainly incurred direct by the Govt. and no fresh contracts were made with guaranteed companies except for small extensions. But consequent on severe famine in 1878 necessity of rapid extension of railways was felt necessary and it was decided to introduce private enterprises to the extent possible. A number of companies were formed between 1881 and 1892 and the guarantees given to some of these companies were much more favourable to Govt. than in case of companies formed prior to 1869. Under the terms negotiated with the various guaranteed Railway companies, the contracts were terminated between 1879 and 1907.

Some of the Company Railways were transferred to Govt. management after purchase. These were the Eastern Bengal, the Oudh and Rohilkhand, the Sind-Punjab and Delhi, and the Southern Punjab Railways; the last two forming part of the North Western Railway. The management of some of the other purchased lines was, however, entrusted to working companies constituted under contracts.

The contracts with the working companies [viz. (1) East Indian Railway, (2) The Great Indian Peninsula Railway, (3) The Bombay Baroda and Central India Railway, (4) Assam Bengal Railway, (5) Oudh and Trihut Railway, (6) The Madras and Southern Mahratta Railway, (7) The South Indian Railway, (8) The Bengal Nagpur Railway] were, terminated between 1925 and 1944 and the management of the companies was taken over directly by the Govt.

Consequent on independence on 15<sup>th</sup> August, 1947 two of the existing railways (viz. North Western Railway in the West and the Bengal Assam Railway in the east) which fell into both territories had to be divided. The portions of these systems falling in India were either partly added to the other existing lines or partly formed into separate units. Thus Eastern Punjab Railway and the Assam Railway Administrations came into being as separate units.

As a result of independence separate states came under one independent govt. i.e. Union Govt. Therefore, the following railways which were owned and managed by those states came under the control of Union Govt. in addition to those which were already being worked by the Indian Railways, viz.

(i) Gaekwar's Baroda State Railway-taken over by Central Govt. from 1.8.1949, (ii) Bikaner State Railway, (iii) Cutch State Railway, (iv) Dholpur State Railway, (v) Jaipur State Railway, (vi) Jodhpur Railway, (vii) Mysore State Railway, (viii) Nizam's State Railway, (ix) Rajasthan Railway, (x) Saurashtra Railway, (xi) Scindia State

Railway- all taken over by Central Govt from 1.4.1950.

Consequent on nationalization of all Indian Railway systems and integration of all the railways in the Indian States into Indian Railways (forty-two separate railway systems, including thirty-two lines owned by the former Indian princely states) and with a view to securing both efficiency in operation and function, improving and standardizing practices and economy in management, different Indian Railway systems were regrouped and formed into the following six major **Zonal Administrative Units**:-

(1) Southern Railway – formed on **14<sup>th</sup> April, 1951** with the constituent railways:

- (a) Madras and Southern Mahratta Railway,
- (b) South Indian Railway,
- (c) Mysore State Railway.

(2) Central Railway- formed on **5<sup>th</sup> November, 1951** with the constituent railways:

- (a) Great Indian Peninsula Railway,
- (b) Nizam's State Railway,
- (c) Dholpur State Railway,
- (d) Scindia State Railway.

(3) Western Railway formed on **5<sup>th</sup> November, 1951** with the constituent railways:

- (a) Bombay Baroda and Central India Railway (less Delhi-Rewari-Fazilka and Kanpur-Achnera Sections)
- (b) Saurashtra Railway,
- (c) Jaipur State Railway,
- (d) Rajasthan Railway,
- (e) Cutch State Railway,
- (f) Marwar-Phulad Section of Jodhpur Railway.

(4) Eastern Railway formed on **14<sup>th</sup> April, 1952** with the constituent railways:

- (a) Bengal Nagpur Railway,
- (b) East Indian Railway (except portion transferred to Northern Railway).

(5) Northern Railway formed on **14<sup>th</sup> April, 1952** with the constituent railways:

- (a) East Punjab Railway,
- (b) Bikaner State Railway,
- (c) Jodhpur Railway (except Marwar-Phulad Section)

- (d) Moradabad, Lucknow and Allahabad Divisions of East India Railway,
- (e) Delhi-Rewari-Fazilka Section of Bombay Baroda and Central Indian Railway.
- (6) North Eastern Railway formed on **14<sup>th</sup> April, 1952** with the constituent railways:
- (a) Oudh-Tirhut Railway,
- (b) Assam Railway,
- (c) Kanpur-Achnera Section of Bombay, Baroda and Central India Railway.

Due to increase in work load and more efficient operation and management further re-organizations took place from time to time as follows:

From 1<sup>st</sup> August, 1955- Eastern Railway was divided into Eastern Railway and **South Eastern Railway**.

From 15<sup>th</sup> January, 1958- North Eastern Railway was divided into **Northeast Frontier Railway** and North Eastern Railway.

From 2<sup>nd</sup> October, 1966- **South Central Railway** was formed by carving portions from Central and Southern Railway.

Thus by creation of three new Railways total nine Zonal Railways were formed.

## 1.2. Latest organizational structure and salient features of Indian Railways.

Further re-organization of the existing nine Zonal Railways was made in the year **2003, April** and as on 31<sup>st</sup> March, 2013 there are 16 Zonal Railways, as follows:

1) Eastern Railway,	2) Western Railway,
3) Southern Railway,	4) Northern Railway,
5) Central Railway,	6) East Central Rly.
7) East Coast Rly.	8) West Central Rly.
9) South Eastern Rly.	10) South Central Rly.
11) South East Central Rly.	12) South Western Rly.
13) North Eastern Rly.	14) North East Frontier Rly.
15) North Central Rly.	16) North Western Rly.

- Each Zonal Railway is headed by one General Manager. Further each Railway has some divisions under its control for proper operation, control and management of its different activities. Each division is headed by one Divisional Railway Manager. The divisional officers of engineering, mechanical, electrical, signal & telecommunication, accounts, personnel, operating, commercial and safety branches report to the respective Divisional Manager and are in charge of operation and maintenance of assets.

- In addition to the above 16 zones, Konkan Railway (KR) is constituted as a separately incorporated railway, with its Headquarters at Belapur CBD (Navi Mumbai), although it still comes under the control of the Railway Ministry and the Railway Board.

- The Kolkata Metro is owned and operated by Indian Railways. It is administratively considered to have the status of a zonal railway headed by a General Manager. It is the first underground rail net work in India. The construction for the first phase (between Dum Dum and Tollygunj-16.450 Kms.) was started in 1972 and ended in 1995. The 2<sup>nd</sup> phase between Tollygunge (Mahanayak Uttam Kumar) and New Garia (Kavi Nazrul station)- 5.834 Kms. was completed in August, 2009 and opened for commercial operation in October 8, 2010.

- The Delhi Metro (Delhi Mass Rapid Transit System (MRTS) is the second Metro Railways was inaugurated on 24<sup>th</sup> December, 2002. As of to day it has a current operational network covering 156 kms approx. in Delhi and the National Capital Region (Gurgaon and Noida). It has seven lines viz. Line 1 (Dilshad Garden-Rithala)- Red Line completed on 3<sup>rd</sup> June, 2008. Line 2 (HUDA City Centre-Jahangirpuri)-Yellow Line completed in two phases on 3<sup>rd</sup> September, 2010. Line 3 (Dwarka Sector 21 – Noida City Centre)-Blue Line completed in two phases on 30<sup>th</sup> October, 2010. Line 4 (Yamuna Bank-

Anand Vihar ISBT)-Blue Line-operated from 6<sup>th</sup> January, 2010. Line 5 (Inderlok-Mundka)-Green Line- operated from 2<sup>nd</sup> April, 2010 (in two phases). Line 6 (Central Secretariat-Badarpur)- Violate Line completed in two phases on 14<sup>th</sup> January, 2011. Airport Metro Express Line (New Delhi-IGI Airport (T-3)-Dwarka Sector-21 commenced from 23<sup>rd</sup> February, 2011 (in two phases).

- Another Metro Railway viz. Bangalore Metro Rail Corporation Limited (BMRCL) (also christened as Namma Metro), a joint venture of Govt. of India and Govt. of Karnataka has been undertaken. The latest project cost was Rs.11, 609 crore. Phase-1 (42.3 kilometers long) of Namma Metro consists of two corridors viz. East West (from Baidyappanahalli in East to Mysore Road in West- 18.10 Kms) & North West Corridor (from Nagasandra in North & Puttenahalli in South-24.20 Kms). Two stretches (M.G.Road to Baiyappanahalli-6.7 Kms. & Mantri Square Sampige Road Stn. were opened for traffic on 20.10.11 & 1.3.14 respectively. Entire Phase-I is expected to complete by March, 2015.

- Govt. of Tamil Nadu approved in principle the two initial corridors of Chennai Metro Railway on 7.11.2007 and Govt. of India approved Chennai Metro Rail Project on 28.1.2009 the estimated cost of which was about 14,600 crores initially. There are two routes covering a distance of 45 kms. The first one is between Washermanpet to Chennai Airport and second one between Chennai Central Railway Station and St. Thomas Mount. The work between Chennai Vannarapetai-airport and Central-St. Thomas mount is in progress.

- Mumbai Metro is the India's first metro Railway project implemented on a public-private partnership model. Companies involved were Anil Ambani's Reliance Infrastructure, Veolia Transport & the Mumbai Metropolitan Region Development Authority (MMRDA). The updated cost of project as unveiled by MMRDA was estimated at Rs.67, 618 crores for 160.90

kms. to be constructed in 3 phases with expected year of overall completion 2021. Its construction work began in February, 2000 and started its first service on 8.6.2014 from Versova Stn. to Ghatkopar (11.4 Kms.).

- Construction of Metro Railways in other Metropolitan cities is also under consideration of the Government of India, viz. Lucknow, and Hyderabad etc.

- Apart from above Administrative Zonal Railways there are different production and manufacturing units engaged in manufacturing rolling stock, wheels and axles and other ancillary components to meet Railways' requirements.

These are as follows:-

1. Chittaranjan Locomotive Works, at Chittaranjan (West Bengal)-opened on 26<sup>th</sup> January, 1950.
2. Diesel Locomotive Works at Varanasi-opened in 1961.
3. Diesel –Loco Modernization Works (formerly known as Diesel Component Works) at Patialala-opened in 1981.
4. Rail Wheel Factory (formerly referred to as Wheel & Axle Plant) at Yelahanka (Near Bangalore)-opened in 1984.
5. Rail Coach Factory at Kapurthala-opened in 1987.
6. Integral Coach Factory; Perambur (Near Chennai)-opened in 1955.

Each Production and Manufacturing unit is headed by one General Manager.

- These apart, there are many workshops and sheds doing routine maintenance and overhauling of Railway Rolling Stocks viz. Liluah, Kanchrapara, Jamalpur, Kharagpur, Mancheswar, Raipur, Motibagh (in Nagpur), Alambagh, Charbagh, Ajmer, Golden Rock Workshop at Nagapattinam, Tindharia, Coonoor etc.

- Research, Designs and Standards Organization (RDSO) is the sole research and development wing of Indian Railways,

functioning as the technical adviser and consultant to the Ministry, Zonal Railways and Production Units. RDSO has been reorganized with effect from 1.1.2003 by elevating its status from 'Attached Office' to 'Zonal Railway' to give it greater flexibility and a boost to the research and development activities.

- In addition to this, the Central Organization for Railway Electrification (CORE) is also headed by a GM. This is located at Allahabad. This organization undertakes electrification projects of Indian Railways and monitors the progress of various electrification projects all over the country.

- Apart from these zones and production units, a number of Public Sector Undertakings (PSU) are under the administrative control of the ministry of railways. These PSU's are:

1. Bahruch Dehej Railway Corporation Limited.
2. Bharat Wagon and Engineering Company Limited.
3. Braithwaite and Company Limited.
4. Burn Standard Company Limited.
5. Container Corporation of India Ltd.
6. Dedicated Freight Corridor Corporation Limited.
7. Fresh and Healthy Enterprises Limited.
8. Hussan Mangalore Rail Development Company Limited.
9. Indian Railways Catering and Tourism Corporation Limited.
10. Indian Railway Finance Corporation Limited.
11. IRCON International Ltd.
12. IRCON Infrastructure Limited.
13. Kutch Railway Company limited.
14. Konkan Railway Corporation
15. Mumbai Rail Vikas Corporation.
16. Pipava Railway Corporation Limited.
17. Railtel Corporation of India – Telecommunication Networks

18. RITES Ltd. – Consulting Division of Indian Railways.
19. RITES Infrastructure Services Limited.
20. Rail Vikas Nigam Limited
21. SAIL RITES Bengal Wagon Industries Limited.
22. Wagon India Limited.

Centre for Railway Information Systems (CRIS) is an autonomous society under Railway Board, which is responsible for developing the major software required by Indian Railways for its operations.

There are some Training Institutes also under director control of Railway Board for imparting training to Railway Officers on various subject matters, viz. Indian Railway Institute of Civil Engg. (IRICEN/Pune), Indian Railway Institute of Signal Engg & Telecommunication (IRISET/Secunderabad), Indian Rly Institute of Electrical Engineering (IRIEEN/Nasik), Indian Railway Institute of Transport Management (IRITM/Lucknow), Indian Railway Institute of Mechanical & Electrical Engineering (IRIMEE)/Jamalpur, Rly. Staff College/Vadodara, CAMTECH/Gwalior. Some training centers are also there under control of Zonal Railways for imparting training to the staff of Railways on Signal & Telecom., Electrical, Carriage & Wagon, Traffic, Civil Engineering, Accounts etc.

### Organisational Structure



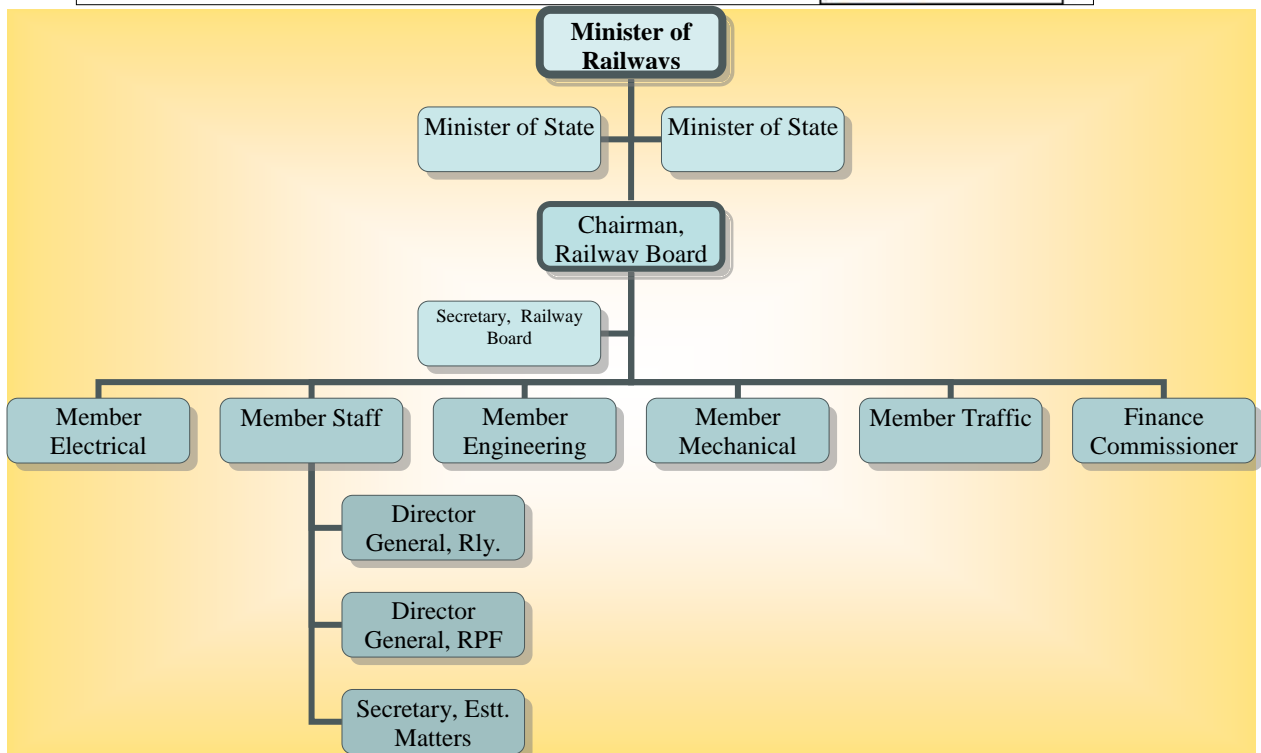
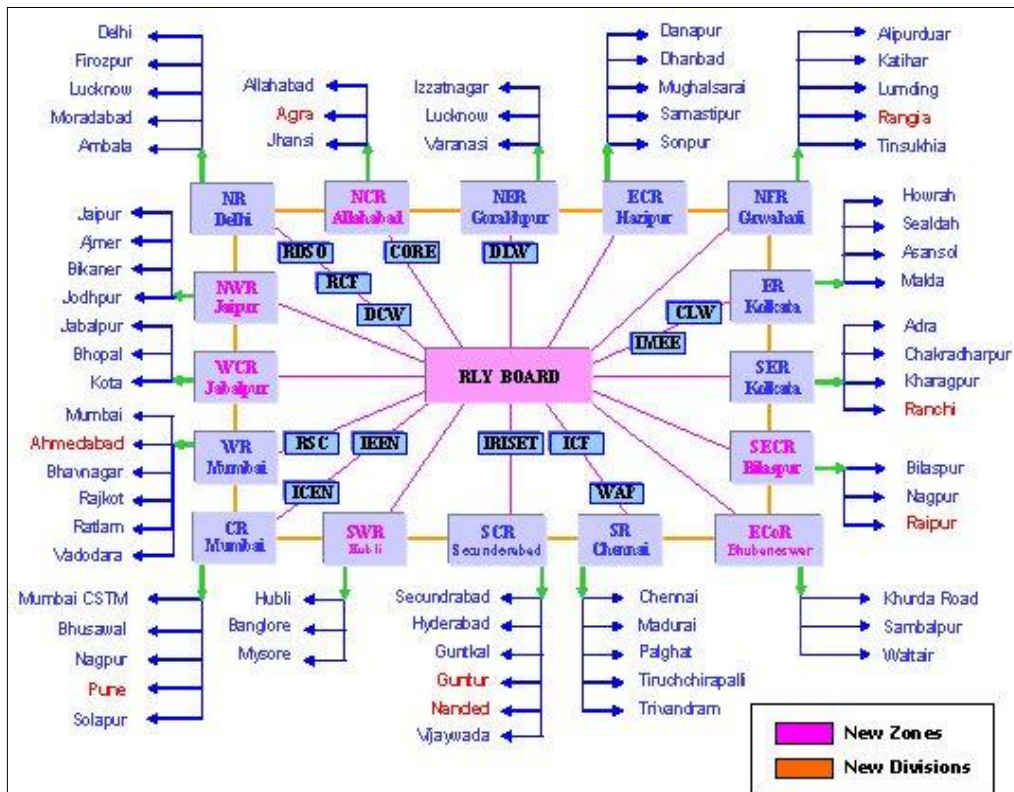
The Headquarters of the Indian Railways are located in New Delhi.



- Indian Railways is a publicly-owned company controlled by the Government of India, via the Ministry of Railways. Indian Railways has a monopoly on the country's rail transport.
- The formation of policy and overall control of the railways is vested in Railway Board comprising the Chairman, Financial Commissioner and other functional Members for Traffic, Engineering, Mechanical, Electrical and Staff matters. The Railway Board, which has six members and a chairman, reporting to the Ministry for functioning of the Railways.

An Organizational Structure of the Indian Railways is shown in the next page.

**Organisational Structure of Indian Railways**



### 1.3. Back ground for separation of Indian Railway Finances from General Finances and creation of separate finance department of Railways.

It was in the historic year of 1921, when the recommendation of the Acworth Committee ratified through the Resolution for separation in 1924 when for the first time the Indian Railway finances were separated from the General Finances.

The significant recommendations of the Acworth Committee are quoted below:

"We recommend that the Finance Department should cease to control the internal finances of the Railways; that the Railways should have a separate Budget of their own, be responsible for earning and expending their own income and for providing such net revenues as is required to meet the interest on debt incurred on or to be incurred by the Government for Railways purposes; and that the Railways Budget should be presented to the Legislative Assembly not by the Finance minister of the council but by the member in charge of the Railways." (Paras 74, 76 and 127 of the Acworth Committee report).

"We recommend that subject to independent audit by Government of India, the Railways Department should employ its own accounting staff and be responsible for its own accounts. We think that the present account and statistics should be thoroughly overhauled and remodeled with the assistance of experts familiar with recent practices in other countries." (Paras 129-134 of Acworth Committee Report).

It further goes on to recommend that "the title of Railway Board be replaced by the title of Railway Commission and that

under the member of Council for Communications there should be 4 commissioners and that out of the 4, one should be in charge of Finance and the organization ..."

With these recommendations not only was the segregation of Railway Finance clearly established, but the office of the Financial Commissioner was envisaged in an embryonic manner, and accordingly, the first Financial Commissioner was appointed on 1 st April 1923. The large financial responsibility of the department is perhaps a sufficient justification in itself for an addition to the organization of a member competent to advice on the questions of great financial magnitude.

As a result of the inclusion of the Financial Commissioner, Railways as a Member of the Railway Board and separation of the Railway Finance from the General finance, the Railway Board also exercises the powers of the Government of India in regard to Railway Expenditure subject to the ultimate financial authority of the Minister of Railways and the Union Cabinet.

### 1.4. Structure of Finance Department under Finance Commissioner (FC):


There is one Financial Adviser and Chief Accounts Officer (FA & CAO) under the FC, in each Zonal Railway and Production Units. The F.A. & C.A.O of the Zonal Railways is assisted by Deputy F.A. & C.A.O (s) and Sr. Accounts Officer/ Sr. DFM, Accounts Officer /ADFM and other subordinate staff. In some Railways separate F.A. & C.A.O also functions for Construction Unit.

### **1.5. Functions of Accounts Department:**

Broad functions of the Railway Accounts Department are briefly as follows:

1. Keeping of accounts of Railways in accordance with the prescribed rules,
2. Preparation of various accounts as per rules,
3. Checking of transactions affecting the receipts and expenditure of railways, i.e. internal check,
4. Compilation of budgets in consultation with other departments and monitoring the budgetary control procedures, as may be laid down in the relevant orders and code rules, from time to time,
5. Discharging other management accounting functions such as providing financial data for management reporting, assisting inventory management, participation in purchase/contracting decisions and surveys for major schemes in accordance with the relevant rules and orders, and
6. Advising to the Railway administration whenever required or necessary in all matters involving railway finance,
7. Seeing that there are no financial irregularities in the transactions of the railway, etc.
8. Seeing that allocations shown on the initial documents prepared by the concerned departmental offices are not prima facie incorrect so that expenditure can be booked in correct head and undue variation between the budget and accounts is not occurred.
9. Prompt settlement of proper claims against the railway, etc.

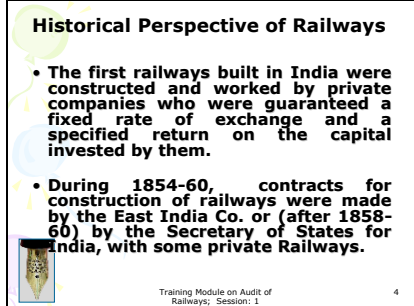
Slide 1



**Session: 1**  
Introduction  
&  
Organisational Set-up of  
Indian Railways

Training Module on Audit of  
Railways; Session: 1

Slide 4

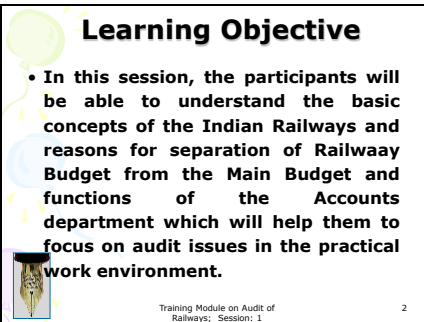


**Historical Perspective of Railways**

- The first railways built in India were constructed and worked by private companies who were guaranteed a fixed rate of exchange and a specified return on the capital invested by them.
- During 1854-60, contracts for construction of railways were made by the East India Co. or (after 1858-60) by the Secretary of States for India, with some private Railways.

Training Module on Audit of  
Railways; Session: 1

Slide 2

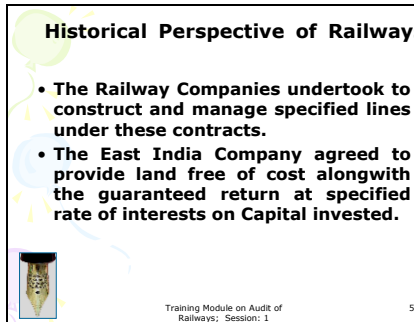


**Learning Objective**

- In this session, the participants will be able to understand the basic concepts of the Indian Railways and reasons for separation of Railway Budget from the Main Budget and functions of the Accounts department which will help them to focus on audit issues in the practical work environment.

Training Module on Audit of  
Railways; Session: 1

Slide 5

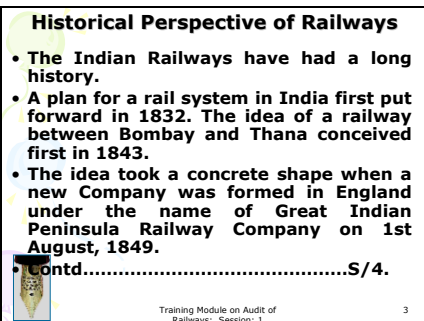


**Historical Perspective of Railways**

- The Railway Companies undertook to construct and manage specified lines under these contracts.
- The East India Company agreed to provide land free of cost alongwith the guaranteed return at specified rate of interests on Capital invested.

Training Module on Audit of  
Railways; Session: 1

Slide 3

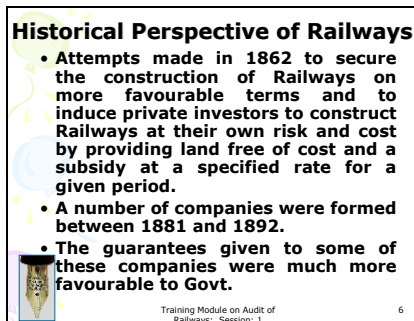


**Historical Perspective of Railways**

- The Indian Railways have had a long history.
- A plan for a rail system in India first put forward in 1832. The idea of a railway between Bombay and Thana conceived first in 1843.
- The idea took a concrete shape when a new Company was formed in England under the name of Great Indian Peninsula Railway Company on 1st August, 1849.
- Contd.....S/4.

Training Module on Audit of  
Railways; Session: 1

Slide 6



**Historical Perspective of Railways**

- Attempts made in 1862 to secure the construction of Railways on more favourable terms and to induce private investors to construct Railways at their own risk and cost by providing land free of cost and a subsidy at a specified rate for a given period.
- A number of companies were formed between 1881 and 1892.
- The guarantees given to some of these companies were much more favourable to Govt.


Training Module on Audit of  
Railways; Session: 1

Slide 7

**Historical Perspective of Railways**

- The contracts with the working companies were, terminated between 1925 and 1944 and the management of the companies taken over directly by the Govt.
- Consequent on independence of India two of the existing railways (viz. North Western Railway in the West and the Bengal Assam Railway in the East) fell into both territories were divided.

Contd.....S/8




Training Module on Audit of Railways; Session: 1 7

Slide 10

**Historical Perspective of Railways**

- Consequent on nationalization and with a view to securing both efficiency in operation and function, different Indian Railway systems were regrouped and formed into the six major Zonal Administrative Units viz. Southern Railway, Central Railway, Western Railway, Eastern Railway, Northern Railway, North Eastern Railway.
- Each Railway had more than one constituent railways and formed between April 1951 & April 1952.




Training Module on Audit of Railways; Session: 1 10

Slide 8

**Historical Perspective of Railways**

- The portions falling in India were either partly added to the other existing lines or partly formed into separate units.
- Eastern Punjab Railway and the Assam Railway Administrations came into being as separate units.




Training Module on Audit of Railways; Session: 1 8

Slide 11

**Historical Perspective of Railways**

Due to increase in work load and more efficient operation and management further re-organisations took place from time to time as follows:

- From 1st August, 1955- Eastern Railway was divided into Eastern Railway and South Eastern Railway.
- From 15th January, 1958- North Eastern Railway was divided into Northeast Frontier Railway and North Eastern Railway
- From 2nd October, 1966- South Central Railway was formed by carving portions from Central and Southern Railway.




Training Module on Audit of Railways; Session: 1 11

Slide 9

**Historical Perspective of Railways**

- After independence, separate states came under one independent govt. i.e. Union Govt.
- Eleven railways owned and managed by those states came under the control of Union Govt.
- In addition, the existing Indian Railways were all taken over by Central Govt. between August 1949 & April 1950.



Training Module on Audit of Railways; Session: 1 9

Slide 12

**Latest organizational structure and salient features of Indian Railways**

- After re-organisation of the existing nine Zonal Railways in 2003, April, as on 31st March, 2013 there are 16 Zonal Railways.
- In addition to the above 16 zones, Konkan Railway (KR) is constituted as a separately incorporated railway, although it still comes under the control of the Railway Ministry and the Railway Board.




Training Module on Audit of Railways; Session: 1 12

Slide 13

**Latest organizational structure and salient features of Indian Railways**

- There are some other Metro Railways like Kolkata Metro, Delhi Metro and Bangalore Metro Railways & Chennai Metro Railways (ongoing projects) also.
- Apart from above Zonal Railways there are different production and manufacturing units, also.



Training Module on Audit of Railways; Session: 1 13

Slide 16

**Latest organizational structure and salient features of Indian Railways**

- Centre for Railway Information Systems (CRIS) is an autonomous society under Railway Board, responsible for developing the major software required by Indian Railways for its operations.
- There are some Training Institutes under direct control of Railway Board for imparting training to Railway Officers on various subject matters.
- Each Railway has some Training Institutes to impart training to the Railway employees of various wings.



Training Module on Audit of Railways; Session: 1 16

Slide 14

**Latest organizational structure and salient features of Indian Railways**

- There are many workshops and sheds doing routine maintenance and overhauling of Railway Rolling Stocks viz. Liluah, Kanchrapara, Jamalpur, Kharagpur, Mancheswar, Raipur, Motibagh (in Nagpur), etc.
- Research, Designs and Standards Organisation (RDSO) is the sole research and development wing of Indian Railways, functioning as the technical adviser and consultant to the Ministry, Zonal Railways and Production Units. It has been Zonal Railway status w.e.f. 1.1.2003.




Training Module on Audit of Railways; Session: 1 14

Slide 17

**Back ground for separation of Indian Railway Finances from General finances & creation of separate Finance Department of Railways.**

In the historic year of 1921, the recommendation of the [Acworth Committee](#) was ratified through the Resolution for separation in 1924, and the [Indian Railway](#) finances were separated from the General Finances and the first Financial Commissioner was appointed on 1 st April 1923.




Training Module on Audit of Railways; Session: 1 17

Slide 15

**Latest organizational structure and salient features of Indian Railways**

- Central Organisation for Railway Electrification (CORE) located at Allahabad is another unit undertaking electrification projects of Indian Railways and monitoring the progress of various electrification projects all over the country.
- In addition, there are about 21 Public Sector Undertakings under Railway Organisation. These PSUs have now come under audit control of Railway Audit Department.




Training Module on Audit of Railways; Session: 1 15

Slide 18

**Powers of Finance Commissioner**

As a result of the inclusion of the Financial Commissioner, Railways as a Member of the Railway Board and separation of the Railway Finance from the General finance, the Railway Board also exercises the powers of the Government of India in regard to Railway Expenditure subject to the ultimate financial authority of the Minister of Railways and the Union Cabinet.




Training Module on Audit of Railways; Session: 1 18

Slide 19

**Structure of Finance & Accounts Department in Railway**

There is one Financial Adviser and Chief Accounts Officer (FA & CAO) under the F.C. in each Zonal Railway and Production Units. The F.A. & C.A.O of the Zonal Railways is assisted by Deputy F.A. & C.A.O (s) and Sr. Accounts Officer/ Accounts Officer/ Sr. DFM/ADFM/Sr. AFA/AFA etc. and other subordinate staff. In some Railways, separate F.A. & C.A.O also functions for Construction Unit.




Training Module on Audit of Railways; Session: 1 19

Slide 22

**Functions of Accounts Department**

assisting inventory management participation in purchase/contracting decisions and surveys for major schemes in accordance with the relevant rules and orders, and

6. Seeing that there are no financial irregularities in the transactions of the railway etc.



Training Module on Audit of Railways; Session: 1 22


Slide 20

**Functions of Accounts Department**

These are-

- 1. Keeping of accounts of Railways in accordance with the prescribed rules,
- 2. Preparation of various accounts as per rules,
- 3. Checking of transactions affecting the receipts and expenditure of railways, i.e. Internal check,

Contd.....S/21




Training Module on Audit of Railways; Session: 1 20

Slide 21

**Functions of Accounts Department**

- 4. Compilation of budgets in consultation with other departments and monitoring the budgetary control procedures, as per relevant orders and codal provisions, from time to time,
- 5. Discharging other management accounting functions such as providing financial data for management reporting,

Contd..... S/22



Training Module on Audit of Railways; Session: 1 21



**Question 1:**

What was the name of Railway Company which was incorporated in England by an Act of Parliament on 1<sup>st</sup> August, 1849.

**Question 2:**

Indicate the correct answer of the following:

The first train in India became operational for hauling of constructional materials on-

1. 22.12.1851
2. 22.12.1852
3. 22.12.1853
4. 22.12.1954

**Question 3:**

The first train in India for passenger service was inaugurated between Bori Bunder, Bombay & Thana on-

- 1) 16.4.1952
- 2) 16.4.1853
- 3) 16.4.1854
- 4) 16.4.1855

**Question 4:**

Passenger trains opened for traffic in the Sectors in following chronological order-

- 1) Eastern Sector
- 2) Extreme East Sector
- 3) Southern Sector
- 4) Northern Sector

**Question 5:**

Indicate the correct answer of the following:

Between April 1951 and April 1952 there were following Zonal Railways

- 1) Six
- 2) Seven
- 3) Eight
- 4) Nine.

Name them.

**Question 6:**

At the end of 1966 how many Zonal Railways were formed?

- 1) Six,
- 2) Seven,
- 3) Eight,
- 4) Nine.

**Question 7:**

At the end of 31<sup>st</sup> March, 2013 how many Zonal Railways were formed? Name them.

**Question 8:**

How many Production & Manufacturing Units are there at present, name them.

**Question 9:**

How many PSUs are there under the Audit control of Railway Audit Department? Name them.

**Question 10:**

What is the status of RDSO, CORE & CRIS?

**Question 11:**

Indicate the correct answer-  
In which year Indian Railway Finance was separated from the General Finance?

- 1) 1921
- 2) 1924
- 3) 1925
- 4) 1926

**Question 12:**

Under whose recommendations the Railway Finance was separated from General Finance?

**Question 13:**

Find out correct answer:

When was the first Finance Commissioner of Railway appointed?

1. 1.4.23
2. 1.4.24
3. 1.4.25
4. 1.4.26

**Question 14**

What is the structure of the Railway Finance Department?

**Question 15:**

What are the functions of Accounts Department?

**Answer Sheet:**

1. Great Indian Peninsula Railway Company.
2. 22.12.1852
3. 16.4.1853
4. Sl.Nos. 1, 3, 4, 2
5. **Six** Zonal Railways, viz. Eastern Railway, Western Railway, Southern Railway, Northern Railway, Central Railway & North Eastern Railway.
6. **Nine**, viz. Eastern Railway, Western Railway, Southern Railway, Northern Railway, Central Railway, North Eastern Railway, North East Frontier Railway, South Eastern Railway, South Central Railway.
7. **Sixteen Railways**- see Para 1.2 of Participants' notes - lesson 1 for details.
8. **Six** manufacturing & Production units-see Para 1.2 of Participants' notes - Lesson 1 for details.
9. There are **22 units** at present- see Para 1.2 of Participants' notes - Lesson 1 for details.
10. See Para 1.2. Of Participants' notes-lesson 1.
11. 1924
12. Acwarth Committee
13. 1.4.1923
14. See para 1.4 of Participants' notes - Lesson 1.
15. See para 1.5 of Participants' notes - Lesson 1.



# Session: 2



## **Railway Accounting System and Structure of Railway Accounts**

Session Title: Railway Accounting System and Structure of Railway Accounts.		Session Guide
Instructor's Guide	Reference	Participants' Response
<b>Session Overview</b>		
<b>Welcome</b> participants to the session and remind them that their active participation is critical for the success of each session.	Lecture	
<b>Learning Objective</b>		
<b>Inform:</b> Given the inputs of overall views of structure of Accounts of Indian Railways and Accounting System through group discussion, lecture and Power Point slide show, the participants will, at the end of the session, be able to grasp the basic concepts of the Indian Railways Accounting system and its structure which will help them to focus on audit issues in the practical work environment.	Lecture	
<b>Basic Concepts</b>		
<b>Discuss:</b> <ul style="list-style-type: none"> <li>● Accounting system of Railways.</li> <li>● Accounting structure of Railways.</li> </ul>	Lecture with Power Point Slide Show Session 2 <b>INTRODUCTION</b>	
<b>Summarise:</b>		
<b>Distribute</b> Participants' Note <b>Tell</b> the participants that during the session, we discussed Accounting system and Structure of Railway Accounts. <b>Invite</b> questions on themes discussed. If participants have any doubts/clarifications about themes, clarify the same. Answer participants' queries. <b>Thank</b> the participants and bring the session to a close.	Session 2 Participants' Note	

**Training Method:** Interactive Lecture and Power Point Slide Show.

**Materials Required:** Power Point Slides, Projector, White Board, Marker Pen and Participants' Note.

## 1.6. Railway Accounting System and Structure of Railway Accounts.

The Railways in India are as much a Government concern as a commercial enterprise. Most of the capital invested on the Indian Railways has been provided by the Government of India either by loans raised by it or from its own other resources. The Railways are also a commercial concern as they are engaged in manufacturing and in sale of transportation services thus earning profits, maintaining its own assets and paying interest (i.e. dividend) to the General Revenues.

The Government Accounts are kept purely on cash basis while the accounts of the Railways are kept on liability or accrual basis.

The accounts which are prepared in accordance with the requirements of commercial accounting in Railways are commonly known as "Capital and Revenue Accounts" and the accounts of the Railways maintained in accordance with the requirements of Government accounts are collectively termed as "Finance Accounts". For the purpose of reflection of commercial activities the Railways also prepare Income and Expenditure and Block Account including Capital Statement & Balance Sheet. Income and Expenditure show the profit or loss made by the Railways during a year and Balance Sheet reflects the Assets and Liabilities, debtors and creditors and various fund balances as well as Cash balance at the end of the financial year.

The accounts are maintained separately for revenue and capital purposes and are divided into three parts as in case of a Govt. accounts.

They are:

- Consolidated Fund of India,
- Contingency Fund of India,
- Public Accounts.

The format of keeping of Railway accounts is laid down in **Appendix IV** of Indian Railway Accounts Code, Part-I (Extract of appendix appended below). Railway has two sources of receipt - one is Govt. grant (i.e. grant from General revenue through budgetary support) and the other is generation of its own revenue through passenger and goods traffic earnings and other miscellaneous earnings. Basically, Govt. grant is given/utilized for acquisition of concrete assets and own revenue is utilized for working expenses (maintenance and operation of activities) of Railway and creation of some funds for development works, replacement and renewal of assets.

Railway Accounts are maintained under Capital & Revenue Heads to reflect the Capital and Revenue Income & expenditure. Capital (grant) is financed from general budgetary support as mentioned above, internal resources and share of diesel cess from Central Road Fund. Revenue grants are financed through internal resources generated by the zonal Railway through its earnings.

**1.7. Allocation of receipts and expenditure** (A 217-218) – The primary responsibility for the allocation of all receipts and payments rests with the concerned departmental officers. Each bill or voucher received from them should show the correct allocation of the receipt/expenditure in the fullest detail. The Accounts Department is responsible for seeing, to the extent it is possible for them to do so, that the allocation shown on the initial document is not prima facie incorrect.

Correct classification should be followed in recording the expenditure in accounts irrespective of whether provision in the budget has been made under correct budget head. In order, however, to avoid undue variation between the budget and accounts figures, changed in accounting classification will not ordinarily be introduced during the course of the year.

Note:- In the case of works, the expenditure which has to be changed during the course of a year from one head of expenditure to another, classification of expenditure in that year should follow the original allocation. The change should be given effect to from the beginning of the next financial year only after making necessary provision in the budget at the Budget stage or at the Revised Budget Estimate stage to cover not only the estimated expenditure for the Budget year but also write back of the expenditure incurred from the commencement of the work to the end of the previous year.

The Railway expenditure is allocated to (i) Capital (P), (ii) Capital Fund (CF) (iii) Development Fund (DF), (iv) Railway Safety fund (RSF), (v) Depreciation Reserve Fund (DRF), (vi) Open line Works (Revenue) [OLW (R)] and Ordinary Revenue. Detailed rules regulating the classifications of transactions under these heads are prescribed in Chapter VII of the Indian Railway Finance Code, Vol. I. (F- I) which are briefly discussed below:

Capital (P)- It is not Railway's own Fund but is a loan account financed by the General Revenue. The expenditure met from this head are mainly for acquisition of new assets, constructions of new lines, addition to assets including Rolling Stock, Electrification Projects, Plants and machineries, Gauge conversion, doubling and for works costing more than Rs.20 crore under Track Renewal, bridge works and signaling and telecommunication etc and capital suspense a/c.

CF - This was created in 1992-93 on the recommendation of the Railway convention committee (RCC) to finance part of the requirement of work of a capital nature viz. construction and acquisition of new assets. The fund is financed from the balance of the Excess revenue after providing for appropriation to DF. This is also credited with the amount of interest earned on the balance of the Fund.

D.F - Based on the recommendations of the Railway Convention Committee (RCC), it was created on 1<sup>st</sup> April, 1950 to

meet the expenditure on passenger and users amenities, labour welfare works, safety works and unremunerative operative improvement works not exceeding Rs.1 lakh each. This fund is financed out of the 'Excess of net revenue surplus' left after meeting the dividend liability. Whenever the 'Excess' is not sufficient, the railways may temporarily borrow money from general revenues. The money borrowed together with the interest thereon has to be repaid in subsequent years. This is also credited with the amount of interest earned on the balance of the Fund.

OLW (R) - This is financed from the revenue of Indian Railway. This was created for meeting requirement of improvement/replacement whether new or additional, where cost is less than Rs.1 lakh.

RSF - This is a non interest bearing fund created in the year 2001-02 as per recommendation of RCC (1999). This is funded by Indian Railway's share of diesel cess in Central Road Fund. This is utilized for road safety works like manning of un-manned railway crossing and construction of road over/under bridges on cost share basis wherever applicable.

DRF - This is created from the amount contributed from Railway revenues i.e appropriation to DRF is a charge on Railway working expenses (in case of Rly. Production units, contribution to DRF is adjusted by debit to Capital Account-'Manufacture Operations'), the amount realized from the disposal of materials released from a work replaced at the cost of DRF & the amount of interest earned on the balance of the Fund. The expenditure on renewals and replacements of railway assets etc. is financed from this fund.

Special Railway Safety Fund (SRSF) - This was created during 2001-02 as per recommendation of the Railway Safety Committee (1998) to wipe out the arrears



in renewal of overaged assets such as track, bridges, rolling stocks & signaling gears etc. within a fixed time frame of 6 years. It was dispensed with from 2008-09 and the balance at credit at the beginning of the year (i.e. 1.4.2008) was transferred to DRF.

To give an overall picture of the expenditure of a capital nature incurred by the Railways, as distinguished from the expenditure actually charged to Capital (loan account), a separate account is compiled which is called Block Account. It exhibits the entire expenditure of capital nature irrespective of the head of account to which it has actually been charged. The Loan Account which is created out of general budgetary support, as discussed earlier, will give only the extent of expenditure actually charged to capital head.

Unlike Government accounts which record expenditure only when actually disbursed or receipts only when actually realized, the railway accounts maintained on a commercial basis record the expenditure incurred or earnings accrued in a month irrespective whether they have actually been paid or realized.

Account heads operated for the purpose of maintaining a link between Commercial Accounts of the railway and the Government accounts are (i) Demands Payable, (ii) Labour, (iii) Traffic Accounts. These are Suspense heads.

**Demands Payable (220 A)**- On Expenditure side, the revenue liabilities of the railway for a month, which are not payable within the same month are brought to account as working expenses for the month by taking contra credit to this Suspense head. When the railway's liabilities are actually discharged by the payments this suspense head is debited with the amount of the payment so made. Thus the balance at the end of the month in this suspense head will represent liability

of the railway incurred, but not actually discharged, during that month. Demands Payable is a suspense head of account under the Major Head 3002 & 3003 (N Suspense) Indian Railways Commercial Lines/Strategic Lines-Working Expenses & Minor Head 100/Sub Head/Detailed Head 120 (Demands Payable). Separate account is opened for each month. The accounts of a month are generally kept open upto the end of the following calendar month. The journal entries exhibiting the debits to the working expenses (for liability incurred) by credit to the suspense head Demands Payable may be made actually in the following calendar month but will be adjusted in the accounts of the relevant (previous) month. However, the liability may be discharged by payment in the following calendar month, and this transaction will be accounted for by debit to the head Demands Payable in the accounts for the month in which the payment is made. This is because the cash book for the month is closed at the end of the same month, whereas the ledger and the journal for a month are kept open upto the end of the following month. There are certain expenditure which are directly charged to final heads in the accounts of the month in which the payments are made, without operating this Demands payable head. The balance under the head Demands Payable at the end of a year is reflected in the Balance Sheet in the Liability side.

**Labour (221 A)** - The wages and allowances for a month of workshop staff are paid to them only in the beginning of the following month. However, to ascertain the cost incurred on a job in a month, it is essential that the value of the labour employed in the shops is charged in the same month to the specific jobs on which the workshop staff have been engaged. For this and other purposes therefore, the operation of a suspense head similar to "Demands Payable" is necessary. The total wages and allowances of staff employed in the shops during any

month will, be credited first to a head under the workshop manufacture suspense (Capital 7210) termed "Labour". As the Labour Pay Sheets are passed in the Accounts office for payment, the amount passed will be debited in the General Books of the railway to the head "Labour" by credit to "Transfers Revenue". The balance of the account "Labour" at the end of the month will consequently represent liabilities on account of the wages and allowances charged, but not as yet cleared by actual payment to the labour and the balance at the end of financial year is reflected in the Balance Sheet in the liability side.

**Traffic Accounts (222 A)** – This is a suspense head of account under the major head 146/147(1002/1003) Indian Railway-Revenue Receipts-commercial/strategic lines. This account serves the same purpose for earnings as 'Demands Payable' does for expenses. This head is debited with all earnings for the realization of which a Railway Administration is responsible, irrespective of whether the earnings relate to its own traffic or to traffic inter-charged with other Railways and credited with the realization of all such earnings. The balance in this account thus represents unrealized earnings either at the stations or in the Accounts Office. **The Balance is reflected in the Balance Sheet, ultimately.** Para 3226 A may also be referred to in this connection.

### 1.8. Certain other important Heads of Accounts are:

**1.8.1. Miscellaneous Advances (223 A)**– This is a suspense head of account under the major head 346/347 (3002/3003) Indian Railway-Commercial Lines/Strategic Lines-Working Expenses. This head is intended for the booking temporarily, of the following classes of transactions pending adjustment to final heads of account.

(a) Charges the allocation of which is not known or which cannot immediately be adjusted to a final head;

(b) Inter-departmental transactions awaiting acceptance.

(c) Expenditure incurred for other than Government Works in anticipation of receipt of deposits or pending realization of the amount expended.

(d) Payments made in advance for stores to be supplied.

(e) Payments made in advance to Railway officials for local purchases of material and other purposes pending rendering of accounts.

[Note; Capital 7300 Misc. Advances appearing in Classification of Capital and Other Works Expenses is a separate head and not to be mixed up with this.].

**1.8.2. Deposits (225 A.)** – Under the major head 845 (8445) Railway Deposit (in K-Deposit and Advances (b)-Deposits not bearing interest), there are separate minor heads for Deposits of Branch Line companies and unclaimed Provident fund Deposits. The sub-heads under the Minor head "Other Deposits" are described in the subsequent paragraphs.

(1) "Unpaid Wages" – Wages and allowances of staff not paid to them by the Cashier within the stipulated period are taken to the credit of the railway under this head of account. This head is debited with all subsequent payments made to staff and is also debited with the amount of unpaid wages transferred to Revenue or Capital heads of account in accordance with para 319 A.

(2) "Private Companies" – When, under orders of the competent authority, through booking is permitted with companies or other carries who do not bank with a government Treasury moneys due to them on the apportionment of traffic for the month will credited to this sub head of the Deposit account. This credit will be cleared by actual payment or by debit (by credit to earnings) against moneys collected by private companies on behalf of Indian Railways.

(3) "Miscellaneous" – Under this sub-head are included Cash Security Deposits, earnest money paid by tenderers for contracts, court attachment recoveries, deposits by other parties on account of estimated cost of works to be executed for them by the railway etc. Unpaid bills of contractors will also be credited to this sub-head. The debits will consist of the refund or repayment of previous credits and of amounts written-off under paragraph 321 A.

**1.8.3. Cash (229 A)** – This head represents the amount held by the Cashier for payment into treasury and the total of cash imprests with the departmental officers. There is a minor head "Railways" under the major head 871(old) (8671)(new) - Departmental Balances under L-Suspense and Miscellaneous (c) Other Accounts which is debited and credited with all cash transactions as recorded in the General Cash Book (A-304) and summarized in the General Cash Abstract Book (A-306): the balance under this account will represent the amount held by Cashier for payment into bank. Similarly, there is a minor head "Railways" under the major head No. 872(old) 8672(new)- Permanent Cash Imprest (under L-Suspense and miscellaneous (c) Other Accounts) which represents cash imprests held by the Railway Officers.

**1.8.4. Capital Outlay (230 A)** - All Capital transactions under final heads (i.e. with the exception of those under Suspense Heads which will be closed to balances) will be closed to this account.

**1.8.5. Net Revenue (231 A)** – All revenue transactions on account of receipts and expenditure under final heads (i. e. with the exception of those under "Suspense Heads" which will be closed to balance) will be closed to this account.

**1.8.6. Miscellaneous Government Account (232 A.)** – This is a major head No. 880(old) 8680(new), under L-Suspense and miscellaneous (e) miscellaneous, and is operated along with the following minor heads:

---Ledger Balance Adjustment Account.

---Write Off from heads of Accounts closing to balance.

*This Account will be used for closing of all heads of accounts which do not record Railway revenue or expenditure. The balances, if any, under the debt and remittance heads, with the exception of 'Transfer Railways' will, however, be closed to 'Balance'. The transaction under the head 'Transfer Railways' will be closed to a minor head of "Miscellaneous Government Account", in the books of the individual railways and to 'Balance' if there is any balance in the books of the Railway Board. The transactions under the head 'Deposits with Reserve Bank (Railways)' will be closed to minor head of "Miscellaneous Government Account".*

### **1.9. Classification of Railway Revenue, Capital & other Works expenditure and Earnings.**

The detailed classification of (a) Revenue Expenditure is given in Appendix-I, (b) the classification of Capital and other Works expenditure is given in Appendix-II and (c) classification of earnings is given in Appendix-III of Financial Code, Vol. II. The list of Major and Minor Heads of Accounts of Railway Revenue, Capital, Debt and Remittance Transactions adjusted in Railway Books are given in Appendix-IV of Accounts code, Part-I.

The revised classification system envisages a numeric coding scheme comprising three components indicating abstract of expenditure, activity of work and object of the expenditure respectively. Each expenditure is represented by a distinct numerical code under the Major Head, Sub Major Head, Minor head and Primary Unit.

**1.9.1.** The revenue working expenses of Zonal Railways are classified under 13 sub-major heads with a separate Abstract for each sub-major head. The Sub-major heads are divided into minor, sub, and detailed heads. The introduction or abolition or change of nomenclature of any minor or sub head, the transfer of a sub-

head or detailed head from one minor head or sub head to another, and any arrangement of abstracts are not within the competence of a Railway Administration. But the F.A. & C.A.O of a Railway may, with the approval of the General Manager, introduce a new detailed head within a sub-head except when the necessity arises of a new class of expenditure, in which case, the orders of the Railway Board should be obtained as to the sub-head under which the detailed head should appear. When, however, a new detailed head is opened by Railway Administration, the Railway Board should be informed.

**1.9.2.** The structure of the accounts classification is such that it corresponds to and is in line with the revised classification of the Demands for Grants. While the alpha (i.e. letter of the Abstract) (now two digits number, e.g. 'A' or (03) means Demand for 'General Superintendent & Services') corresponds to the Demand head, the minor, sub-head and detailed heads of accounts represent classification of the activity from a broad grouping into its details and the last two digits code represent the object of expenditure, called Primary Unit. On computerization of the accounting system the alpha of the abstract classification has been substituted by a numerical code as follows:

A-03, B-04, C-05, D-06, E-07, F-08, G-09, H-10, J-11, K-12, L-13, M-14 & N-12.

Thus, a revenue expenditure is represented by a seven digit number viz. **Abstract** of expenditure (two digits), **Activity** of works (Minor Head/Sub Head/Detailed Head) (three digits), **Object** of expenditure (i.e. what the expenditure is incurred viz. salary, allowances, wages, materials etc.), which is called 'Primary Unit' (two digits).

e.g; 03-111-01 represents Salary of Officers in General Manager's Office.

03 – **Abstract** 'A' i.e. Demand no. 03.

100– General Management including Genl. Management Services (minor head).

110– Establishment of the General Manager (sub head)

111 –Officers (detailed head)

01 –Salary (Primary unit): - **Object of expenditure.**

<p><b>Activity of works.</b></p>
----------------------------------

### Classification of Revenue Expenditure and Demand for grants of Expenditure

Sl. No.	Group	Demand No.	Abstract	Name of Demand
I	Policy Formulation and Services Common to all Railways	1		Railway Board
		2		Miscellaneous Expenditure (General) (for Zonal Rlys & Metro Rly./Kol.)
II	General Superintendence and Services on Railways	3	A	General Superintendence and Services on Railways (for Zonal Rlys & Metro Rly./Kol.)
III	Repairs and Maintenance	4	B	Repairs and Maintenance of Permanent Way and Works. (for Zonal Rlys & Metro Rly./Kol.)
		5	C	Repairs and Maintenance of Motive Power. (for Zonal Rlys & Metro Rly./Kol.)
		6	D	Repairs and Maintenance of Carriage and Wagons. (for Zonal Rlys only)
		7	E	Repairs and Maintenance of Plant and Equipment. (for Zonal Rlys & Metro Rly./Kol.)
IV	Operation	8	F	Operating Expenses-Rolling Stock and Equipment. (for Zonal Rlys & Metro Rly./Kol.)
		9	G	Operating Expenses-Traffic (for Zonal Rlys & Metro Rly./Kol.)
		10	H	Operating Expenses-Fuel (for Zonal Rlys & Metro Rly./Kol.)
V	Staff Welfare, Retirement Benefits and Miscellaneous	11	J	Staff Welfare and Amenities (for Zonal Rlys & Metro Rly./Kol.)
		12	K	Miscellaneous Working Expenses. (for Zonal Rlys & Metro Rly./Kol.)
		13	L	Provident Fund, Pension and other Retirement Benefit. (for Zonal Rlys & Metro Rly./Kol. & PUs)
VI	Railway Funds and Payment to General Revenues.	14	M	Appropriation to Funds. (for Zonal Rlys & Metro Rly./Kol.)
		15		Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of over Capitalization. (for Railway Board)
			N	Suspense
			O	Govt. Contribution for Defined Contribution Pension Scheme.

**1.9.3.** The Revised Classification of expenditure on works irrespective of whether they are charged to Capital, DRF, DF, Revenue (OLWR) or RSF have come under a single **Demand-16** namely Assets-Acquisition, Construction and Replacement (prepared for Zonal Railways/MTPs/PUs etc). The Accounting Classification for works expenditure is in the form of a 7 digit-4 Manual alphanumerical code. The first Manual which is the alpha indicates the source of fund viz. Capital, DRF, DF, Revenue (OLWR) or RSF, as the case may be. The second Manual of 2 digits which is numerical will represent the standard Plan Heads. The third Manual which is also

numerical will represent the 2 digits corresponding to the sub and detailed head of classification giving the details of the assets acquired, constructed or replaced. The last Manual which is of two digits will indicate the primary unit i.e. objects of expenditure.

**1.9.4.** For the purpose of link with the accounts of the Central Government the Plan heads will form Minor Heads of Railway Capital under the Major Heads "546 (presently 5002)-Capital Outlay on Indian Railway-Commercial lines" and 546 (presently 5003)--Capital Outlay on Indian Railway-Strategic Lines." The minor Head classifications are as follows:

11	New Lines (Construction)	41	Machinery and Plant
12	Purchase of new lines	42	Workshops including Production units
13	Restoration of dismantled lines	51	Staff Quarters
14	Gauge conversion	52	Amenities for staff
15	Doubling	53	(i) Passenger Amenities (ii) Other Railway user Amenities.
16	Traffic facilities-Yard remodelling and others	61	Investment in Government Commercial under takings –Road services.
21	Rolling Stock	62	Investment in Government Commercial undertaking
31	Track renewals	64	Other specified works
32	Bridge work	71	Stores suspense
33	Signaling and Telecommunication works	72	Manufacturing suspense
34	Taking over of the wires from P&T Dept.	73	Miscellaneous Advances
35	Electrification projects	81	Metropolitan Transport Projects
36	Other Electrical works		

**1.9.5.** The sub and detailed heads give the break up of the expenditure on assets in its details such as Preliminary Expenses, Land, Formation, Permanent Way, Bridges, Stations and Buildings etc. In the Classification given in Appendix II, of Indian Railway Finance Code, Vol. II the details of sub-heads and detailed heads which have been given for minor heads 1100-new lines will be adopted for the other minor heads depending upon the nature of the asset being created or replaced to the extent indicated against the respective head. e.g; of classification of a Capital Expenditure is as follows:

In a new line construction project, Pay & allowances of Departmental Establishment in connection with Structural Engineering Works Permanent Way-Railways & fastening is classified as P-1141-01. Where 'P' represents Capital (source of financing) 1100 represents Plan Head for new lines 1140 represents Sub-head - Structural Engineering Works-Permanent Way. 1141 represents Detailed Head- Rails and fastenings.

01 is Primary Unit of expenditure - Pay & Allowances of Departmental Establishment. That can be easily clarified as follows through a table:

Minor Head	Sub Head	Detailed Head
1100-New Lines (Construction)	1140-Structural Engineering Works-Permanent Way.	1141-Rails and fastenings

01- Indicates Primary Unit for Pay & Allowances of Departmental Establishment.

**1.9.6.** The earnings of Railways are classified under three Sub major Heads with a separate abstract for each Sub major Head, viz:

1	Abstract "X"	Earnings from Coaching traffic
2	Abstract "Y"	Earnings from Goods traffic
3	Abstract "Z"	Sundry other earnings.

The Sub major Heads are divided into Minor, Sub and detailed heads.

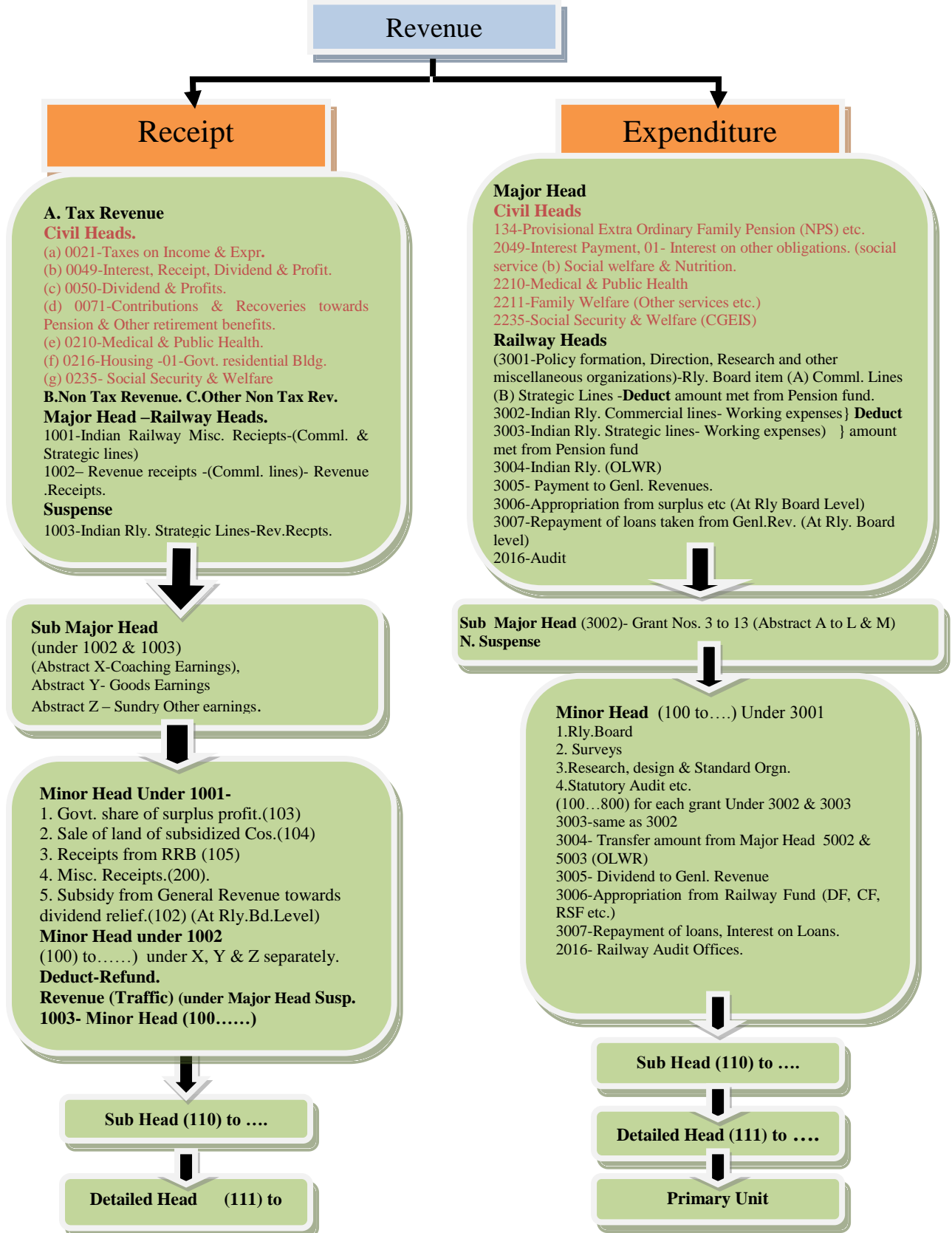
Thus the detailed head "Season and Zone tickets" will be referred to as "X-122" (X-one-two-two).

**1.9.7.** It is not within the competence of Railway Administration to introduce, abolish, change the nomenclature or re-arrange any of the Sub major, minor and sub-heads. They may, however, introduce or abolish any of the detailed heads under any of the sub-heads.

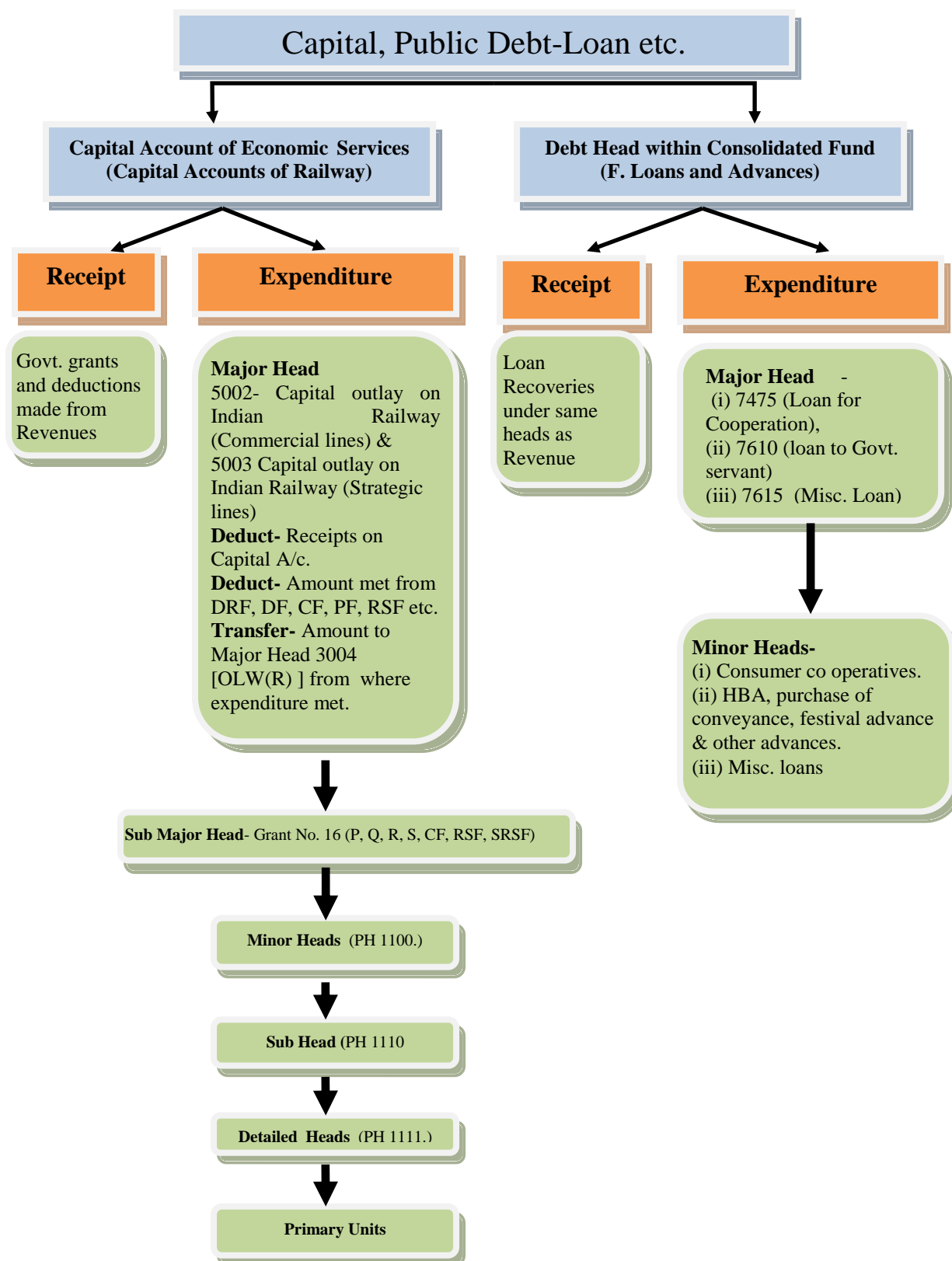
The various heads of classification will be referred to by the numbers allotted to them prefixed by the letter of the Abstract under which they occur.

### Structure of Railway Accounts

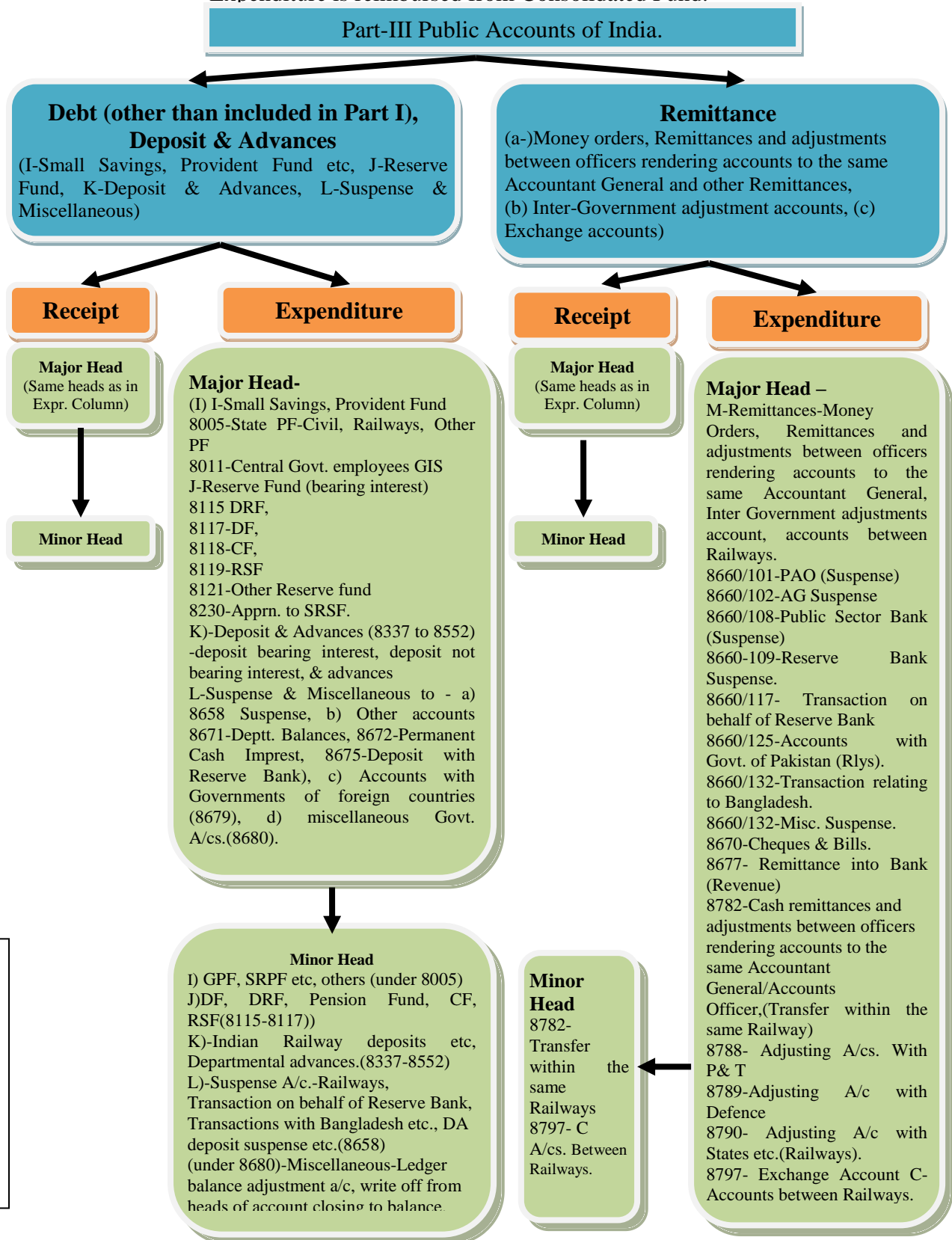
#### Part-I- Consolidated Fund of India





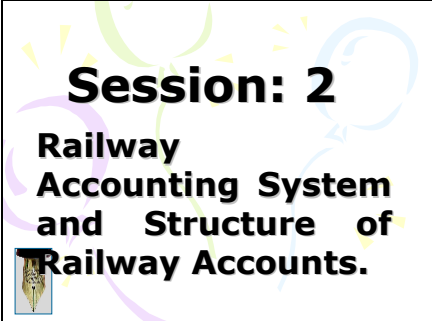


Part-II- Contingency Fund. 8000-Contingency Fund-same as under the Consolidated Fund. Expenditure is reimbursed from Consolidated Fund.



The heads are subject to changes by the Railway Board from time to time.

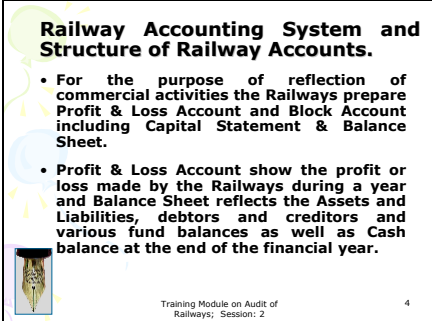
Slide 1



## Session: 2

### Railway Accounting System and Structure of Railway Accounts.

Slide 4

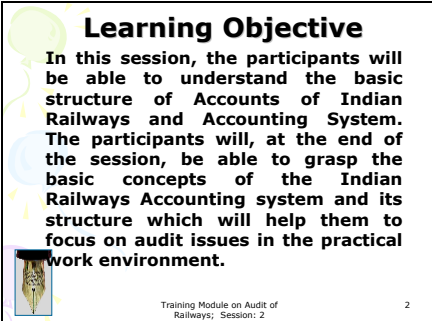


### Railway Accounting System and Structure of Railway Accounts.

- For the purpose of reflection of commercial activities the Railways prepare Profit & Loss Account and Block Account including Capital Statement & Balance Sheet.
- Profit & Loss Account show the profit or loss made by the Railways during a year and Balance Sheet reflects the Assets and Liabilities, debtors and creditors and various fund balances as well as Cash balance at the end of the financial year.

Training Module on Audit of Railways; Session: 2 4

Slide 2

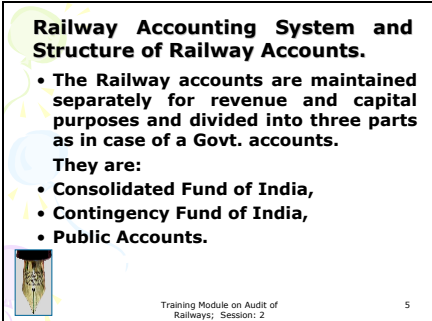


### Learning Objective

In this session, the participants will be able to understand the basic structure of Accounts of Indian Railways and Accounting System. The participants will, at the end of the session, be able to grasp the basic concepts of the Indian Railways Accounting system and its structure which will help them to focus on audit issues in the practical work environment.

Training Module on Audit of Railways; Session: 2 2

Slide 5

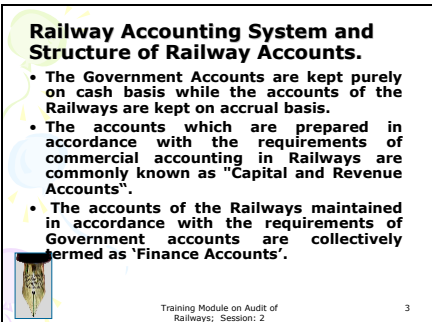


### Railway Accounting System and Structure of Railway Accounts.

- The Railway accounts are maintained separately for revenue and capital purposes and divided into three parts as in case of a Govt. accounts. They are:
  - Consolidated Fund of India,
  - Contingency Fund of India,
  - Public Accounts.

Training Module on Audit of Railways; Session: 2 5

Slide 3

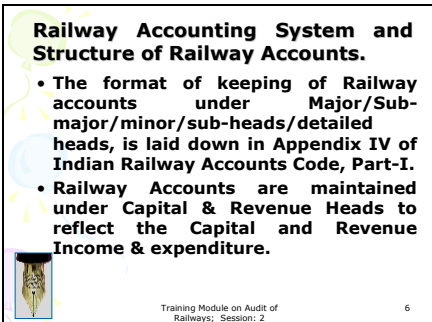


### Railway Accounting System and Structure of Railway Accounts.

- The Government Accounts are kept purely on cash basis while the accounts of the Railways are kept on accrual basis.
- The accounts which are prepared in accordance with the requirements of commercial accounting in Railways are commonly known as "Capital and Revenue Accounts".
- The accounts of the Railways maintained in accordance with the requirements of Government accounts are collectively termed as 'Finance Accounts'.

Training Module on Audit of Railways; Session: 2 3

Slide 6



### Railway Accounting System and Structure of Railway Accounts.

- The format of keeping of Railway accounts under Major/Sub-major/minor/sub-heads/detailed heads, is laid down in Appendix IV of Indian Railway Accounts Code, Part-I.
- Railway Accounts are maintained under Capital & Revenue Heads to reflect the Capital and Revenue Income & expenditure.

Training Module on Audit of Railways; Session: 2 6

Slide 7

**Railway Accounting System and Structure of Railway Accounts.**

- Railway has two sources of receipt viz. (i) Govt. grant (i.e. grant from General revenue through budgetary support) and share of diesel cess from Central Road Fund and
- (ii) Generation of its own revenue through passenger and goods traffic earnings and other miscellaneous earnings.
- Govt. grant is meant for acquisition of concrete assets.
- Own revenue is meant for working expenses (maintenance and operation of activities) of Railway and creation of some funds for development works, replacement and renewal of assets.

Training Module on Audit of Railways; Session: 2 7

Slide 10

**Railway Accounting System and Structure of Railway Accounts.**

- Account heads operated for the purpose of maintaining a link between Commercial Accounts of the railway and the Government accounts are (i) Demands Payable, (ii) Labour, (iii) Traffic Accounts. These are Suspense heads.

Training Module on Audit of Railways; Session: 2 10

Slide 8

**Railway Accounting System and Structure of Railway Accounts.**

- The Railway expenditure is allocated to (i) Capital (P), (ii) Capital Fund (CF) (iii) Development Fund (DF), (iv) Railway Safety fund (RSF), (v) Depreciation Reserve Fund (DRF), (vi) Open line Works (Revenue) [OLW (R)] and Ordinary Revenue.
- Rules regulating the classifications of transactions under these heads are prescribed in Chapter VII of the Indian Railway Finance Code, Vol. I. (F- I).

Training Module on Audit of Railways; Session: 2 8

Slide 11

**Railway Accounting System and Structure of Railway Accounts.**

- Various important Heads of Accounts are (1) Misc. Advances (2) Deposits (including deposit on Unpaid wages, deposits from private companies & Misc. deposits), (3) Cash including amount held by the Cashier and the total of cash imprest with the departmental officers, (4) Capital outlay, (5) Net Revenue, (6) Misc. Govt. Account.

Training Module on Audit of Railways; Session: 2 11

Slide 9

**Railway Accounting System and Structure of Railway Accounts.**

- To give an overall picture of the expenditure of a capital nature incurred by the Railways, separate account is compiled called Block Account.
- It exhibits the entire expenditure of capital nature irrespective of the head of account to which it has actually been charged.
- The Loan Account created out of general budgetary support gives only the extent of expenditure actually charged to capital head.

Training Module on Audit of Railways; Session: 2 9

Slide 12

**Railway Accounting System and Structure of Railway Accounts**


- Miscellaneous Government Account is a major Head No.8680, under L-Suspense and Miscellaneous (e) Miscellaneous and operated along with the following minor heads:
  - Ledger Balance Adjustment Account.
  - Write Off from heads of Accounts closing to balance.
- This is used for closing of all heads of accounts which do not record Railway revenue or expenditure.

Training Module on Audit of Railways; Session: 2 12

Slide 13

**Railway Accounting System and Structure of Railway Accounts.**

- The transactions under the head 'Transfer Railways' are closed to a minor head called "Miscellaneous Government Account", in the books of the individual Railways and to 'Balance' (if there is any balance) in the books of Railway Board.
- The transactions under the head 'Deposits with Reserve Bank (Railways)' is closed to the same minor head "Miscellaneous Government Account".




Training Module on Audit of Railways; Session: 2 13

Slide 16

**Railway Accounting System and Structure of Railway Accounts.**

- The revised classification system envisages a numeric coding scheme comprising three components indicating abstract of expenditure, activity of work and object of the expenditure respectively.
- Each expenditure is represented by a distinct numerical code under the Major head, Sub Major head, Minor head and Primary Unit.

Contd.....S/17




Training Module on Audit of Railways; Session: 2 16

Slide 14

**Railway Accounting System and Structure of Railway Accounts.**

**Classification of Railway Revenue, Capital & other Works expenditure and Earnings.**

- The detailed classification of (a) Revenue Expenditure is given in Appendix-I,
- (b) the classification of Capital and other Works expenditure is given in Appendix-II and
- (c) classification of earnings is given in Appendix-III of Indian Rly. Financial Code, Volume- II.




Training Module on Audit of Railways; Session: 2 14

Slide 17

**Railway Accounting System and Structure of Railway Accounts.**

- The alpha (i.e. letter of the Abstract) e.g. 'A' (now two digits number) e.g. '03' means Demand for 'General Superintendent & Services' corresponds to the Demand head.
- The minor, sub-head and detailed heads of accounts represent classification of the activity from a broad grouping into its details.

The last two digits code represent the object of expenditure, called Primary Unit.




Training Module on Audit of Railways; Session: 2 17

Slide 15

**Railway Accounting System and Structure of Railway Accounts.**

- The structure of the accounts classification is such that it corresponds to and is in line with the revised classification of the Demands for Grants.
- The revenue working expenses of Zonal Railways are classified under 13 sub-major heads (total 15 heads for Indian Rlys.) with a separate Abstract for each sub-major head. The Sub-major heads are divided into minor, sub, and detailed heads.




Training Module on Audit of Railways; Session: 2 15

Slide 18

**Railway Accounting System and Structure of Railway Accounts.**

- In the revised Accounts classification, the alpha of the abstract classification has been substituted by a numerical code as follows:  
A-03, B-04, C-05, D-06, E-07, F-08, G-09, H-10, J-11, K-12, L-13, M-14 & N-12.
- A revenue expenditure is represented by a seven digit number viz. Abstract of expenditure (two digits), Activity of works (Minor Head / Sub Head/ Detailed Head) (three digits), Object of expenditure viz. salary, allowances, wages, materials etc., (two digits) – also called 'Primary Unit'.




Training Module on Audit of Railways; Session: 2 18

Slide 19

**Railway Accounting System and Structure of Railway Accounts.**

- The Revised Classification of expenditure on works irrespective of whether they are charged to Capital, DRF, DF, Revenue (OLWR) or RSF have come under a single Demand-16 namely Assets-Acquisition, Construction and Replacement (prepared for Zonal Railways/MTPs/PUs etc).




Training Module on Audit of Railways; Session: 2 19

Slide 22

**Railway Accounting System and Structure of Railway Accounts.**

- For the purpose of linking with the accounts of the Central Government the Plan heads will form Minor Heads of Railway Capital under the Major Heads "546 (presently 5002)-Capital Outlay on Indian Railway-Commercial lines" and 546 (presently 5003)--Capital Outlay on Indian Railway-Strategic Lines."
- There are 25 (Plan Heads) Minor Head for classifications of Capital Expenditure.




Training Module on Audit of Railways; Session: 2 22

Slide 20

**Railway Accounting System and Structure of Railway Accounts.**

- The Accounting Classification for works expenditure is in the form of a 7 digit - 4 module alphanumerical code.
- The first module which is the alpha indicates the source of fund viz. Capital, DRF, DF, Revenue (OLWR) or RSF, as the case may be.
- The second module of 2 digits which is numerical will represent the standard Plan Heads.

Contd.....S/21




Training Module on Audit of Railways; Session: 2 20

Slide 23

**Railway Accounting System and Structure of Railway Accounts.**

**The earnings of Railways**

- are classified under three Sub major Heads with a separate abstract for each Sub major Head, viz: Abstract "X"- Earnings from Coaching traffic, Abstract "Y"- Earnings from Goods traffic & Abstract "Z"- Sundry other earnings.
- The Sub major Heads are divided into Minor, Sub and detailed heads.




Training Module on Audit of Railways; Session: 2 23

Slide 21

**Railway Accounting System and Structure of Railway Accounts.**

- The third module which is also numerical will represent the 2 digits corresponding to the sub and detailed head of classification giving the details of the assets acquired, constructed or replaced.
- The last module which is of two digits will indicate the primary unit i.e. object of expenditure.




Training Module on Audit of Railways; Session: 2 21

Slide 24

**Railway Accounting System and Structure of Railway Accounts.**

- It is not within the competence of Railway Administration to introduce, abolish, change the nomenclature or re-arrange any of the Sub major, minor and sub-heads.
- They may, however, introduce or abolish any of the detailed heads under any of the sub-heads.



Training Module on Audit of Railways; Session: 2 24

**Questions:**

1. Which one of the following Statements is correct?

(i) Govt. accounts are kept on accrual basis.

(ii) Railway's accounts are kept on cash basis.

(iii) Govt. accounts are kept on cash basis.

(iv) Railway's accounts are kept on accrual basis.

2. Which of the following Statements is correct?

(a) Accounts which are prepared in accordance with the requirements of Commercial accounts in Railways are called Capital & Revenue accounts and accounts which are prepared in accordance with the requirements of Government accounts in Railway are called Finance Accounts.

(b) Accounts which are prepared in accordance with the requirements of Government accounts in Railways are called Capital & Revenue accounts and accounts which are prepared in accordance with the requirements of Commercial accounts in Railway are called Finance Accounts.

3. For the purpose of reflection of Commercial activities what are the accounts and statements prepared by the Railway Administration?

4. Identify the correct answer:  
Accounts maintained separately for Revenue & Capital purposes are divided into-

(1) Two parts,

(2) Three parts,

(3) Four parts

5. What are the two sources of receipts of Railways?

6. Under which heads Railway expenditure are allocated?

7. What is the difference between Capital & Capital Fund?

8. What is the difference between Capital (Loan Account) & Block Account?

9. What are the Account heads maintained in Railway for linking between Commercial Accounts of Railway and Government Account? Mention how they are operated.

10. What do the following accounts contain?

(i) Miscellaneous Advances,

(ii) Deposits,

(iii) Cash,

(iv) Misc. Govt. Accounts.

11. What are the three numerical coding components in revised accounting classification of Railways?

12. What are the Heads under which each expenditure is classified?

13. How Sub Major Heads are divided?

14. Write correct answer-

Revenue Working expenses of a Zonal Railway are classified under –

(i) 13 Sub major Heads,

(ii) 14 Sub Major Heads

(iii) 15 Sub Major Heads

(iv) 16 Sub major Heads.

15. Write correct answer-

Revenue expenditure is represented by following numerical numbers:

(1) 7, (2) 8, (3) 9, (4) 10.

16. A Work expenditure is represented by following number of alphanumerical digit:

1. 6
2. 7
3. 8
4. 9

17. The earnings of Railways are classified under following number of alphanumerical digit:

1. 2
2. 3
3. 4
4. 5

18. Who is competent authority to introduce, abolish, change the nomenclature or re-arrange any of the Subs major, minor and sub-heads?

19. Who is competent to introduce or abolish any of the detailed heads under any of the sub-heads?



**Answer Sheet**

Answer 1- See Para 1.8 of Session 2

Answer 2- Abstract of Expenditure, Activity of Work & Object of Expenditure.

Answer 3- See Para 1.6 of Session 2

Answer 4 – Three parts, viz:  
1. Consolidated Fund of India,  
2. Contingency Fund of India,  
3. Public Accounts.

Answer 5- (i) Grant from General Revenue, (ii) Own Revenue - through Passenger and Goods traffic & other misc. earnings.

Answer 6- Capital, CF, DF, DRF, RSF, OLWR & Ordinary Revenue.

Answer 7- See Para 1.7 of Session 2.

Answer 8- See Para 1.7 of Session 2.

Answer 9- Demands Payable, Labour & Traffic Accounts.  
See Para 1.7 of Session 2.

Answer 10- See Para 1.8 of Session 2.

Answer 11- Abstract of Expenditure, Activity of Works and Object of Expenditure [Para 1.9 of Session 2

Answer 12- Major Head, Sub Major Head, Minor Head & Primary Unit.

Answer 13- They are divided into Minor Head, Sub Head and Detailed Head.

Answer 14- Sl.no.1 (13 Sub Major Heads).

Answer 15- Sl.no.1 (7 digits)

Answer 16- Sl.no.2 (7 digits)

Answer 17- Sl.no.3 (four digits)

Answer 18- Railway Board.

Answer 19- Zonal Railway Administration with the approval of Railway Board.

# Session: 3



**Different kinds of Accounts and records maintained and prepared by Accounts Office (Open line, Construction, Stores, Workshop & Traffic)**

<b>Session Title: Different kinds of Accounts and records maintained and prepared by Accounts Office.</b>		Session Guide
<b>Instructor's Guide</b>	Reference	Participants' Response
<b>Session Overview</b>		
<b>Welcome</b> participants to the session and remind them that their active participation is critical for the success of each session.	Lecture	
<b>Learning Objective</b>		
<b>Inform:</b> Given the inputs of overall views of different kinds of Accounts and records maintained and prepared by the Railway Accounts Offices of different wings, viz. Open line, Construction, Stores, Workshop and Traffic) and necessity for their preparation through group discussion, lecture and Power Point slide show, the participants will, at the end of the session, be able to grasp the basic concepts of the Accounts and records maintained by the Accounts Offices and their necessity, which will help them to focus on audit issues in the practical work environment.	Lecture	
<b>Basic Concepts</b>		
<b>Discuss:</b> <ul style="list-style-type: none"> <li>• Various Accounts and basic records maintained and prepared by the Accounts Office.</li> <li>• Purpose for preparation of various accounts and contents of these accounts.</li> </ul>	Lecture with Power Point Slide Show <b>Session 3 INTRODUCTION</b>	
<b>Summarise:</b>		
<b>Distribute</b> Participants' Note <b>Tell</b> the participants that during the session, we discussed various accounts and records maintained by the Accounts and their necessity. <b>Invite</b> questions on themes discussed. If participants have any doubts/clarifications about themes, clarify the same. Answer participants' queries. <b>Thank</b> the participants and bring the session to a close.	Session 3 Participants' Note	

**Training Method:** Interactive Lecture and Power Point Slide Show.

**Materials Required:** Power Point Slides, Projector, White Board, Marker Pen and Participants' Note.

### 3.1. Important Books and Records and accounts maintained by accounts Office.

Accounting transactions fall under two distinct headings, viz. (i) cash receipts and disbursements and (ii) book adjustments. The later present transactions either initially accounted for by another Accounts Officer- as in case of transfer transactions- or adjustments between one accounting head and another, e.g. for issue of stores from a Stores Depot for revenue maintenance purposes, etc. The initial record for cash transaction will be a cash voucher or bill. For book adjustment, it is a journal slip. Cash transactions are rendered in the Cash Book, while journal slips are entered in the journal. **For compiling the monthly and annual accounts, certain essential records are maintained by the Accounts Office which are called General Books.** These are as follows:

1. Daily Abstract of Cash Transactions or the General Cash Book,
2. Monthly Classified Abstract of Cash Transactions or the General Cash Abstract Book,
3. Journals,
4. Ledgers.

Two sets of Journals and ledgers are maintained, one for Revenue Accounts and other for Capital Accounts, since separate Accounts are maintained for these two classes of transactions. Only one Daily Abstract and Monthly Abstract of Cash Transactions need be maintained subsidiary to the Revenue Ledger. All cash transactions of a capital nature should be allocated in the cash accounts of an open line to "Transfer Railway Capital", and the detailed allocation to final and Suspense heads of such transactions chargeable to Capital, DRF, DF, SF and OLWR should be effected in the Capital Account by means of Journal entries in the Capital Books, a *per contra* debit or credit being afforded to "Transfer Railway Revenue".

5. Subsidiary ledgers/registers- In addition to the General Books the following subsidiary books are maintained by a Accounts Office, viz.

- (i) Registers of Earnings,
- (ii) Revenue Allocation Registers,
- (iii) Registers of Works,
- (iv) Register of works expenditure classified under capital, Depreciation Reserve Fund, Development Fund, Revenue (Open Line Works-Revenue) and Safety Fund.
- (v) Suspense Registers,

**These books are posted directly from the vouchers or from an allocated abstract or summary statement of a group of vouchers containing similar allocations immediately after they (vouchers) have been passed in accounts.**

Suspense registers in the following heads are maintained:

- (i) Demands Payable Register, (ii) Miscellaneous Advance Register, (iii) F. Loans and Advances Register, (iv) Deposit Unpaid Wages Register, (v) Deposit Miscellaneous Register, (vi) Stores suspense register & (vii) Workshop and Manufacture suspense Register. Separate registers for Miscellaneous Advances (Capital), Misc. Advances (Revenue), Loans and Advances to Govt. Servants are also maintained. In Construction organization separate Cash Book is also maintained. A separate Cash Register in Form A 2722 is maintained by the Traffic Accounts Department, apart from main Cash Book maintained by Open Line. Traffic Cash Book is discussed later.

The contents of the various books of accounts are narrated below in brief:-

**3.1.1. Daily Abstract of Cash Transactions or General Cash Book (Form A304)** - It records daily all cash received from station remittances [(from Cash Check Sheets (A1943)], cheques drawn on banks [from the Requisition

for cheques (A 1111)], receipts from miscellaneous items (from the counter foils of the cash receipts granted), recoveries made from bills passed for payments (recorded from the various credit heads of account as abstracted in Form A-1109), unpaid amounts remitted by the Cashier [recorded from the list of unpaid wages (A 1957)], in the debit side and remittances to Banks [(from the Bank Remittance Receipts (A1942)] & payments (from the various debit heads of account as abstracted in Form A 1109)] in the credit side.

**3.1.2. Monthly Classified Abstract of Cash Transactions or the General Cash Abstract Book- (Form A 306)** - It is posted daily from the totals in the Daily Abstract of Cash Transactions. It is kept in two parts, one part for receipts (debits) and other for disbursements (credits). It should be totaled after the transactions of the last of the month have been posted.

**3.1.3. Journals (A308)** – These are prepared for adjusting Revenue or Capital heads from the journal slips as per form prescribed in A308 or from the original vouchers. One head is debited and another head is credited. Detailed particulars of the adjustment entries and the heads debited and credited are noted in the journals. These are generated by the concerned sections and sent to Accounts for incorporation in the accounts.

**3.1.4. Subsidiary Accounts Records/ Registers.**

Following subsidiary records/ books/ registers are maintained in addition to the General Books mentioned above.

These records are of the utmost importance in as much as they are designed to exhibit the details of the transactions under Revenue, Capital, Depreciation Reserve fund, Development fund, Revenue (Open line Works-Revenue), Safety Fund, and Suspense Heads duly analyzed under the prescribed detailed classification. These books are posted directly from the Vouchers or from an allocated abstract or summary statement

of a group of vouchers containing similar allocations immediately after they (the vouchers) have been passed in accounts. In cases where an allocated abstract (summary) is used for posting the subsidiary registers, these will be filed along with the group of vouchers which have been summarized therein.

**3.1.5. Revenue Allocation Register (A312)** -Separate Allocation Register is maintained for each Abstract of Revenue Expenditure under Major Heads 346 & 347 (3002 &3003) - Indian Railways-Working Expenses. Transactions are posted separately for expenses, whether by cash payment or book adjustments.

**3.1.6. Register of Earnings (A313)** - Separate Register for each Abstract of Revenue Earnings under Major Heads 146 & 147 (1002 & 1003) -Indian Railway Revenue Receipts. The Register of Earnings record the earnings under all the detailed heads of classification prescribed in Volume II (Appendix-III) of Indian Railway Financial Code.

**3.1.7. Works Registers. (E1473)** – It is a collective record of expenditure designed: (i) for effecting control of expenditure on works with reference to estimates, by facilitating comparison between the expenditure incurred on each work and the detailed provision made in the estimate for work;

(ii) for effecting budgetary control, by facilitating a comparison between the budget allotment for the work and the actual expenditure to the end of the month; and

(iii) to enable any material modification occurring being spotted.

Single set of Works Register--Detailed Register of Works should be kept for all sanctioned works including those chargeable to Revenue, new minor work showing the amounts of estimates sanctioned. This register is maintained in the **Accounts Office both for open line and construction organization.** This register reflects the Name of Work, and the authority that sanctioned the work, the

amount of estimate sanctioned, the budget allotment and details of expenditure on each work by heads of accounts. Name of the various funds like Capital, DRF, DF, SF, OLW (R), Revenue from where expenditure being incurred, date of commencement and completion of the works.

The Register may be arranged by detailed heads of classification (for works falling under the demand relating to creation and replacement of assets) separate folios being set apart for each work. At the close of every month the Register of Works should be totalled up and the monthly, yearly and 'up-to-date' totals for each work struck. The Register of Works should be preserved for a period of 10 years.

In posting the Register of Works in the case of works, the accounts of which are kept by sub-heads, the last column relating to each work will always show the 'total charges', the last column but one will show value of materials received in advance of payment 'to contractors', the last column but two will show the value of the 'materials-at-site' and the last column but three will Show advance payment for supply of materials'.

**Value of materials received in advance of payment to contractors.--**When the materials are received before payments have been made, such transactions should be credited to a separate suspense head "Value of materials received in advance of payment to contractors" in the Register of Works under the head of account that will record a major part of the cost of work, the credit under the suspense head should be cleared as and when payment is made.

A Subsidiary Register for all purchase orders for such items should be maintained work wise by the Accounts Office and entries on credit side should be made under the initials of sub-head/Section Officer (Accounts) from the Receipt Note Part III received duly evaluated from Executive Officers concerned in terms of Para 739-S. Receipt Notes should simultaneously be posted in Works

Registers by debit to 'materials-at-site account/final head' and contra credit to 'value of materials received in advance of payment to contractors' referred to above. All payments chargeable to this head should be made after being posted on the debit side in the subsidiary register under the initials of the Controlling Officer. The balances in the subsidiary register should be reconciled monthly with those in the Works Registers.

Thus, for stores purchased for specific works the transactions will not find a place in the Stores budget under this procedure. Arrangements should, however, be made to ensure that the total figures of purchases during a year for specific works which do not pass through Stores Account are available with the Railways for statistical purposes etc.

### **3.1.8. Suspense Registers.**

These registers reflect transactions which cannot immediately be charged to final heads.

Rules relating to the maintenance of detailed registers for recording the transactions pertaining to the suspense heads under Stores and Workshop Suspense are laid under separate headings for Stores and Workshops.

Rules regulating maintenance of other Registers are detailed below:

**3.1.8.1. Demands Payable Register (315 A)** – Details in support of the debit to the head Demands Payable in the monthly General Cash Abstract Book are recorded in this register by sub-major heads of revenue classification. Before closing the Revenue Accounts for a month, entries in this Register are totaled up and the totals reconciled with the General Cash Abstract Book as well as with the Cash totals in the Revenue Allocation Register. A journal slip is then prepared crediting the head "Demands Payable" and debiting the various Abstracts of the Revenue Accounts.

**3.1.8.2. Miscellaneous Advance Register (Capital), Miscellaneous Advance Register (Revenue), Loans and Advances to Government Servants (320 A)-** Separate suspense registers for above mentioned items are maintained in the Format (A320) to record in details, from original documents, opening balance at the beginning of a financial year, detailed voucher reference together with the amount to be Debited or Credited during the month and Balance to the end of the month., month and year from which outstanding amount originated. Monthly reconciliation of the debits, credits and balances of these accounts with the General Books of the Railway should be made regularly.

**3.1.8.3. Deposit Unpaid Wages Register (1959 A) -** When bills are returned by the Pay Office/Cash Office to the Accounts Office there may be some unpaid items. The amount so unpaid are returned by the Pay Office/Cash Office along with a statement (in form A1959) called Unpaid Wages Statement which is treated as Cash Voucher exhibited in the receipt side of the Daily Abstract of Cash Transactions. The individual item in the statement is transcribed into an Unpaid Wages Register. When the unpaid amount is claimed by the concerned staff subsequently the same is drawn through a Pay Order against which payment is made and the amount is cleared from the Unpaid Wages Register, subject to that it should be ensured before payment of such amount that the amount was not paid from the imprest or floating cash of the Cashier.

**3.1.8.4. Deposit Miscellaneous (321 A)-** This register contains miscellaneous deposits received by the Railway Administration from various accounts, viz. Contractors' Earnest Money, Security Deposit, misc. other deposits. When payment is made from such deposited amount the amount is cleared

and balance is shown in the register. Unpaid item other than unpaid wages of Railway staff amounting to more than Rs.100 each should be allowed to remain the Register of Deposit for a period of three years or until it is practically certain that no further claim for payment will be made. The sum then is credited to the detailed head "Miscellaneous receipt" or "Traffic Account" according to its nature i.e whether works or revenue transaction.

### **3.1.9. Stores Accounts.**

The following heads of Accounts under Capital & Revenue are generally operated upon in the Books of Accounts of the Stores Accounts Office:

#### **Capital:**

Major Head- 5002 & 5003 Capital Outlay on Indian Railway-Commercial Lines & Strategic Lines and Minor Head 7100 –Stores suspense, and 7300- Miscellaneous Advances followed by Sub heads and sub detailed heads: The figures are ultimately reflected under Capital and Revenue Accounts.

The following are the heads of Accounts under **Revenue:**

- Working Expenses
- Revenue Abstracts
- Misc. Advances
- Deposit Miscellaneous
- Transfer Divisional
- Transfer Railways

The following annual accounts should be submitted by the Stores Accounts Office to the Books Section of Open line on the prescribed date:

- Capital & Revenue Accounts
- Finance Accounts
- Appropriation Accounts.

Detailed instructions regarding the preparation of each of the above **accounts appear in the Accounts Department Code.** Material in connection with the preparation of (a) and (b) above is generally obtained from records maintained in the Stores Accounts Branch itself. Whereas the explanations for

variations between the original grant and the final grant and between the latter and the actual expenditure under the various sub-heads of the Appropriation Accounts, will be framed in consultation with the executive, if necessary. **These should then be incorporated in the accounts submitted to the Book Section.** For this purpose statements showing the figures of the original grant as compared with the final grant and the latter with the actual expenditure, should be sent to the Controller of Stores or other executive officer concerned, sufficiently in advance to admit of the accounts being sent to the Book Section in time.

To keep accounts on above following important Records and Registers are maintained in Stores Accounts Office.

#### **3.1.9.1. Fund Register:**

Budget Allotment - The funds sanctioned each year for Purchases are in respect of:

- (i) Stores for Capital Works,
- (ii) Stores for works chargeable to the Depreciation Reserve Funds, Development Fund, Open Line Works (Revenue): and
- (iii) Stores required for general purposes.

The lump-sum allotments are distributed by the General Manager between the several heads of stores appearing in Form S. 506. These distributions are intimated to the Stores Accounts Office where it should be seen at the time of entering into commitments, that the expenditure likely to be incurred does not exceed the cash allotment as distributed over the various heads.

A Manuscript register (in the name of Funds Register) is, therefore, maintained for the purposes of watching the incurrance of liabilities against the budget grant distributed.

#### **3.1.9.2. Deposits Miscellaneous Account (Issue) Register (2729 S.)-**

The amounts paid by the purchaser in advance as Security Deposit or Earnest Money or Sales Tax collected for Stores sold are credited to the head Deposits - Miscellaneous Accounts (Issue) and posted in this register. When the Security

of earnest money is refunded or the sales tax collected is remitted to State Government the head "Deposits-Miscellaneous" is debited by credit to "Cash (Railway Revenue)". In case in which the earnest money/ security deposit is adjusted towards the sale price the corresponding credit would be to "sales". All debit entries, in the register towards refund etc. of Security Deposit or earnest money or the sales tax payment to the State Government, which affect the credits under "Deposits-Miscellaneous Stores", should be initialed by the Accounts Officer (Stores).

#### **3.1.9.3. Miscellaneous Advances Account Register (Capital) (2739.S)-**

The issue notes chargeable to Miscellaneous Advances Account should be posted into this register sub-detailed head wise and the clearance of the debits watched there from. At the end of each month the debits and credits and the balances in each month should be reconciled with the General Books and a certificate of reconciliation endorsed on the register on the same lines as in the case of the Deposits-Miscellaneous Register.

The sub-detailed heads under Miscellaneous Advances (Capital) are -

- (a) Miscellaneous Advances (Printing),
- (b) Miscellaneous Advances (Clothing),
- (c) Miscellaneous Advances (Ferrous),
- (d) Miscellaneous Advances (Others),
- (e) Miscellaneous Advances (Risk & Cost/Production Units).

The sub-detailed head (Other) should be operated for recording all items of expenditure which can not be recorded.

#### **3.1.9.4. The Stock Adjustment Account (2740S)-**

The Stock Adjustment Account should be maintained in Form S. 2740 in the following parts, each part representing the record of the particular class of transactions, noted against each.



I. Results of Stock Verification :

P. 7181-Differences between the Ledger balances and the ground balances discovered by the Stock Verifier.

P. 7182 -Differences between the Ledger balances and ground balances discovered during Departmental Verification.

II. P. 7183-Differences arising out of revaluation of stores due to market fluctuation of purchased stores.

P. 7184-Differences arising out of revaluation of stock due to market fluctuation of shop manufactured stores.

III. Miscellaneous Items :

P. 7185-Differences in book value and value realized in Sales.

P. 7186-Losses on classification of new stores as second hand scrap.

P. 7187-Other Losses i.e., breakage, leakage or loses in transfer.

P. 7188-Rounding off.

P. 7191-Miscellaneous items.

P 7192-Value brought on books through depot stock sheets pending receipt of voucher.

A Form of Stock Adjustment Account is given below:

**Form S 2740**

**STOCK ADJUSTMENT ACCOUNT**

Particulars and reference to documents originating the debit or credit	Amount (Original entry)		Month in which cleared	Reference to orders
	Debit	Credit		

Clearance of the Balance in the Stock Adjustment Account is done as per instructions provided in Para 2742 S.

After the accounts for March have been closed, a statement showing the gross surpluses and deficiencies transferred to Stock Adjustment Account during the year under the headings mentioned in paragraph 2740 and showing also how the balances under each heading have been adjusted against the several grants of earnings during the year should be prepared and submitted to the General Manager for his information

**3.1.9.5. Depot Transfers (2746 S)/Register of Stores in Transit.**

-When the stores issued during a month from a depot are not received in the receiving depot in the same month, such items would not appear in the accounts of the receiving depot. The issuing depot would submit summaries of issues to the receiving depot concerned and that the receiving depot should note down on the summaries the dates of account of each of the items as they are posted in the priced ledgers. At the same time a preformed summary of receipts is prepared for the month by the Accounts section as per guidelines of paragraph 2708 S. At the end of the month, unaccounted items in the issue summaries should be posted into a register styled "**Register of Stores-in-Transit**" and their clearance is watched carefully. When any such item is accounted for later, the credit should be posted in the register in the column for the month of accounted and against the debit entry for the item concerned. Separate registers should be maintained for each depot for

**3.1.9.6. Stores-in-Transit 'Purchases' (2748 S)**

- The credits to Purchases Account are posted from the Receipt Notes granted by the Stores Depot. In cases where Inspection and Receipt Work is centralized such receipts are granted on behalf of the Stores Department by the Receiving and Inspecting Officer. The

posting of such receipts in the priced ledgers as a contra debit entry will appear however only when the material has been received by the Depots stocking the items and accounted for by it in its priced ledgers. In such cases the Receipt Notes granted by the Receiving and Inspecting Officer towards the close of a month would appear as credits to Purchase Account whereas the complementary debits would not appear in the same month in the priced ledgers as the materials would not have reached the stocking depot within the month.

### **3.1.9.7. Priced ledger.**

Stores Accounts Office maintains a vital ledger called Priced Ledger. The purpose of maintenance of such ledger is to price the receipts and issues of stores as per principles laid down in Para 2515 S as follows:

Either:

(a) at rates which are already shown on the vouchers for such transactions as purchases or at predetermined rates for manufactures by Railway Workshops, advice notes for return stores/ Depot transfer Receipts; or  
(b) at book average rates, as in the case of receipts under Book Transfers, Department and Account Stock Verification Sheets, and all vouchers for issue of stores except those relating to sale. However, sale issue vouchers relating to sales to other Indian Railways and Production Units will be priced at the book average rate.

### **3.1.9.8. Stores Suspense Register (2721 S).**

Stores when purchased, sold, transfer etc. unless charged to the final heads are treated as Suspense.

Stores Suspense comprises cost of physical stocks of stores held at Depots (as Stores Balance), issues to work sites, purchases, sales, stores in transit, stock adjustments, Work-in-progress in various Workshops and Production Units – Workshop Manufacturing Suspense and Miscellaneous Advances including the value of stores advanced to

Contractors for different works-Miscellaneous Advances. Suspense Accounts Registers have to be maintained sub-detailed head wise in connection with transactions of certain categories such as sales, issues on suspense account, etc. in order to maintain proper accounts to facilitate recovery of dues to the railway or watch clearance of outstanding items.

**Total figure of Stores Suspense is reflected under the Major Head 5002 & 5003 Capital Outlay on Indian Railway-Commercial Lines & Strategic Lines and Minor Head 7100 –Stores suspense** followed by following Sub heads and sub detailed heads:

- i.) Capital 7110 Purchases-imported,
- ii) Capital 7120 Purchase-indigenous etc.
- iii) Capital 7130 Purchase through DGS & D etc.
- iv). Capital 7140 Sales (other than fuel), (Para 2722 S),
- v) Capital 7150 Sales Fuel,
- vi) Capital 7160 Stores-7161-7169 Stores in stock in Deposit, Stores in Stock-Fuel, Engineering Imprest Stores etc
- vii) Stores in Transit 7170 –Fuel, Purchases, Depot transfer- Other than Fuel (Para 2746 S as mentioned above),
- viii) Stock Adjustment Account 7180 (generally difference between ledger balances and ground balances, revaluation of stores, book value & sale Value, loss etc., etc. (Para 2740 S as mentioned above),
- ix) Stock Adjustment Account 7190 (other items),
- x) Capital 7310 Miscellaneous Advance (Para 2739 S as mentioned above),
- xi) Deposit Miscellaneous (Stores), adjusted through Depot store sheet etc, (Para 2729 S).

### 3.1.9.9. Annual Statement of Stores Transactions.

A statement of the **actual balances of stores in hand at the end of each financial year** is prepared by each Railway administration in Form S. 3001 and should reach the Railway Board along with its accompaniments, by the 1st November of the year following.

Stores are categorized under the headings:

1. Ordinary Stores,
2. Surplus Stores,
3. Emergency Stores,
4. Stores obtained for Special Works.

The statement (S. 3001) should show the money value of the stores in hand in thousands of rupees under each major group of stores, and the figures should be sub-divided and arranged as to distinguish the ordinary stores, from other categories of stores viz.

(a) Stores obtained for special works, i.e. specially, obtained for important works of additions or renewals.

(b) Emergency stores which comprise items which do not ordinarily wear out or require renewal but for which it is essential to maintain stock to meet emergency demand due to breakage or unanticipated deterioration and which are not readily available in India.

(c) Surplus stores the figures for which should be sub-divided into two classes viz.

(i) Movable or live surplus i.e. items of stores which have not been issued for a period of 24 months but which, it is anticipated, may be utilized in the near future; and

(ii) Dead surplus which comprise items of stores, which have not been issued for the past 24 months and which, it is considered are not likely to be utilized on any railway within the next two years.

### 3.2. Workshop Accounts.

**Important Ledgers maintained in Workshop Accounts Office.**

**3.2.1. Labour Sub-Ledger (522W-523W).**-The total amount against **each work order** shown in various Time booking documents of **each shop** should be summarized in Labour sub-ledger (W. 522). The amount of incentive bonus directly chargeable against the work orders shall be copied from Incentive bonus allocation statement (W. 514).

#### LABOUR SUB-LEDGER

Form W 522

of Shop No.....for the month of .....20.

Summary No.	Work Order Nos.		
	Amount	Amount	Amount

The total amount of salary and. Travelling allowance & c., paid to charge men and mistries during the month is **chargeable to shop on cost** (vide paragraph W. 706) and is posted from the Register of Labour Charges (W. 524) at the bottom of the Labour Sub-ledger under the relevant on cost work order.

**3.2.2. Register of Shops Labour charges (524 W)** - The amount of all salary, travelling allowance and labour bills **chargeable to workshop manufacture "Labour Suspense"** should be noted in a manuscript register to be maintained by the accounts Office separately for each shop in Form W. 524 (specimen below). The total labour charges **for each shop** as arrived at in this form are to be compared with total of such charges distributed amongst jobs that furnished by Form W. 522.

Form W 524

**REGISTER OF LABOUR CHARGES**

Shop.....for the month of...20...

Accounts Bill No (AB No. & date)	Particulars of Bills	Gross amount	Fines credit able to work	Salary Bill staff
1	2	3	4	5
Master Roll staff	Supplementary Bills	T.A. and other Allowance	Net Amount	
6	7	8	9	

**3.2.3. Labour Schedule (525 W).** After the correctness of the Labour sub-ledger has been proved in the manner indicated above (paragraph 524) a summary of Labour Charges or Labour Schedule for the whole workshop is made out in Form W. 525 (specimen below) by the 15th of the following month.

Form W 525

**LABOUR SCHEDULE**

For the month of.....20.....

\_\_\_\_\_1\_\_\_\_\_2\_\_\_\_\_

Shop No. \_\_\_\_\_

Amount \_\_\_\_\_

Section Officer (Accounts)

The labour charges incurred on each job appearing in the Labour Sub-ledger (W522) for each shop are then posted in the Workshop General Register (W1201).

**Workshop Stores.**

**Sources from which Materials are obtained.-** Materials for jobs undertaken in the workshops are obtained from the following sources:

- (1) Workshop Stores Main Depot, attached to workshops;
- (2) General Stores Depots;

- (3) Contractors on direct supply orders placed by the Deputy Chief Mechanical Engineer or higher authorities;
- (4) Other Divisions or Railways;
- (5) Workshops.

**Materials received from Stores Depots-**

The debits for materials from the Stores Main Depot attached to workshops, or from General and other out-station Stores Depots will be raised through issue notes (S 1523). Bill copies of these issue notes accompanied by Store Debit Summary there of will be sent monthly by the Stores Accounts Officer to the Workshop Accounts Officer.

**Pairing of Issue Notes-** Workshop issue notes prepared by the Workshop Stores Depot in the form prescribed in paragraph 1523 of the Indian Railway Code for the Stores Department would be received daily in the Workshop Accounts Office, after scrutiny by the Officer-in-charge of workshop or other officer of the Mechanical Department. On receipt of the above issue notes, the Workshop Accounts Office is responsible for seeing that:

- (1) the shop serial numbers (i.e. Requisition Numbers) of the issue notes for each shop are continuous and that breaks in such continuity if any, are satisfactorily explained;
- (2) the issue notes are received strictly according to schedule i.e., by the evening of the day following the date of issue;
- (3) the issue notes have been correctly prepared according to the instructions issued for this purpose; and
- (4) The issue notes are 'paired' with the Bill copies with the Store Debit summary of Issues as laid down in paragraph (606 W).

The copies of the issue notes received from Shop Foremen through the Officer-in-charge of workshop should be sorted out and arranged in chronological order. Each of these issue notes should be paired with the corresponding one received with the Store Debit summary from the Stores Accounts Office and the former compared with the latter, in respect of allocation

(work order number) and quantity of stores shown as having been received in the shop.

**3.2.4. Main Stores Sub-ledger (608.W):-**

After the pairing referred to in paragraph W 606 has been carried out, which should be completed expeditiously on receipt of Stores Debit Summary in the Accounts office, the value of stores should be abstracted for **each shop under the various work orders** in the stores sub-ledger (W. 608).

**Adjustment of cost of stores received from depots. (609 W)** - The grand total of all sub ledgers shall be struck and agreed with the totals of the monthly stores Debit summary. After this is done, the debit raised by the Stores Accounts Office, shall be accepted and allocated to "Workshop Manufacture Suspense Account."

**Stores purchased Direct (610.W)-** As soon as the stores are received against the orders placed either by the Controller of Stores or by an Officer of the Mechanical Department the officer-in-charge of workshop should send a copy of receipt note (S. 719) to the Workshop Accounts Officer.

On receipt of the receipt note referred to above, the Workshop Accounts Officer should price it at the rate quoted therein, after verifying the rate with that given in the Stores Order. The amount of the receipt note should then be journalized by credit to "Purchases" and debit to "Workshop Manufacture Suspense Account." The amount thus debited to the head "Workshop Manufacture Suspense" should be summarized by individual work orders in a separate Stores Sub-ledger to be posted for each shop separately in Form (W. 608) from the receipt notes received from the officer-in-charge of workshop. At the close of the month, this Stores Sub-ledger should be totalled and summarized in Form (W. 614).

The grand total of this summary should be agreed with the total credits to "Purchases" during the month.

**3.2.5. Miscellaneous Stores Sub-ledger (626 W)**

-All bills in connection with the above items should first be got verified and allocated by the Officer-in-charge of workshop or other Departmental Officer concerned and thereafter passed for payment, or adjusted in transfer, by debit to relevant work orders and abstracted in the Miscellaneous Stores Sub-ledger to be maintained in Form W. 608 for each shop

**3.2.6. Summary Sub-ledger (627 W)-** In addition to the Sub ledgers for different shops, a summary of all Sub-ledgers should be prepared in Form W. 627 showing the total amount under the various sub-ledgers referred to above.

(W 627)

Shop No.	Charges for Stores received from the Stores Deptt.		Miscellaneous			Total	Remarks
	General Stores	Workshop Depot	4	5	6		
1	2	3	4	5	6	7	8
Shop no.1							
Shop no.2							
Grand Total							

Compiled by.....

Checked by...

Section Officer (Accounts)

The totals of the various columns shown in the summary sub-ledger are checked with reference to the following:

- (1) Store Debit Summary received from the Workshop Stores Main Depots as well as from General Stores Depots.
- (2) Debits raised by divisions and foreign railways, & c.
- (3) Cash Book debits, i.e., payments made for municipal taxes, licence fees and direct purchases of stores.
- (4) Issues from workshop manufacturing accounts.
- (5) Write-back orders.

The charges abstracted in the various Stores Sub-ledgers by shops and by work orders should be transferred to the main

stores sub-ledgers (Paragraph 608) of the respective shops, after the correctness of the former has been verified. The charges for stores booked on each work order in the main Stores Sub-ledgers of different shops should be posted in the Workshop General Register (W. 1201), shop by shop, in the same way as the charges for Labour.

### **3.2.7. Workshop General Register (1201 W)**

The Labour and Stores Sub-ledgers having been totaled, **the totals of (a) Labour charges and (b) Stores and Miscellaneous charges, for the month relating to each work-order are transferred to Workshop General Register (W. 1201) and posted under the relevant work-orders, shop by shop**, care being taken to see that no item is left out in posting.

Under mechanized system Labour charges and the Stores and Miscellaneous charges for the month relating to each work-order as produced, by the machine tabulations as also direct Man-hours should be transferred to Workshop General Register (W. 1201) and posted under relevant work-orders, shop by shop, care being taken that no item is left out in posting. On completion of posting in respect of work-orders, the totals for the month as also to the end of the month are struck for each work-order under element of cost and direct man-hours.

#### **Review of Workshop General Registers-**

The Workshop General Registers is to be reviewed monthly to see that all works shown therein are current. The work orders on which no expenditure has been booked for three consecutive months should be reported to the Workshop-in-Charge and advice completion called for.

Contents of the Workshop General Register are as follows:

1. W.O.No., 2. Particulars, 3. Estimate Reference, 4. For who executed, 5. Authority, 6. Estimated Cost, 7. Head of Account, 8. Date of commencement, 9. Date of completion.

Debit side consists of following:

Col.1). Month, Col.2) Shop No.....  
Col.3) Direct Man-Hours.

Credit side consists of:

Direct: Col.4) Labour, Col.5) Incentive Bonus, Col.6) Stores, Col.7) Total.

Overheads:

Col.8) FOH, Col.9) AOH, Col.10) TOH, Col.11) SOH, Col.12) Total

Work On Cost: Col.13) Labour, Col.14) Stores, Col.15) Total

Proforma On Cost- Col. 16

Grand Total- Col.17

Amount Adjusted-Col.19

Balance Outstanding- Col.20

Note: Cols.8 to 12 related exclusively to Production Units and Cols.13 to 16 relate to Zonal Railway Workshops exclusively.

### **3.2.8. Workshop Subsidiary Balance Register (1221 W)-**

The balance under each of the suspense heads operated upon in the Workshop Accounts Officer (e.g. Workshop Manufacture Suspense Account, Labour Suspense Account and Development Suspense Account) should be reconciled and proved with the General Books every month. For this purpose a subsidiary register should be maintained in the following form, in which should be shown opening balances, debits and credits during the month and the closing balances. The debits and credits should be posted from the Journal (A.1107). Separate pages should be opened in this register, or separate registers maintained if more convenient, for each suspense head of account. The correctness of the balances in this register should be certified by the Books Section. Any discrepancy found as a result of this reconciliation should be promptly investigated and the Subsidiary Balance Register (W. 1221) together with the result of reconciliation, put up to the Workshop Accounts Officer within 10 days of the close of the Accounts for the month.

**Note.** Development Suspense Accounts pertain to Production Units only.

**W. 1221  
WORKSHOP SUBSIDIARY BALANCE  
REGISTER**

Head of Account.....

Month	Opening balance	Debits	Credits Closing balance

**3.2.9. Labour Book (1222.W)-** For the purpose of recording details of the outstanding balance under the suspense head 'Labour' and for effecting a reconciliation with the General Books, a register (Labour Book) showing the opening balance, credits during the month, debits during the month, and the closing balance under 'Labour Suspense' should be maintained in the following form. The credits should be posted from the Labour Schedule (W. 525) and the debits should be posted from the various abstracts of bills passed for the month. This register should be posted by individual bills.

**Form W. 1222**

**LABOUR BOOK FOR THE MONTH  
OF.....**

- (1) Opening balance
- (2) Credits during the month  
.....
- (3) Total
- (4) Debits during the month.
- (5) Closing balance.

**3.2.10. Reconciliation with the General Books (1223.W)-** The balance under 'Workshop Manufacture Suspense Account' and 'Labour Suspense', appearing in the Account Current (W. 1215) and the Labour Book (W. 1222) respectively, should be compared with the corresponding balances shown in the Workshop Balance Register (W. 1221) after the balances in the latter have been reconciled with the General Books. The differences between the two sets of figures should be analyzed and a Discrepancy

Statement prepared in Form W. 1223 given below. The discrepancies should be investigated and necessary adjustments carried out to clear them. Special attention should be paid to old discrepancies. The Discrepancy Statement together with the Account Current and the Labour Book should be put up to the Workshop Accounts Officer every month. The action taken to clear the discrepancies should be stated in the 'Remarks' column of the Discrepancy Statement.

**Form W. 1223**

**DISCREPANCY STATEMENT OF  
WORKSHOP MANUFACTURE SUSPENSE  
ACCOUNT/LABOUR SUSPENSE**  
.....Shops.....for the month  
of.....

Item	Particulars	Month in which the discrepancy originates	More in account Rs. P	Less in account Rs. P.	Remarks

Total.....  
Deduct column less in account.....  
Net difference.....

**3.2.11. Check sheet (1202.W)-** Simultaneously with the posting of Workshop General Register, a summary of sub-ledgers (labour and stores) called Check Sheet is prepared in form (W. 1202) (specimen given below). This is done with a view to Checking correctness of the posting of labour and stores, including miscellaneous charges, in Workshop General Register and to ensure that the amounts are correctly transferred to the outturn statements (W. 1205) Parts I and II against each work order operated upon in the workshop during the month (C.F. Paragraph 1206). The check-sheet should be totalled down and cross wise. The grand total of the check-sheet for the month under 'labour' should be equal to the total of the debits appearing in the Labour Schedule (W. 525) and that under 'Stores' should be equal to the

total debits appearing in the Stores Summary Sub-ledger (W. 627). In the case of computerized tabulations, simultaneously with the posting to Workshop General Register, the stores and labour charges together with on cost/overheads thereon (but excluding direct man-hours) as available in various tabulations are posted independently in the check-sheet for each work order in the same detail as in the Workshop General Register.-

On completion of posting, the totals for the month are struck for each work order under different element of cost and reconciled with those appearing in the Workshop General Register to ensure correctness of the postings.

Format of Check Sheet is appended below:

**FORM W 1202**

**CHECK SHEET**

SHOP.....

Direct				
Work Order No.	Labour	Incentive Bonus	Stores	Total
1	2	3	4	5
Overhead				
FOH	AOH	TOH	SOH	Total
6	7	8	9	10
Work on Cost				
Labour	Stores	Total		
11	12	13		
Proforma on Cost etc. charges		Grand Total	Credit	
14		15	16	

Note: Columns 6, 7, 8, 9 relate exclusively to Production Units and Columns 11, 12 & 14 relate to Zonal Railway Workshops exclusively.

**3.2.12. Out-turn Statement (1204.W) -**

The total (debits) for the month, in respect of each work order under labour Stores and On cost charges and the grand total are struck in the Workshop General Register and an Outturn Statement (W. 1204) should then be prepared showing all the work orders, whether in hand, or completed in the workshops, the outlay on which is awaiting adjustment; and the expenditure that has been incurred on each of them. This statement is necessary for the purpose of charging the total expenditure incurred in the workshops to the account heads concerned.

The postings in the Out turn Statement (W. 1204) of the charges for the month against each work order should be compared with those in the Check-Sheet (W. 1202). This comparison will bring out errors, if any, in the posting of the Workshop General Registers (W. 1201) from the various sub-ledgers, as also of the Outturn Statement from the Workshop General Registers, which should be investigated and rectified. The Outturn Statement (W. 1204) should be prepared in two parts Part I and Part II. Part I will show all outlay (separately against each work order) adjustable during the month and Part II will show outlay on works in progress and completed works which are awaiting acceptance by the parties ordering them. The total of the summary of Part II should be carried over to that of Part I and the grand total of the two parts exhibited in the latter.

**3.2.13. Workshop Deposit Schedule (1214. W) -**

With a view to ensure that no private work is undertaken in the shops without the necessary deposit being received in advance as required under the rules (paragraph 1417) and to watch the progress of expenditure against deposit in each case, a "Deposit Schedule" in form W. 1214 should be prepared every month. The column "Balance of Deposit" of the form should be posted from the closing balance shown in the previous month's



schedule, the column 'Deposit received during the month' should be filled from the intimations of deposits received during the month, care being taken to see that the total of this column agrees with the corresponding credits to 'Deposit Miscellaneous' in respect of 'Debits during the month' should be posted from the works to be executed in the workshop, and the column out-turn Statement Part I.

**Form W 1214**

**WORKSHOP DEPOSIT SCHEDULE FOR THE MONTH OF.....20**

Work No.	Order Date	Particulars	By whom ordered	Estimated Cost	Balance of Deposit from the previous month
1	2	3	4	5	6
<b>Total</b>					

Deposit during the month	Total	Debits to deposit during the month	Balance at credit deposits at the end of the month	Remarks
7	8	9	10	11
Rs.P	Rs.P	Rs.P	Rs.P	Rs.P
<b>Total</b>				

Workshop Accounts Officer.

**3.2.14. Workshop Manufacturing Suspense Register (E 1215)** - This register is maintained to record total debit and credit items of WMS Account, under the heads provided in the form & Opening and Closing Balances. The Account is Debited to the heads Labour charges, cash (comprising of the contractors' bills for direct purchases etc., motor licence fee, municipal taxes etc.), Stores, Other charges (Fuel & other miscellaneous charges), Workshop transfers, freight charges, Proforma on cost charges etc. and Credited by the respective heads for which the works (jobs) are done viz. Capital Works, DRF,

DF, OLW (R) , Revenue works and operations, woks done for Stores Department, works done for Deposit Account, works done for Home line Divisions and departments (Transfer Divisional), works done for Foreign Railways Govt. Departments etc.(Transfer Railways), works done for other Workshop (Intershop transfers) etc. **The difference between total debits and credits represent the balance in Workshop Manufacturing Suspense.** All expenditure in connection with the Manufacturing Suspense will be booked under the Major Head 5002, 5003 Capital Outlay on Indian Railway-Commercial Lines & Strategic Lines and Minor Head 7200 Workshop Manufacturing Suspense with Sub head 7210 and Detailed Heads 7211-7218 for different workshops viz. Loco Workshops, C & W Workshops, Engineering Workshops, and Wheel & Axle Plants etc.

**3.3. Traffic Accounts.**

**3.3.1. Traffic Cash Book (A-2722) -**

The 'cash' as acknowledged by the Cashier in the Cash Remittance Notes are posted daily in a Cash Register in Form mentioned above, the "Coaching" and "Goods" cash of each station being posted separately. For the sake of convenience, the Register may be kept in parts (one part for each week or such period as prescribed by each Railway). **The object of this Register is to provide figures, in totals, for the ready check of Balance Sheets.**

Form A-2722

**CASH REGISTER FOR THE MONTH OF.....**

S.No.	Station	1 <sup>st</sup>	2 <sup>nd</sup>	and so on	Total
		Rs. P.	Rs. P.		Rs. P.
1.	Coaching				
2.	Goods				
	<b>Total</b>				

Note: Miscellaneous receipts shown in Cash Remittance Notes should be included under Coaching.

The entries in the Cash Register for each day are totalled and the total verified with the Traffic Cash Check Sheets prepared vide form A1943. For this purpose, it will be found convenient to maintain the Cash Registers by sections of line corresponding to the sections in which the Traffic cash Check Sheets are prepared. The postings of cash receipts in the Cash Register made from day to day should first be summarized to arrive at the weekly/periodically and monthly totals. The cash acknowledged by the Cashier after the third of the month following that to which it relates should be posted on separate sheets and totalled separately to provide figures for 'Cash in Transit' for reconciliation of balances in the Traffic Books with those in the General Books. These figures should be included in the 'Cash' for the month to which it relates and not in which it is received in the Cash Office. The credit taken by stations under the head '**Cash in the Balance Sheet should be checked with the monthly totals as shown in the Cash Register.** If the figures agree, no further comparison need be made, it being assumed that the total cash for which credit has been taken by the stations has been received and remitted into the Treasury/Bank. If, however, the figures do not agree, a detailed comparison of the daily entries should be made till the difference is located, when the Cash Remittance Note of the date should be referred to. Excess credits taken by the stations in the Balance Sheet under the head 'Cash' should be acted in the 'List of Errors' as debits against the stations. Excess acknowledgements of 'cash' by the Cashier should be credited to Sundry Other Earnings on the debit side of the Balance Sheet. They will be refunded later, if claimed, provided the title of the claimant to the excess 'cash' is established. *The total Cash received as per Traffic*

*Cash Book should tally with the Cash reflected in the General Cash Book and the Traffic Balance Sheet.*

### **3.3.2. Traffic Book- A 3201-3237.**

The Traffic Book is a **compilation** which collects and brings to account, under the prescribed heads Coaching, Goods and Sundry Other Earnings, the **whole of the traffic earning of a railway, both Local and Through, whether accrued at stations or otherwise. It records the progress of realization of these earnings, the results of apportionment of traffic interchanged with other Railways and Deposit Private Companies (including Out/City Booking Agencies), and the progress in the settlement of the balances on these accounts.**

**Parts of the Traffic Book** - The Traffic Book consists of four distinct parts, viz.

- (a) Station Accounts;
- (b) Adjustment or Division Sheets;
- (c) Ledger account of the Home Line; and
- (d) Abstract of Earnings and Statement of Balances.

#### **Traffic Book, Part A (Form A 3203) -**

The earning accrued at stations, for the realization of which the home railway is responsible, are consolidated in Traffic Book, Part A. It should be maintained in Form A. 3203 separately for Coaching-and Goods traffic. The names of all stations open for traffic (Coaching or Goods, as the case may be) should preferably be printed in convenient groups, generally in the order of their geographical position on the railway.

#### **Traffic Book, Part B (Form A 3219) -**

The Traffic Book, Part B, deals with the results of apportionment of all Through traffic interchanged between the Home Railway, Other Railways and Deposit Private Companies (including Out/City Booking Agencies). The Traffic Book, Part B for Coaching traffic is maintained in Form A. 3219 showing Division of

Earnings on Coaching Traffic interchanged with other Railways and Deposit Private Companies. The Traffic Book, Part B, for Goods traffic is maintained in Form A. 3220 showing Division of Earnings of Goods Traffic interchanged with Other Railways and Deposit Private Companies.

**3221 A.** The principles of apportionment of the earnings from traffic carried over two or more railways are laid down under this para.

**Traffic Book, Part C-** The Traffic Book, Part C, is the ledger of the Home Line for traffic earnings. It is maintained in Form A. 3225, separately for coaching and goods traffic. It contains three ledger accounts, viz., (1) the Traffic Account, (2) the Other Railways Account and (3) the Deposit Private Companies Account.

**Traffic Account.** —For the purpose of recording the traffic earnings in the month's account to which they pertain and of watching the progress of their realization, a suspense account Traffic Account is operated upon in Part C of the Traffic Book. **This account is debtor for all earnings, whether Local or through and is creditor for all recoveries of such earnings. The balance therefore, represents unrealized earnings. The Balance is reflected in the Balance Sheet of Open line also. Para A 222** in this connection may also be referred to.

**Other Railway's Account.**—All transactions regarding division of traffic earnings with ' other railways with which the traffic is interchanged and which bank with the Government Treasury are passed through this account. The opening balance in favour or *against* each railway should be brought forward from the Traffic Book, Part C, for the previous month. The results of division of interchanged traffic for the month are transcribed from the Traffic Book, Part B. The payments to and receipts from other railways by "Transfer Railways" should be posted from the extracts of Transfer Certificates and the balances in favour of

or against each railway worked .out. These balance represent unadjusted through traffic transactions with other railways and should be susceptible to verification with the balance [of unadjusted Account Current (A. 3238)].

**Deposit Private Companies Account .—** When Through traffic is permitted with companies or other carriers who do not bank with a Government Treasury, moneys due to them on the apportionment of traffic for the month should be credited to this account. This credit will be removed by actual payment or debit (by credit to earnings) against moneys collected by private companies on behalf of Indian Railways. In cases, however, where moneys due from Private Companies exceed those due to them, the net amount should be debited to this account and cleared when cash is received. The balances under this account should be proved in the same way as those under "Other Railways". Para A 224 & 225 in this regard mentioned earlier may also be referred to.

**Closing of Traffic Book-, Part C.**—The grand totals under each of the heads Coaching, Goods and Sundry Other, earnings as also under other Railways and Deposit Private Companies should be transcribed to Part D from which the monthly Journal Entry is prepared for incorporation in the General Books.

**Traffic Book Part D** - The Traffic Book, Part, **D**, consists of the monthly Journal Entry and two statements. It should be maintained in Form **A 3233** separately for Coaching and Goods traffic.

**COACHING/GOODS TRAFFIC BOOK FOR  
THE MONTH OF.....20.....**

**Part D-Revenue (Earning Journal entry for  
the Month of..... ..)**

Debits As per Part C Of Coaching /Goods Traffic Book	Accounts	Credits As per Part C of Coaching/ Goods Traffic Book
1,22,500 ..	Traffic Account	.....
„ ..	Coaching/Goods	1,00,000
„ ..	Sundry other earnings	2,500
„ ..	Other Railways	13,000
„ ..	Deposit Private Companies	7,000
<b>1,22,500</b>	<b>Total</b>	<b>1,22,500</b>

Statement I shows the details of clearance of “Other Railways” and “Deposit Private Companies” Accounts by Transfer Certificates, Pay Orders, etc.

Statement II shows the comparison between Traffic Book Balances with those appearing the General Books.

In the Journal Entry, the transactions for the month are journalized for incorporation in the General Books of the railway. Only the debit side of the Traffic Account is journalized. The grand total under the column "Total debits excluding balances" should be posted in the Journal Entry to the debit of Traffic Account, but, before doing so, the amount of vouchers should be excluded as this amount is accounted for on the debit side twice, once through the Station Balance Sheet where the connected Ticket, way-Bill or Invoices Accounted for and again through the Accounts Office Balance Sheet. The credits to the Earnings heads, Other Railways and Deposit Private Companies should be posted from the respective columns in Part C of the Traffic Book.

Comparison of Traffic Book balances with main ledgers.--The balances under "Traffic Account," "Other Railways" and "Deposit Private Companies" as brought out in the Traffic Book should be proved monthly with the corresponding balances in the main ledgers. For this purpose, the balances under each of the accounts mentioned above in the Coaching Traffic Book should be transferred to the Goods Traffic Book and the total balances worked out. **These should then be compared with those in General Books. Differences should exist only under Traffic Account due to "Cash in Transit."**

**Cash in Transit** —Stations take credit in their Balance Sheets for cash realized by them in the month irrespective of whether it is remitted to and acknowledged by the Cashier in that month or in the subsequent month. Such station cash for which credit has been allowed to the Stations in one month but, which has been received in the Cash Office after the third of the following month and consequently included in the General Books in the following month, is called Cash in Transit.

**3.3.3. Traffic Accounts Office Balance Sheet)-** For the purpose of taking the Carriage Bills into account and of watching their realization from the firms or departments concerned, as also for *incorporating in accounts the traffic cash received otherwise than through the Station Balance Sheets (e.g., workshop profit, advertisement fees, sale of grass, fares of coupons sold by Tourist Agents, fares represented by Suburban Tickets sold in Headquarters Offices, etc. etc.)*, a Balance Sheet (corresponding to the Bills Receivable Account in Commercial Book-keeping) is maintained in Form A. 2923 appended below:

Form A. 2923

Accounts Office Balance Sheet

For..... 20

Particulars	Debits			Credits	
	Commission charges	Freight of Fare	Total	Transfer	Cash
1	2	3	4	5	6
	Rs. P	Rs.P	Rs. P	Rs.P	Rs. P

Separate Accounts Office Balance Sheets are maintained for Coaching and Goods transactions.

**(i) Debit entries in the Accounts Office Balance Sheet as per para 2925. A-** The debit entries in Accounts-Office Balance Sheet comprise of the following:

(1)	Opening Balance;
(2)	(2) Amount of Carriage Bills issued in connection with Station vouchers
(a)	for the current month plus,
(b)	kept pending in the previous months (Part A).
(3)	Amount of pending vouchers.
(a)	for the current month less,
(b)	amount of pending vouchers (station figures) for previous months billed for in the current month.
(4)	Amount of Miscellaneous Bills (Part B); and
(5)	Direct traffic receipts under:
(a)	Coaching;
(b)	Goods; and
(c)	Sundry other earnings.

**(ii). Credit entries in the Accounts Office Balance Sheet** -The credit entries in the Accounts Office Balance Sheet as per para 2926 A comprise of following:

(1)	Cash ( <i>i.e.</i> , direct cash receipts and payments on Traffic Account);
(2)	Transfers Railways and adjustments through the Reserve Bank;
(3)	Book Transfers (Transfer credits afforded through Journal Entries of Transfers between Traffic and General Books); and
(4)	Balance Sheet Transfers (Transfer credits from station Balance Sheet in connection with the bills paid through the latter).

The **closing balance** of the Accounts Office Balance Sheet consists of the **unrealized amount of Carriage Bills and the amount of vouchers kept pending (2927A).**

**Posting of the Accounts Office Balance Sheet (2928.A)-:** It is necessary, in the case of vouchers, to defer the posting of the accounts Office Balance Sheet, till Carriage Bills have been made out against the persons, firms or departments concerned, so that only the total of each bill need be catered in the Accounts Office Balance Sheet and the number of postings is reduced to a minimum. All bills pending realization or adjustment should be posted in the debit column of the Accounts Office Balance Sheet, the amount of fare (or freight) and commission, if any, being posted separately under the sub-columns provided for the purposes. The latter should be credited to Sundry Other Earnings on the debit side of the Balance Sheet.

**2929A.** From the point of view of realization, the bills fall under three distinct categories, namely


(1)	Bills payable in cash,
(2)	Those adjustable through "Transfers Railways" and through the Reserve Bank, and
(3)	Those adjustable in the books of the home railway.

Debits to be cleared by cash recovery will be so cleared on receipt of cash for which the necessary advice will be sent by the Cashier. Those which are adjustable by book entry will be so adjusted on receipt of the transfer acceptances of Other Railways or Government Departments by means of Journal Entries of Transfers between General and Traffic Books, the latter in the case of items adjustable in the books of the home railway. The transfer acceptances will be communicated by the Booking Section. All such credits should be posted in the credit column of the Accounts Office Balance Sheet against the connected debit entries and the months outstanding reduced accordingly

Slide 1

**Important Books and Records and accounts maintained by accounts Office.**

- Accounting transactions fall under two distinct headings, viz.
- (i) cash receipts and disbursements and
- (ii) book adjustments.
- The later present transactions either initially accounted for by another Accounts Officer - as in case of transfer transactions - or adjustments between one accounting head and another.




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**Important Books and Records and accounts maintained by accounts Office.**

Subsidiary books maintained by Accounts Office in addition to the General Books are:

- (i) Registers of Earnings,
- (ii) Revenue Allocation Registers,
- (iii) Registers of Works,
- (iv) Register of works expenditure classified under capital, D.R. F, Dev. Fund, Revenue (O.L..W-R) and Railway Safety Fund.
- (v) Suspense Registers.




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**Important Books and Records and accounts maintained by accounts Office.**

Initial records maintained in Open Line: -

- For cash transaction - a cash voucher or bill.
- For book adjustment-a journal slip.
- Cash transactions are rendered in the Cash Book, while journal slips are entered in the journal.
- Essential records maintained by the Accounts Office for compiling the monthly and annual accounts are called General Books.




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**Important Books and Records and accounts maintained by accounts Office.**

- Daily Abstract of Cash Transactions or General Cash Book (A 304) records daily, all cash received from station remittances, cheques drawn on banks, receipts from miscellaneous items, recoveries made from bills passed for payments, unpaid amounts remitted by the Cashier in the debit side & remittances to Banks & payments in the credit side.
- Monthly Classified Abstract of Cash Transactions or the General Cash Abstract Book- is posted daily from the totals in the Daily Abstract of Cash Transactions.




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**Important Books and Records and accounts maintained by accounts Office.**

**Name of the General Books:**

- 1. Daily Abstract of Cash Transactions or the General Cash Book,
- 2. Monthly Classified Abstract of Cash Transactions or the General Cash Abstract Book,
- 3. Journals,
- 4. Ledgers -Two sets of Journals and ledgers maintained - one for Revenue Accounts and other for Capital Accounts.




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**Important Books and Records and accounts maintained by accounts Office.**

- Journals- These are prepared for adjusting Revenue or Capital heads from the journal slips from the original vouchers. One head is debited and another head is credited.
- Detailed particulars of the adjustment entries and the heads debited and credited are noted in the journals.




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**Important Books and Records and accounts maintained by accounts Office.**

Where expenditure can be booked directly under the proper heads of accounts available these are entered in the following subsidiary registers:

- (1) Revenue Allocation Register,
- (2) Register of Earnings,
- (3) Works Register,
- (4) Register of works expenditure classified under capital, D.R. F, Dev. Fund, Revenue (O.L..W-R) and Railway Safety Fund.




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**Important Books and Records and accounts maintained by Stores accounts Office.**

**Stores Accounts contd.....**

- **Revenue:**
  - Working Expenses
  - Revenue Abstracts
  - Misc. Advances
  - Deposit Miscellaneous
  - Transfer Divisional
  - Transfer Railways




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**Important Books and Records and accounts maintained by accounts Office.**

- **Suspense Registers:** Reflects transactions which cannot immediately be charged to final heads. These are:-
- **Demands Payable, Misc. Adv. Register (Cap.), Misc. Adv. Register (Rev.), Loans and Adv. to Government Servants, Deposit Unpaid Wages Register (1959 A), Deposit Miscellaneous Register (321 A), etc.**




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**Important Books and Records and accounts maintained by Stores accounts Office.**

- The annual accounts to be submitted by the Stores Accounts Office to the Books Section of Open line -
  - Capital & Revenue Accounts
  - Finance Accounts
  - Appropriation Accounts.

Contd.....S/12




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**Important Books and Records and accounts maintained by Stores accounts Office.**

- **Stores Accounts -** The heads of A/Cs. under Capital & Revenue generally operated upon in the Books of A/cs. of the Stores Accounts Office are :
- **Capital:** Major Head- 5002 & 5003 Capital Outlay on Indian Railway-Commercial Lines & Strategic Lines and Minor Head 7100 - Stores suspense, and 7300- Miscellaneous Advances followed by Sub heads and sub detailed heads.

Contd.....S/10




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**Important Books and Records and accounts maintained by Stores accounts Office.**

The following registers are maintained by Stores accounts Office in connection with above:

- **Fund Register, Deposits Misc. Account (Issue) Register (2729 S), Miscellaneous Advances Account Register (Capital) (2739 S), The Stock Adjustment Account (2740 S), Depot Transfers (2746 S)/ Register of Stores in Transit (2748 S), Stores-in-Transit 'Purchases' (2748 S), Priced ledger, Stores Suspense Register (2721 S) etc.**



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**Important Books and Records and accounts maintained by Stores accounts Office.**

**Annual Statement of Stores Transactions (S 3001) –**

- This statement is prepared to reflect the actual balances of stores in hand with a Railway administration, at the end of each financial year under the headings:
  1. Ordinary Stores,
  2. Surplus Stores,
  3. Emergency Stores,
  4. Stores obtained for Special Works.




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**Important Books and Records and accounts maintained by Workshop accounts Office.**

- Out-turn Statement (1204.W)**-The total (debits) for the month, in respect of each work order under labour Stores and Oncost charges and the grand total are struck in the Workshop General Register.
- Then this Statement is prepared showing all the work orders, whether in hand, or completed in the workshops, the outlay on which is awaiting adjustment; and the expenditure incurred on each of them.




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**Important Books and Records and accounts maintained by Workshop accounts Office.**

**These are-**

- Labour Sub-Ledger (522 W), Register of Shops Labour Charges (524 W), Labour Schedule (525 W), Main Stores Sub-ledger (608W), Miscellaneous Stores Sub-ledger (626 W), Summary Sub-ledger (627 W), Workshop General Register (1201 W), Workshop Subsidiary Balance Register (1221 W), Labour Book (1222 W), Check sheet (1202 W), Out-turn Statement (1204 W).




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**Important Books and Records and accounts maintained by Workshop accounts Office.**

- Workshop Manufacturing Suspense Register (E 1215)** - This register is maintained to record total debit and credit items of WMS Account, under the heads provided for & Opening and Closing Balances.
- The Account is debited to the heads Labour charges, cash (comprising of the contractors' bills for direct purchases, municipal taxes etc.), Stores & Other charges (Fuel & other miscellaneous charges),

Contd.....S/18<sup>7</sup>




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**Important Books and Records and accounts maintained by Workshop accounts Office.**

**Workshop General Register (1201 W)**

- The Labour and Stores Sub-ledgers having been totalled, the totals of (a) Labour charges and (b) Stores and Miscellaneous charges, for the month relating to each work-order are transferred to this Register and posted under the relevant work-orders, shop by shop.
- Here the totals for the month as also to the end of the month are struck for each work-order under element of cost and direct man-hours.



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**Important Books and Records and accounts maintained by Workshop accounts Office.**

**WMS Register.....contd.**

- Workshop transfers, freight charges,
- Proforma on cost charges etc.
- & credited by the respective heads for which the works (jobs) are done viz. Capital Works, DRF, DF, OLW (R), Revenue works and operations, works done for Stores Department, works done for Deposit Account, works done for Home line Divisions and departments (Transfer Divisional),

Contd.....S/19.




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**Important Books and Records and accounts maintained by Workshop accounts Office.**

**WMS Register.....contd.**

- works done for Foreign Railways Govt. Departments etc. (Transfer Railways), works done for other Workshop (Intershop transfers) etc.
- The difference between total debits and credits represent the balance in Workshop Manufacturing Suspense Account.




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**Important Books and Records and accounts maintained by Traffic accounts Office.**

**Traffic Book continued.....**

- Records the progress of realization of these earnings, the results of apportionment of traffic interchanged with other Railways and Deposit Private Companies (including Out/City Booking Agencies), and the progress in the settlement of the balances on these accounts.




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Slide 20

**Important Books and Records and accounts maintained by Traffic accounts Office.**

**Traffic Cash Book (A-2722)-**

- The object of this Register is to provide figures, in totals, for the ready check of Balance Sheets.
- The 'cash' as acknowledged by the Cashier in the Cash Remittance Notes are posted daily in this Register.
- The "Coaching" and "Goods" cash of each station being posted separately.
- The total Cash received as per Traffic Cash Book should tally with the Cash reflected in the General Cash Book and the Traffic Balance Sheet.



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
Slide 23

**Important Books and Records and accounts maintained by Traffic accounts Office.**

**Traffic Account- a suspense account.**

- For the purpose of recording the traffic earnings in the month's account to which they pertain and of watching the progress of their realization, this account is operated upon in Part C of the Traffic Book.

Contd.....S/24



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Slide 21

**Important Books and Records and accounts maintained by Traffic accounts Office.**

**Traffic Book- A 3201-3237.**

- A compilation which collects and brings to account, under the prescribed heads Coaching, Goods and Sundry Other Earnings, the whole of the traffic earning of a railway, both Local and Through, whether accrued at stations or otherwise.

Contd.....S/22



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Slide 24

**Important Books and Records and accounts maintained by Traffic accounts Office.**

**Traffic Account contd.....**

- This account is debtor for all earnings, whether Local or through and is creditor for all recoveries of such earnings.
- The balance represents unrealized earnings.

The Balance is reflected in the Balance Sheet of Open line.



Training Module on Audit of Railways; Session: 3 24

**Questions**

1. Which of the following are General Books in Accounts Office of a Zonal Railway?
  - i) Monthly Cash Book
  - ii) Journals
  - iii) Ledgers
  - iv) Monthly Accounts Current
  - v) Register of Works.
2. How many sets of journals & ledgers are maintained?
  - 1, 2 or 3? Which are they?
3. Which are the subsidiary registers/ledgers maintained in Accounts Office, mention them.
4. Which is the Suspense Register? Mention them.
5. Why a Suspense Register maintained?
6. Which annual accounts should be submitted by the Stores Accounts Office to the Books Section of the Railway?
7. Which are the heads of Accounts under Capital & Revenue are generally operated upon in the Books of Accounts of the Stores Accounts Office?
8. What are the sub-detailed heads under Miscellaneous Advances (Capital)?
9. What does the Stock Adjustment reflect?
10. What does mean Stores in Transit Account?
11. What is a priced ledger? For what purpose it is maintained?
12. At which price the receipts and issues are made?
  - (i) At book average rate?
  - (ii) At first in first out rate?
  - (iii) At last in first out rate?
- (iv) At predetermined rate?
13. Which items are recorded in the Stores Suspense Register?
14. What does the Annual Statement of Stores Transactions record?
15. What are the important ledgers maintained in the Workshop Accounts?
16. What is difference between Labour Shop Ledger & Register of Shops Labour Charges?
17. What does the Workshop General Register contain?
18. Why Check Sheet is prepared?
19. Why Outturn Statement is prepared?
20. Why the postings in the Out turn Statement of the charges for the month against each work order is compared with those in the Check-Sheet?
21. What does Workshop Manufacturing Suspense Register record?
22. What is Workshop Manufacturing Suspense Account?
23. What is the object of maintaining Traffic Cash Book?
24. What is a Traffic Book?
25. What is Traffic Account? What is the nature of this Account? Where does this balance reflect in the books of accounts of Railways?
26. Where do the Other Railway's Account. & Deposit Private Companies Account reflects finally in the Books of Accounts of Railways?

27. What is Cash in Transit, how does it occur?

28. What is Traffic Accounts Office Balance Sheet?

**Answer Sheet**

1. General Books of an Accounts Office are:

- i) Monthly Cash Book
- ii) Journals
- iii) Ledgers

2. 2 sets of journals and ledgers are maintained:

(i). Capital (ii) Revenue.

3. Subsidiary ledgers are:

- ii) Register of Earnings,
- iii) Revenue Allocation Register,
- iv) Register of Works,
- v) Register of works expenditure under Capital, DRF, DF, OLW (R) and Railway Safety Fund.

4. The Suspense Registers maintained in Railway are:

- i) Demands Payable,
- ii) Misc. Advance Register,
- iii) F. Loans and Advances Register,
- iv) Deposit unpaid wages Register,
- v) Deposit Miscellaneous Register,
- vi) Stores Suspense Register,
- vii) Workshop Manufacturing Register,
- viii) Misc. Advance (Capital) & Misc. Advance (Revenue) etc.

5. When transactions cannot immediately be charged to final heads these are booked in Suspense Register and cleared from the Suspense Register as soon as transactions are charged to final heads.

6. (i) Capital and Revenue Accounts, (ii) Finance Accounts & (iii) Appropriation Accounts.

7. Following Heads of Accounts are operated in the Books of Stores Accounts of a Railway:

**Capital:**

Major Head- 5002 & 5003 Capital Outlay on Indian Railway-Commercial Lines & Strategic Lines and Minor Head 7100 –Stores suspense, and 7300- Miscellaneous Advances.

**Revenue:**

Working Expenses  
Revenue Abstracts  
Misc. Advances  
Deposit Miscellaneous  
Transfer Divisional  
Transfer Railways.

8. The sub-detailed heads under Miscellaneous Advances (Capital) are:

- (a) Miscellaneous Advances (Printing),
- (b) Miscellaneous Advances (Clothing),
- (c) Miscellaneous Advances (Ferrous),
- (d) Miscellaneous Advances (Others),
- (e) Miscellaneous Advances (Risk & Cost/Production Units).

9. The Stock Adjustment shows the gross surpluses and deficiencies in stores transferred to Stock Adjustment Account during the year under various headings and how the balances under each heading have been adjusted against the several grants of earnings during the year.

10. When the stores issued during a month from a depot are not received in the receiving depot in the same month, such items would not appear in the accounts of the receiving depot. At the end of the month, unaccounted items in the issue summaries are shown in an account called Stores-in-Transit A/cs.

11. The purpose of maintenance of such ledger is to price the receipts and issues of stores as per principles laid down in Stores Code.

12. Either at the rates which are already shown on the vouchers for such transactions as purchases or at predetermined rates for manufactures by

Railway Workshops, advice notes for return stores/ Depot transfer Receipts; or (b) at book average rates, as in the case of receipts under Book Transfers, Department and Account Stock Verification Sheets, and all vouchers for issue of stores except those relating to sale. However, sale issue vouchers relating to sales to other Indian Railways and Production Units will be priced at the book average rate.

13. Stores when purchased, sold, transfer etc. unless charged to the final heads are treated as Suspense and booked in the Stores Suspense Register.

14. This statement records the actual balances of stores in hand at the end of each financial year under certain categories viz. Ordinary Stores, Surplus Stores, Emergency Stores, Stores obtained for Special Works.

15. Important ledgers/records maintained are:

- (i) Labour Sub Ledger,
- (ii) Register of Shops labour,
- (iii) Labour Schedule,
- (iv) Main Stores Sub Ledger,
- (v) Misc. Stores Sub Ledger,
- (vi) Summary Sub Ledger,
- (vii) Workshop General Ledger,
- (viii) Workshop Subsidiary Balance Register,
- (ix) Labour Book,
- (x) Check Sheet,
- (xi) Out turn Statement.

16. The total amount against each work order of each shop are summarized in Labour sub-ledger whereas total labour charges for each shop are summarized in the Register of Shops Labour charges

17. The Workshop General Ledger contains the totals of (a) Labour charges as appeared in the Labour Sub ledger and (b) Stores as appeared in the Stores Sub ledgers and Miscellaneous charges,

for the month relating to each work-order shop by shop.

18. Check Sheet is prepared with a view to Checking correctness of the posting of labour and stores, including miscellaneous charges, in Workshop General Register and to ensure that the amounts are correctly transferred to the outturn statements Parts I and II against each work order operated upon in the workshop during the month.

19. Outturn Statement is prepared to show, all work orders whether in hand, or completed in the workshops, the outlay on which is awaiting adjustment; and the expenditure that has been incurred on each of them. This statement is necessary for the purpose of charging the total expenditure incurred in the workshops to the account heads concerned.

20. This comparison is done with a view to bring out errors, if any, in the posting of the Workshop General Registers from the various sub-ledgers, as also of the Outturn Statement from the Workshop General Registers.

21. This register records the total debit and credit items of WMS Account.

22. The difference between total debits and credits of the WMS Register represents the balance in Workshop Manufacturing Suspense Account.

23. The object of maintaining Traffic Cash Books is to provide figures, in totals, for the ready check of Balance Sheets.

24. The Traffic Book is a compilation which collects and brings to account, under the prescribed heads Coaching, Goods and Sundry Other Earnings, the whole of the traffic earning of a railway, both Local and Through, whether accrued at stations or otherwise.

25. For the purpose of recording the traffic earnings in the month's account to which they pertain and of watching the progress of their realization, the suspense account operated is called Traffic Account.

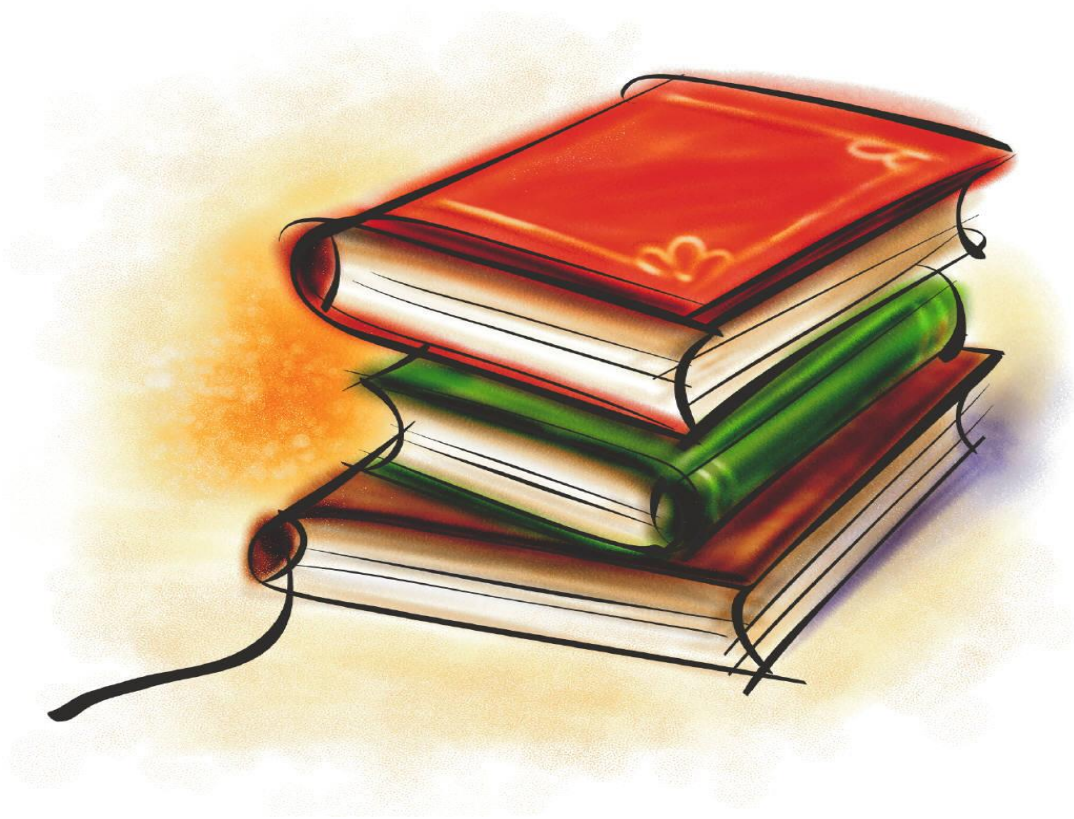
It is the unrealized earnings of a Railway and is a Suspense Account.

The Balance is reflected in the Asset side of the Balance sheet.

26. The Other Railway's Account. & Deposit Private Companies Account reflects finally in the debit side of the Balance Sheet under the heading 'Traffic Accounts and other Railways'.

27. Stations take credit in their Balance Sheets for cash realized by them in the month but this is acknowledged by the Cash Office after the third of the following month and consequently included in the General Books in the following month. The difference is called Cash in Transit.

28. For the purpose of taking the Carriage Bills into account and of watching their realization from the firms or departments concerned, as also for *incorporating in accounts the traffic cash received otherwise than through the Station Balance Sheets* a Balance Sheet (corresponding to the Bills Receivable Account) is prepared called Traffic Accounts Office Balance Sheet.





# Session: 4



Compilation of various Important Accounts  
by the Accounts Office

<b>Session Title: Compilation of various Important Accounts including Accounts Current and Capital and Revenue Accounts by the Accounts Office.</b>			Session Guide
<b>Instructor's Guide</b>		Reference	Participants' Response
<b>Session Overview</b>			
<b>Welcome</b> participants to the session and remind them that their active participation is critical for the success of each session.		Lecture	
<b>Learning Objective</b>			
<b>Inform:</b> Given the inputs of different kinds of Important Accounts compiled by the Railway Accounts Offices of different wings, viz. Open line, Construction, Stores, Workshop and Traffic through group discussion, lecture and Power Point slide show, the participants will, at the end of the session, be able to grasp the methods of compilation of various Accounts by the Railway Accounts Offices and the purpose of such compilation and the result of reflection in main accounts, which will help them to focus on audit issues in the practical work environment.		Lecture	
<b>Basic Concepts</b>			
<b>Discuss:</b> <ul style="list-style-type: none"> <li>● Various Accounts compiled by the Accounts Office.</li> <li>● Procedure/Method of compilation.</li> <li>● Purpose for compilation of various accounts'</li> <li>● Concept of Accounts Current, Capital and Revenue Accounts and Finance Accounts, Block Account, Profit and Loss Account &amp; Balance Sheet etc. of Open line, and various accounts pertaining to Workshop, Stores &amp; Traffic departments.</li> </ul>		Lecture with Power Point Slide Show <b>Session 4 INTRODUCTION</b>	
<b>Summarise:</b>			
<b>Distribute</b> Participants' Note <b>Tell</b> the participants that during the session, we discussed compilation of various accounts and methods of compilation and concept of various accounts. <b>Invite</b> questions on themes discussed. If participants have any doubts/clarifications about themes, clarify the same. Answer participants' queries. <b>Thank</b> the participants and bring the session to a close.		Session 4 Participants' Note	

**Training Method:** Interactive Lecture and Power Point Slide Show.

**Materials Required:** Power Point Slides, Projector, White Board, Marker Pen and Participants' Note.

## **Session Title: Compilation of various Important Accounts including Accounts Current and Capital and Revenue Accounts by the Accounts Office.**

In the preceding Session various Accounts and Records prepared and maintained by the Accounts Offices was discussed. In this Session, the method of compilation of Monthly and Annual Accounts will be discussed.

### **4.1. Accounts current (Open Line and Construction Units).**

An Account Current is simply a statement showing the receipts and disbursements of an accounts circle, duly classified under the prescribed heads of accounts. Format of Accounts Current has been prescribed in Appendices XI (for Revenue Accounts) & XII (for Capital Accounts) of the Accounts Code, Part I. Prior approval of Railway Board is necessary for omission or addition of a major head or a minor head in this Form. Railway administration may, however, introduce sub and detailed heads to meet the local requirements. This is prepared Monthly and finally an annual combined Capital and Revenue accounts is also prepared. Monthly/yearly Account current show the opening balance and transactions during the year and cumulative figures of receipts and payments. The principle on which the Account Current is prepared is that all *entries in Accounts current should be shown in net i.e. after deduction of the write back adjustments, against each head of account.* On no account should minus results be transferred as plus result to the opposite side of the account. The column 'amount to date' in the Account Current forms should show the transactions from the beginning of the financial year. The cash balances should be opening balance of the year and the closing balance of the month to which account refers. Final closing balance reflects the balance at the end of the year.

### Method of preparation/compilation:

Method of compilation of Accounts Current varies from Railway to Railway. Some Railway has introduced part computerization and part manual. But full computerization of compilation is yet to be made. Although compilation is done at Headquarter of a Railway through computerized system, the linking between the divisional figures and Headquarters' figures done manually. However, some computerized figures are sent to Railway Board through computerized system. However, codal provisions in connection with compilation are detailed below:

After the General Book for a month have been closed and the Ledgers have been written up the monthly Account Current is prepared, for Capital and Revenue transactions from the ledgers and submitted to the Railway Board together with the supporting schedules. As per revised norm a combined Account Current is to be sent to Railway Board although Revenue and Capital Portions are to be shown separately.

Separate Accounts Current should be prepared for expenditure of a New Construction when the accounts are maintained by a separate accounts organization. When the accounts of expenditure on Construction are maintained by the Financial Adviser and Chief Accounts Officer of an Open Line Administration, separate Accounts Current is not necessary, but separate Schedules (as per Para A 330) of expenditure on such Constructions should be prepared.

The monthly accounts of the Divisions/Workshops should be submitted by the Divisional/Workshop Accounts Officer to the Financial Adviser and Chief Accounts Officer by the last day of the following month or on such other day, as may be fixed by him so as to enable him to compile the accounts of the entire railway and submit them in time to the Railway Board. When, in exceptional cases, the accounts cannot, in due course, be sent so as to reach the Railway Board on the

prescribed date, the fact should be reported immediately to the Board with an explanation of the cause of the delay stating when the accounts may be expected.

The monthly Revenue Account Current should be prepared in the form (Appendix XI) which should be accompanied by **Twenty nine** schedules in support of the transactions shown against the various heads in the Account Current. All the schedules should be in Form A-327 and should exhibit the transactions under each head by the prescribed sub-major heads and such other details as may be required by the Railway Board. In case of schedules of debits and credits to Transfer Railways, two separate schedules one for debit and other for credits, showing the analysis by Railways, should be prepared. The Forms (A-327) of Schedules shows following columns-

(1) Head of Accounts, (2) Expenditure during the current month and to the end of the month, 3) Grant for the year.

**4.1.1. Statement of Transfer Transactions** - In order that a proper reconciliation may be effected, in the Office of the Railway Board, of the transactions of the various railways under the head "Transfer Railways", Statements in Form A-328 should be prepared and submitted with Monthly Revenue Account Current. The figures shown in these statements should be the sum total of the Adjustments made both in Capital, Revenue and Construction Accounts.

**The monthly Capital Accounts Current** of Open Lines and of New Constructions should be prepared as per Appendix- XII to AI. The Capital Account Current is accompanied by the following schedules in support of the transactions shown against the various heads in the Accounts Current. All the Schedules with the exception of the Schedules of Expenditure under 5002 and 5003 Capital Outlay on Indian Railways-Strategic and Commercial Lines (which should be prepared in Form 331 A) should be prepared in Form A 327. Details under

Suspense heads in Form A 331-B should be appended to these schedules.

Schedules to accompany the Capital and New Construction Accounts are as follows:

1. Schedule of credits and debits to Transfer Railways.
2. Schedule of Deposits with "Reserve Bank".
3. Schedule of Expenditure under 5002 & 5003-Capital Outlay on Indian Railways-Commercial and Strategic lines.
4. Schedule of Expenditure on New Constructions which are maintained by F.A. & C.A.O of an Open Line Railway-separately for each construction with a summary thereof.
5. Schedule of Receipt and Expenditure-Deposit of Branch Line Companies.
6. Schedule of Expenditure of pre-partition period.

Note- Separate schedules shall be prepared and submitted for expenditure under Part II-Contingency Fund.

**4.1.2. Annual Closing of Books.** - The books relating to the financial year should, in every case, be **closed by the 28th July** following or by an earlier date as fixed by the Railway Board.

The accounts of a year are kept open after the close of the year so that, as far as possible all the transactions of the year may be included therein. For any expenditure actually incurred but bills for which are not accepted or accounted for by the executive, *provisional adjustments should be carried out on the basis of readily available allocation.* Such provisional adjustments should be noted down in a manuscript register for prompt regularization. It is not essential that transactions relating to earlier years should be booked in the accounts of the latest year which are still open. If it is impossible to have any expenditure booked in the accounts of the year to which it relates owing to the fact that the actual incidence of the expenditure is under dispute, it ought to be charged to the accounts of the

year in which the final decision is taken, though at the same time, efforts should be made to expedite the decision as far as possible. *Adjustments should not be made in the accounts of the past year if the disbursements could not have been reasonably anticipated in time for a grant being obtained from the proper authority.* In all cases, where the expenditure, could have reasonably been anticipated as for example, recurring payment to a State or Department of the Central Government and payments which, though not of fixed amount, are of a fixed character, etc., the Accounts Officer should make the adjustment in the accounts before they are finally closed.

**4.2. Final Accounts Current (A 335) –** After the books for a financial year are closed, Final Accounts Current of the Capital and Revenue transactions of the railway should be prepared and submitted to the Railway board so as to reach them not later than the 30th August following. *These Accounts Current are intended to show the transactions of the railway for the year under the various final heads of account and the opening and closing balances under the suspense and debt heads.*

**Final Revenue Accounts Current.** – should be prepared as in Appendix XIII and

**Final Capital Account Current.** –should be prepared as in Appendix XIV.

**4.2.1. Consolidation of Accounts Current.** – On Railways, where the Accounts Officers subordinate to the Financial Adviser and Chief Accounts Officer submit compiled accounts to the head office, the Accounts Current (whether monthly or final) submitted by them should be consolidated into one Account Current for the entire railway. Similarly, the Accounts Current of Constructions should be consolidated so that one Account Current for Constructions may be prepared. The process by which the various Accounts

Current are consolidated are outlined in the succeeding paragraphs.

### 4.3. Stores Accounts Current

No separate Accounts Current for the Stores Accounts is prepared. The portion of Stores Accounts is incorporated in the Accounts Current pertaining to the main Accounts Current.

### 4.4. Workshop Account Current

In the preceding Session, Workshop Manufacturing Suspense Account has been discussed. An Account Current of transactions pertaining to WMS A/c. is prepared in the Form E1215 as discussed earlier. In this session the method of compilation of this account will be discussed.

For preparing the Account-Current the following instructions should be observed:

#### 4.4.1. Posting the Debit Side:

- (i) "Labour" The figures appearing in the Labour Schedule (W. 525) should be posted against this head
- (ii) "Cash" Debits to Workshop Manufacturing Suspense Account, which comprise of the contractors' bills for direct purchases etc., motor licence fee, municipal taxes etc., should be posted from the Monthly Classified Abstract of Cash Transactions (A. 1106).
- (iii) "Stores" should be posted from the Daily Summaries of Issue Notes (S. 2702) for the last day of the month received from the Stores Accounts Office.

**Note:** Before posting the stores account debits, they should be agreed with the corresponding figures in the Stores Summary Sub-Ledger (W. 627).

- (iv) "Other Charges" including Inter shop transfers should also be posted from the Stores Summary Sub-ledger (W. 627).
  - (v) "Freight and Proforma Oncost charges" should be posted from the schedule to Proforma Oncost (W. 1203).
- 4.4.2. Posting the Credit Side** The credit side should be posted from the Summary of Outturn Statement Part I and should be supported by detailed schedules. The

closing balance should be worked out by deducting total credits during the month from the total debits including the opening balance and **it should agree with the balance shown in the Outturn Statement Part. II.**

**Note:** A register of cumulative Workshop Account should be maintained in the Production Units showing the monthly expenditure as appearing in the Month Account Current as also the cumulative expenditure for month to month, both for debits as well as credits for a financial year. After the Accounts of a financial year is closed the Production Units should prepare Manufacturing Account and the out-turn statements for the year in their prescribed proforma and submit the same as Annexures to the Appropriation Accounts.

#### **4.5. Workshop Manufacture Suspense (WMS) Account Journal Entries.(A 1217)-**

Journal entries (Capital and Revenue) of all transactions affecting WMS Account should be prepared monthly for the Account-Current (W. 1215) for incorporation in the General Books of the Railway. The following instructions should be observed in preparing the journal entries:

##### **4.5.1. Debit side of the Account-Current.**

(i) Such of the debits as have already been incorporated in the General Books of the Railway through the journal slip of accounts receiving credits e.g. Stores debits. Fuel and other Miscellaneous Charges including Internship transfers. Cash debits, should not be included in the journal slips of the WMS Account.

(ii) The amount on account of Labour should be debited to "WMS Account" by credit to 'Labour Suspense' through a Capital Journal entry (The Muster Rolls/ Labour Pay sheets having been passed for payment and debited already to 'Labour Suspense').

(iii) The amount of freight charges should be debited to 'Workshop Manufacture Suspense Account by minus debit to "Abstract K" and that of Proforma On cost should be debited to 'Workshop Manufacture Suspense Account' by credit to "Traffic Earnings, Abstract Z." Two

journal entries are necessary in each of these cases (Capital and Revenue).

**4.5.2. Credit side of the Account Current.** The credit transactions relating to WMS Account' should be journalized by per contra debits to the different heads of account appearing on the credit side of the Account-Current. Care should be taken to see that the credits already accounted for in the General Books e.g. credits for issues of manufactured material and return of surplus stores to the Stores Department which have already been included in the General Books at the time the credit transfer certificates received from the Stores Accounts Office are accepted and omitted from the monthly journal Slip of 'Workshop Manufacture Suspense Account'.

##### **4.6. Traffic Accounts Current**

The settlement of through traffic transactions among railways takes place monthly and is made on the basis of the results of apportionment. For this purpose, an Account Current should be prepared monthly in Form A. 3238 for each railway with which traffic is interchanged. An Account Current is a copy of the ledger account of the Other Railway or Deposit Private Company in the books of the Home Railway. Only one Account Current should be prepared for both Coaching and Goods transactions and the net result in favour of or against the railway worked out. Where the Home Railway is creditor, the Account Current should be sent to the debtor railway. In the case of other railways the account current should be accompanied by a Transfer Certificate for acceptance by the debtor railway. The Transfer Certificate will, as a rule, be accepted in full by the debtor railway, any errors noticed in checking the account being notified to the creditor railway for adjustment in the subsequent month.

After preparation and consolidation of final accounts current other accounts and returns as mentioned below are compiled.

#### 4.7. Capital and Revenue Accounts (Section II of the Annual Report-Financial Statement):

*This account is prepared to understand the railway finance in commercial term.* Capital transactions are broadly described as those which pertain to the acquisition of concrete assets while Revenue transactions are those which relate to the working of railways, comprising both earnings and working expenses. This Account comprises of different statements showing details of Capital Receipts & Expenditure, Revenue Earnings & Working Expr., Outstanding earnings, Capital at charge and calculation of Dividend Payable to General Revenue, and statement of expenditure charged to DRF, DF, CF, RS funds, etc.

**Capital expenditures are compiled from the ledger and Register** of Capital, Depreciation Reserve Fund, Development Fund, Railway Safety Fund and Open Line Works (Revenue). **Revenue expenditures are compiled from the Revenue Allocation Registers (A 312) and Earnings are compiled from Register of Earnings (A 313).** Following Statement of Accounts is included in the Capital and Revenue Accounts as per forms prescribed in Accounts Code, Part I and sent to Railway Board not later than 15<sup>th</sup> September each year.

- (i) Statement of Capital authorities (Form A 703)
- (ii) Statement of Stock and Share Capital created, showing the proportion received (Form A 704).
- (iii) Capital raised by the Loans, Debentures and Debenture Stock. (Form A705).
- (iv) Receipts and Expenditure on Capital Account (Form A 706).
- (v) Details of Capital Expenditure (Form No.A 707) should be for lines opened for traffic and for lines in the course of Construction. **The figures in this Statement should tally with those shown in Schedule "C" to Finance Accounts.**

- (vi) Estimate of further expenditure on Capital Account (Form A 708).

#### 4.8. Finance Accounts (Government Accounts):

The Finance accounts are compiled in accordance with the requirements of Government Accounts duly classified in accordance with the heads of accounts prescribed for Government accounting (vide Appendix IV of Indian Rly. Accounts Code, Part.I). The transactions brought to accounts in the books of the railway under the various railway heads of account are, after closing of accounts for each financial year, summarized in the form of a compilation called the Finance Accounts. The compilation comprises (i) Abstract accounts of the various railway heads (Form A 729) together with detailed supported schedules (A to K) and (ii) Appendices A & B (Forms A 743 & A 746). The detailed formats of abstracts, accounts and appendices are laid down in Paras 729 A to 746 A-I as follows:

These should reach Railway Ministry not later than 20<sup>th</sup> September. Abstract Accounts show the booked actual by Major and Minor heads of accounts for the year concerned in juxtaposition with those for the previous year. The Accounts reflect the total of 146(1002) -Indian Railway Commercial Lines Revenue Receipts (Abstract X-Coaching Earnings, Abst.-Y-Goods Earnings, Abst.-Z- Sundry Earnings, Suspense, Traffic Accounts-Other Railways **Minus** 346(3002) -Indian Railways-Commercial Lines-Working Expenses (Abstract A to N) = Net Traffic Receipts. The total for each Major Head as per Appendix IV should be shown separately. The figures should be compiled separately for Commercial and Strategic Lines.

Schedules consist of following:

Schedule A - Detailed Accounts of expenditure under Subsidized Companies, Schedule B- Detailed Accounts of expr. Under 345 (3001) Policy formation, Direction, Research and Other miscellaneous organizations,

Schedule C- Detailed Accounts of Capital expenditure (sub & Detailed head wise) on Construction of Railways outside the Revenue accounts under Major Head 5002/5003 Capital Outlay (for the Open line and for lines under Construction the accounts of which have not been closed) (for Capital, DRF, DF, SRF & OLWR separately),

Schedule D- Detailed Accounts of expr. on Construction of Railways, charged against State Govt. and Corporate Body's Capital,

Schedule E- Balances in the Books of Accounts Officer of a Railway. A certificate regarding correctness of the balances to be given by the General Manager of the Railway duly vetted by the Principal Director of Audit of the Railway,

Schedule F- Account of expenditure under Major Head 5002/5003 met from Development fund (by Minor Heads of Classification-Plan Head),

Schedule-G- Accounts of expenditure under Major Head 5002/5003 transferred to Major Head 348 (3004) Revenue (Open Line Works)(by Minor Heads of Classification-Plan Head),

Schedule H- Expenditure charged to final Heads met from Contingency Fund,

Schedule J- Account of expenditure under Major Head 5002/5003 met from Depreciation fund (by Minor Heads of Classification-Plan Head),

Schedule K- Account of expenditure under Major Head 5002/5003 met from Railway Safety Fund (by Minor Heads of Classification-Plan Head).

All schedules reflect Outlay during the year, Outlay to the end of the previous year and Outlay to the end of the Year.

Appendix A consist of Statement of Indirect charges relating to the Capital and Revenue Accounts for the year ending 31<sup>st</sup> March and Appendix B is a Statement of Works undertaken on behalf of Defence Ministry on which interest and maintenance charges are leviable for the year ending 31<sup>st</sup> March. The appendices are intended to give information which the compiled accounts do not reveal.

Audit Certificate is to be given as per Para 747 A-I.

#### **4.9. Debt Head Report:**

It is a part of Finance Accounts. It is the report prepared in Form A 749 *on analysis of various debt balances of a Zonal Railway at the end of a year (31<sup>st</sup> March)* under the heads F-Loans and Advances-Loans by the Central Government, I-Small Savings & Provident Fund-Provident Fund Balances, K-Deposit & Advances, M-Suspense & remittances- Inter Government Adjustment accounts-Accounts with States. Separate form is prepared for each head. It consists of closing balance of the previous year, prior period adjustments (i.e. TWFA), net receipts and disbursements during the year and balances at the end of the year, as appear in the Account Current for March. It is to be sent to the Railway Board by 10<sup>th</sup> September of each year with endorsement to Statutory Audit and audited copy is to be sent to Railway Board by 25<sup>th</sup> September of the year. An Audit Certificate from Principal Director of Audit of each Zonal Railway, in this regard, is required to be sent as per Para 752 A.

#### **4.10. Final Accounts (Section-II, Part I & II of Appropriation Accounts):**

These Accounts consist of:

##### **4.10.1. P & L Account (Annexure-IV) (F 431 B)**

It shows the Gross earnings, Govt. share of surplus profit, Misc. receipts in the Credit Side and working expenses, other expenses (like Surveys, Statutory Audit, Misc. Establishments, Cost of Railway Board, OLW-R & Dividend payable to General Revenue, Subsidy from General Revenue etc. in the Debit side & profit made by the Railway during the year.

**4.10.2. Manufacturing Account (F 432)** together the Out-Turn-Statement for the Chittaranjan Locomotive Works, Diesel Locomotive Works and Integral Coach Factory etc. is also prepared apart from Block Account, Capital Statement and



Balance Sheet and enclosed to Appropriation Accounts as Annexure.

**4.10.3. Capital Statement & Statement of Block Account including Loan Account of Indian Railways (Commercial Lines) [Annexure II (i) & (ii) (F 431)].**

Capital Statement shows the Capital raised (Specific and non specific debt) etc. on the liabilities side and purchase price, capital expenditure after purchase and Floating Assets viz. (a) Stores, (b) balance in Manufacturing accounts, (c) Misc. Advances on the Assets side. Block Accounts show the Capital invested and various fund balances like DRF, DF, SRF, OLW(R) etc. and the total assets created out of Capital, CF, DRF, DF, and RSF etc.

**4.10.4. Balance Sheet [Annexure-III (F 431 A)]**

It is prepared with the object of ascertaining the position of various Assets (viz. Cash in hand, Sundry Debtors, Investments, Savings Bank Account with Government, Reserve Fund Investment & Accounts with various States and other Railways) and liabilities (viz. Sundry Creditors, various fund balances of the Railway, Balance due to Central Govt. on account of loans and advances etc. and Balance of amount in account with Government) at the end of a financial year. It exhibits true and fair picture of financial position of the Railway during a year. It is a part of Appropriation Accounts placed before the Parliament.

**Different steps in compilation of Monthly Accounts Current, Annual Accounts Current, Capital and Revenue Account, Finance Accounts and Balance Sheet.**

**STEP-1**

Preparation of Daily Abstract of Cash Transactions or the General Cash Abstract Book.

**STEP-2**

Preparation of the Journal slips and journals in respect of transactions which do not involve the actual receipts and disbursements of cash simultaneously.

**STEP-3**

Preparation of Monthly Abstract of Cash Transactions of the General Cash Abstract Book (by 3<sup>rd</sup> of the following month).

**STEP-4**

Positing in the Account Current for Headquarters' figures are made and figures of Divisional & other units are compiled at HQ and incorporated in the Accounts Current and Approximate Account Current is sent to Railway Board monthly along with required statements (by 8<sup>th</sup> of the

**STEP-5**

Drawing of Trial Balance after adding the total debit and credit under each head of account in the Journals and after adding up the figures of cash transactions.

**STEP-6**

Compilation of ledgers after closing total of the journals posted in the ledgers. Journals & ledgers are prepared separately for Capital and Revenue Accounts.

**STEP-7**

Closure of General Books.

**STEP-8**

Preparation of Subsidiary Accounts records like Registers of earnings, Revenue Allocation Register, Suspense Registers in respect of transactions which can not be immediately charged to final head viz. Stores and Workshop Suspense Register, Demands payable, Demands recoverable etc.

**STEP-9**

Compilation of Monthly Capital and Revenue Accounts Current for Capital and Revenue Accounts with supporting schedules showing receipts & expenditure separately under Consolidated Fund -Pt.I, Contingency Fund-Pt.II and Public Accounts of India -Pt.III-major head/sub major head, minor head wise (to be sent to Rly. Bd. by 6<sup>th</sup> of the 2<sup>nd</sup> following month)

**STEP-10**

Subsidiary registers are totaled up and reconciled with the General Books within a week of submission of accounts. Mistakes detected during reconciliation are rectified and intimated to Railway Board.

**STEP-11**

After closing of all books for a financial year Final Account Current is prepared.

**STEP-12**

After preparation of Capital & Revenue Account Current other Accounts, Reports and statements e.g. Finance Accounts, Profit & loss A/c., Block A/c and Balance Sheet etc. are prepared.

**Note-**The procedure outlined above may slightly vary from a Zonal Railway to other.

Slide 1

**Session Title:**  
**Compilation of various Important Accounts and Accounts Current by the Accounts Offices.**

Training Module on Audit of Railways; Session: 1

1

Slide 4

**Method of preparation/ compilation of Accounts Current:**

- After the General Book for a month are closed and the Ledgers written up, the monthly Account Current is prepared for Capital and Revenue transactions from the ledgers.
- As per revised norm a combined Account Current is sent to Railway Board although Revenue and Capital portions are to be shown separately.

Training Module on Audit of Railways; Session: 4

4

Slide 2

**Accounts current (Open Line and Construction Units).**

- Is simply a statement showing the receipts and disbursements of an accounts circle of a Railway, duly classified under the prescribed Major or Minor heads of accounts.
- Format is prescribed in Appendices XI (for Revenue Accounts) & XII (for Capital Accounts) of the Accounts Code, Part I.

Training Module on Audit of Railways; Session: 4

2

Slide 5

**Method of preparation/ compilation of Accounts Current:**

- Separate Accounts Current should be prepared for expenditure of a New Construction when the accounts are maintained by a separate accounts organization.
- When the accounts of expenditure on Construction are maintained by the Financial Adviser and Chief Accounts Officer of Open Line, separate Accounts Current is not necessary but separate Schedules of expenditure on such Constructions should be prepared.

Training Module on Audit of Railways; Session: 4

5

Slide 3

**Accounts current (Open Line and Construction Units).**

- It is prepared Monthly. Finally a combined Capital and Revenue accounts at the year end is prepared.
- Monthly/yearly Account current shows the opening balance and transactions during the month/year and cumulative figures of receipts and payments.
- It is Prepared on the principle that all entries in Accounts current should be shown in net i.e. after deduction of the write back adjustments, against each head of account.

Training Module on Audit of Railways; Session: 4

3

Slide 6

**Method of preparation / compilation of Accounts Current:**

- The monthly accounts of the Divisions/Workshops should be submitted by the Divisional/Workshop Accounts Officer to the Financial Adviser and Chief Accounts Officer by the last day of the following month or on such other day, as may be fixed by him, for compilation of the accounts of the entire railway and submit in time to the Railway Board.


Training Module on Audit of Railways; Session: 4

6

Slide 7

**Method of preparation / compilation of Monthly Accounts Current**

- The monthly Revenue Account Current is prepared in the form (Appendix XI) to AI duly accompanied by schedules as prescribed in support of the transactions shown against the various heads.
- All the schedules are to exhibit the transactions under each head by the prescribed sub-major heads and such other details as may be required by the Railway Board.




Training Module on Audit of Railways; Session: 4 7

Slide 10

**Method of preparation / compilation of Accounts Current:**

**Final Revenue Accounts Current –is prepared as per Appendix XIII and Final Capital Account Current –is prepared as per Appendix XIV of Accounts Code, Part I.**




Training Module on Audit of Railways; Session: 4 10

Slide 8

**Method of preparation/ compilation of Monthly Accounts Current:**

- The monthly Cap. A/cs. Current of Open Lines and of New Constructions should be prepared as per Appendix-XII to AI.
- The Cap. A/cs. Current is accompanied by the nos. of schedules as prescribed in support of the transactions shown against the various heads.




Training Module on Audit of Railways; Session: 4 8

Slide 11

**Method of preparation / compilation of Accounts Current**

**Consolidation of Accounts Current On Railways.**

- Where the Accounts Officers subordinate to the Financial Adviser and Chief Accounts Officer submit compiled accounts to the head office, the Accounts Current (whether monthly or final) submitted by them are consolidated into one Account Current for the entire railway.
- Similarly, the Accounts Current of Constructions is consolidated so that one Account Current for Construction unit is prepared.




Training Module on Audit of Railways; Session: 4 11

Slide 9

**Final Accounts Current (A 335)**

- After the books for a financial year are closed, Final Accounts Current of the Capital and Revenue transactions of the railway is prepared in the same manner as Monthly Accounts Current and submitted to the Railway board.
- This Accounts Current intends to show the transactions of the railway for the year under the various final heads of account and the opening and closing balances under the suspense and debt heads.




Training Module on Audit of Railways; Session: 4 9

Slide 12

**Method of preparation / compilation of Accounts Current**

**Stores Accounts Current**

No separate Accounts Current for the Stores Accounts is prepared. The portion pertaining to Stores Accounts is posted/incorporated in the main Accounts Current.



Training Module on Audit of Railways; Session: 4 12

Slide 13

**Method of preparation / compilation of Workshop Account Current**

- Account Current of transactions pertaining to WMS A/c. is prepared in the Form E1215.
- Debit Side is posted with:
  - (i) "Labour", as per Labour Schedule (W 525), (ii) "Cash" Debits comprising of contractors' bills for direct purchases, motor licence fee, municipal taxes etc., as per Monthly Classified Abstract of Cash Transactions (A 1106), Contd.....S/14

Training Module on Audit of Railways; Session: 4 13

Slide16

**Workshop Manufacture Suspense (WMS) Account**

Debit side of the WMS Account consists of-

- (i) Such of the debits as have already been incorporated in the General Books of the Railway through the journal slip of accounts receiving credits (Cash debits, not included in the journal slips of the WMS Account),
- (ii) The amount on account of Labour by credit to 'Labour Suspense', through a Capital Journal entry. Contd.....S/17.

Training Module on Audit of Railways; Session: 4 16

Slide 14

**Method of preparation / compilation of Workshop Account Current**

- (iii) "Stores" posted from the Daily Summaries of Issue Notes (S 2702) for the last day of the month received from the Stores Accounts Office, (iv) "Other Charges" including Inter shop transfers posted from the Stores Summary Sub-ledger(W 627). (v) "Freight and Proforma Oncost charges" posted from the schedule to Proforma Oncost (W 1203). Contd.....S/15

Training Module on Audit of Railways; Session: 4 14

Slide17

**Workshop Manufacture Suspense (WMS) Account**

- (iii) The amount of freight charges by minus debit to "Abstract K" and
- (iv) Proforma Oncost by credit to "Traffic Earnings, Abstract Z".
- Two journal entries are necessary in each of these cases (Capital and Revenue).
- The credit transactions relating to WMS Account' should be journalized by per contra debits to the different heads of account appearing on the credit side of the Account-Current.

Training Module on Audit of Railways; Session: 4 17

Slide15

**Method of preparation / compilation of Workshop Account Current**

**Workshop Account Current**

- The credit side is posted from the Summary of Outturn Statement Part I duly supported by prescribed schedules.
- The closing balance is worked out by deducting total credits during the month from the total debits including the opening balance.
- The balance should agree with the balance shown in the Outturn Statement Part- II..

Training Module on Audit of Railways; Session: 4 15

Slide18

**Traffic Accounts Current**

- The settlement of through traffic transactions among railways takes place monthly and made on the basis of the results of apportionment.
- Is prepared monthly for each railway with which traffic is interchanged.
- It is a copy of the ledger account of the Other Railway or Deposit Private Company in the books of the Home Railway.
- Only one Account Current is prepared for both Coaching and Goods transactions.

Training Module on Audit of Railways; Session: 4 18

Slide19

**Traffic Accounts Current**

- Where the Home Railway is creditor, the Account Current should be sent to the debtor railway.
- In the case of other railways the account current should be accompanied by a Transfer Certificate for acceptance by the debtor railway.
- The Transfer Certificate will, as a rule, be accepted in full by the debtor railway.
- Any errors noticed in checking the accounts being notified to the creditor railway for adjustment in the subsequent month.

Contd.....S/23

Training Module on Audit of Railways; Session: 4 19

Slide22

**Finance Accounts (Govt. Accounts)**

- Prepared in accordance with the requirements of Govt. A/cs. duly classified in accordance with the heads of accounts prescribed for Govt. accounting (vide Appendix IV of Indian Rly. Accounts Code, Part.I).
- The transactions brought to accounts in the books of the railway under the various railway heads of account are, after closing of accounts for each financial year, summarized in this form.

Contd.....S/23

Training Module on Audit of Railways; Session: 4 22

Slide20

**Capital and Revenue Accounts (Section II of the Annual Report-Financial Statement):**

- It reflects the railway finance in commercial term.
- This A/cs. comprise of different statements showing details of Capital Receipts & Expenditure, Revenue Earnings & Working Expr., Outstanding earnings, Capital at charge and calculation of Dividend Payable to General Revenue, and statement of expenditure charged to DRF, DF, CF, Railway funds, etc.

Contd.....S/21

Training Module on Audit of Railways; Session: 4 20

Slide23

**Finance Accounts (Government Accounts)**

- This compilation comprises (i) Abstract accounts of the various railway heads together with supported schedules (A to K) and (ii) Appendices A & B as laid down in A-I.
- Abstract Accounts show the booked amount by Major and Minor heads of accounts for the year concerned in juxtaposition with those for the previous year.

Contd.....Slide24

Training Module on Audit of Railways; Session: 4 23

Slide21

**Capital and Revenue Accounts (Section II of the Annual Report-Financial Statement)**

- **Capital expenditures** – are compiled from the ledger and Register of Capital, Depreciation Reserve Fund, Development Fund, Railway Safety Fund and Open Line Works (Revenue).
- **Revenue expenditures** – are compiled from the Revenue Allocation Registers.
- **Earnings** are compiled from Register of Earnings.

Contd.....S/21

Training Module on Audit of Railways; Session: 4 21

Slide24

**Finance Accounts (Government Accounts)**

- The Accounts reflect the total of 146 (1002) -Indian Railway Commercial Lines Revenue Receipts (Abstract X-Coaching Earnings, Abstract Y- Goods Earnings, Abstract Z- Sundry Earnings, Suspense, Traffic Accounts-Other Railways Minus 346 (3002)-Indian Railways-Commercial Lines-Working Expenses (Abstract A to N) = Net Traffic Receipts.
- The total for each Major Head as in Appendix IV should be shown separately. The figures should be compiled separately for Commercial and Strategic Lines.

Contd.....S/24

Training Module on Audit of Railways; Session: 4 24

Slide25

**Debt Head Report**

- Is a part of Finance Accounts.
- A report prepared on analysis of various debt balances of a Zonal Railway at the end of a year (31st March) under the heads F-Loans and Advances-Loans by the Central Government, I-Small Savings & Provident Fund-Provident Fund Balances, K-Deposit & Advances, M-Suspense & remittances - Inter Government Adjustment accounts-Accounts with States.

Contd.....S/26

Training Module on Audit of Railways; Session: 4

Slide28

**Final Accounts (Section-II, Part I & II of Appropriation Accounts).**

**2.Manufacturing Account (F 432)** together the Out-Turn-Statement for the Chittaranjan Locomotive Works, Diesel Locomotive Works and Integral Coach Factory etc. and enclosed to Appropriation Accounts as Annexures.

Training Module on Audit of Railways; Session: 4

Slide26

**Debt Head Report**

- Consists of closing balance of the previous year, prior period adjustments (i.e. TWFA), net receipts and disbursements during the year and balances at the end of the year, as appear in the Account Current for March.

Training Module on Audit of Railways; Session: 4

Slide29

**Final Accounts (Section-II, Part I & II of Appropriation Accounts).**

**3.Capital Statement & Statement of Block Account including Loan Account of Indian Railways (Commercial Lines).**

- Capital Statement shows the Capital raised (Specific and non specific debt) etc. in the liabilities side and purchase price, capital expenditure after purchase and Floating Assets viz. (a) Stores, (b) balance in Manufacturing accounts, (c) Misc. Advances in the Assets side.
- Block Account shows all physical assets of Railway whether financed from loan capital or the Railway's own generation of funds like DRF, DF, SRF, OLW(R) etc. Maintained separately for Commercial and Strategic lines.

Training Module on Audit of Railways; Session: 4

Slide27

**Final Accounts (Section-II, Part I & II of Appropriation Accounts)**

**These Accounts consist of :**

**1.P & L Account (Annexure-IV)** showing the Gross earnings, Govt. share of surplus profit, Misc. receipts, loss, if any, during the year, in the Credit Side, and Working expenses, other expenses (like Surveys, Statutory Audit, Misc. Establishments, Cost of Railway Board, OLW-R & Dividend payable to General Revenue, Subsidy from General Revenue etc. & profit (if any) made by the Railway during the year, in the Debit side .

Training Module on Audit of Railways; Session: 4

Slide30

**Final Accounts (Section-II, Part I & II of Appropriation Accounts).**

- **4. Balance Sheet [Annexure-III (F 431 A)]**
- Is prepared to ascertain the position of various Assets (viz. Cash in hand, Sundry Debtors, Investments, Savings Bank Account with Government, Reserve Fund Investment & Accounts with various States and other Railways) and liabilities (viz. Sundry Creditors, various fund balances of the Railway, Balance due to Central Govt. on account of loans and advances etc. and Balance of amount in account with Government) and balance in transfer, at the end of a financial year.

Training Module on Audit of Railways; Session: 4

**Questions:**

1. What is an Account Current?
2. In which principle an Account Current is prepared?
3. What does the Monthly Accounts Current show?
4. What are the steps in preparation/ compilation of Accounts Current?
5. Why the accounts of a year are kept open for some months even after closing of the year?
6. Write whether following action taken by the Railway Administration was right?

Adjustments were made in the accounts of the past year, during the current year, as the disbursements could not be anticipated in time for a grant being obtained from the proper authority.

7. Mention whether following statement is true or false:  
For any expenditure actually incurred but bills for which are not accepted or accounted for by the executive, *provisional adjustments should not be carried out on the basis of readily available allocation.*
8. Mention whether the Accounts Officer should make the adjustment in the accounts before they are finally closed in cases, where the expenditure, could have reasonably been anticipated and payments which, though not of fixed amount, are of a fixed character, etc..
9. When is the Final Accounts Current prepared?  
What does this Account contain?

10. How Consolidation of various Accounts Current is done?
11. How Workshop Account Current is prepared?
12. What is a Traffic Accounts Current?
13. What is Capital and Revenue Accounts? How it is compiled?
14. What is a Finance Accounts of the Railway? What picture does it show?
15. What is a Debt Head Report?
16. Where do the balances under various Debt Heads finally reflect?
17. What are the final accounts of a Railway?  
What do they reflect?



**Answer Sheet**

1. An Account Current is simply a statement showing the receipts and disbursements of an accounts circle, duly classified under the prescribed heads of accounts. An Account Current is prepared for both Revenue & Capital Accounts.
2. The principle on which the Account Current is prepared is that all *entries in Accounts current should be shown in net i.e. after deduction of the write back adjustments, against each head of account*. On no account should minus results be transferred as plus result to the opposite side of the account.
3. A Monthly Accounts current show the opening balance and transactions (both Capital and Revenue) during the month and cumulative figures of receipts and payments and closing balance at the end of month.
4. See Para 4.1 of Participants' notes - Lesson 4.
5. The Accounts of a year are kept open for some months even after the close of the year so that, as far as possible all the transactions of the year may be included therein. For any expenditure actually incurred but bills for which are not accepted or accounted for by the executive, *provisional adjustments are carried out on the basis of readily available allocation*.
6. The action was not correct.
7. Statement is false.
8. The Accounts Officer should make the adjustment in the accounts before they are finally closed.
9. After the books for a financial year are closed, Final Accounts Current of the

Capital and Revenue transactions of the railway are prepared.

This Accounts Current show the transactions of the railway for the year under the various final heads of account and the opening and closing balances under the suspense and debt heads.

10. See Para 4.2.1 of Participants' notes -Session 4.

11. See Para 4.4.2 of Participants' notes -Session 4.

12. A Traffic Account Current is a copy of the ledger account of the Other Railway or Deposit Private Company in the books of the Home Railway.

13. This account is prepared to understand the railway finance in commercial term.

See Para 4.7 of Participants' notes Session 4.

14. The Finance accounts are compiled in accordance with the requirements of Government Accounts duly classified in accordance with the heads of accounts prescribed for Government accounting,

For compilation see para 4.8 of Participants' notes -Session 4.

15. It is the report on analysis of various debt balances of a Zonal Railway at the end of a year (31<sup>st</sup> March) under the heads F-Loans and Advances-Loans by the Central Government, I-Small Savings & Provident Fund-Provident Fund Balances, K-Deposit & Advances, M-Suspense & remittances- Inter Government Adjustment accounts-Accounts with States.

16. The balances under various Debt Heads finally reflect in the Balance sheet.

17. Final Accounts of a Railway are Profit & Loss Account, Manufacturing Account, Capital Statement & Statement of Block Account including Loan Account of Indian Railways (Commercial Lines) & Balance Sheet.

See paras 4.10.1.-4.10.4 of Participants' notes -Session 4.

# Session: 5



## **Railway Budget and Appropriation Accounts**

<b>Session Title: Railway Budget and Appropriation Accounts</b>		Session Guide
<b>Instructor's Guide</b>		<b>Reference</b>
<b>Session Overview</b>		<b>Participants' Response</b>
<b>Welcome</b> participants to the session and remind them that their active participation is critical for the success of each session.		Lecture
<b>Learning Objective</b>		
<b>Inform:</b> Given the inputs of Budgetary System of Indian Railways through group discussion, lecture and PowerPoint slide show, the participants will, at the end of the session, acquire an understanding of the basic concepts of the Indian Railway Budget which will help them to focus on audit issues in the practical job scenario.		Lecture
<b>Basic Concepts</b>		
<b>Discuss:</b> <ul style="list-style-type: none"> <li>● Introduction to the Railway Budget- Its Preparation, Compilation, Scrutiny and Allotment.</li> <li>● Distribution of Funds.</li> <li>● Powers of the Railway Board and the Railway Administration in respect of Budget Allotments.</li> <li>● Parliamentary Financial Control on Appropriation Accounts.</li> </ul>		Lecture with Power Point Slide Show <b>Session 5 AUDIT OF RAILWAY BUDGET</b>
<b>Summarise:</b>		
<b>Distribute</b> Participants Note <b>Tell</b> the participants that during the session, we discussed introduction of the Railway Budget-its preparation, compilation etc., Distribution of funds, and Parliamentary financial control on Appropriation Accounts. <b>Invite</b> questions on themes discussed. If participants have any doubts/clarifications about themes, clarify the same. Answer participants queries. <b>Thank</b> the participants and bring the session to a close.		Session 5 Participants' Note

**Training Method:** Interactive Lecture and Power Point Slide Show.

**Materials Required:** Power Point Slides, Projector, White Board, Marker Pen and Participants' Note.

## Session Title: Railway Budget and Appropriation Accounts.

### Session Overview:

## 5.0. Rail Budget and Finances

Para 301 of the Indian Railway Financial code Vol. I state that the Budget is a Constitutional and Management document. Article 112 (1) of the Constitution of India prescribes that 'The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for the year' referred to as 'Annual Financial Statement' and popularly called as the 'Annual Budget'.

- As per the Separation Convention 1924, the Railway Budget is presented to the Parliament by the Union Railway Minister, generally two days prior to the General Budget, usually around 26 February. Though the Railway Budget is separately presented to the Parliament, the figures relating to the receipt and expenditure of the Railways are also shown in the General Budget, since they are the part and parcel of the total receipts and expenditure of the Government of India.
- The Parliament discusses the policies and allocations proposed in the budget. Based on the anticipated traffic and the projected tariff, the level of resources required for railway's capital and revenue expenditure is worked out. While the revenue expenditure is met entirely by railways itself, the shortfall in the capital (plan) expenditure is met partly from borrowings (raised by Indian Railway Finance Corporation) and the rest from budgetary support from the Central Government.
- Every budget contains three elements:

- A review of the preceding year, including the actual receipts and expenditure in that year;
- An estimate of the receipts and expenditure of the coming year; and
- Proposals, if any, for meeting the requirements of the coming year.
- Article 112(2) of the Constitution prescribes that the estimates of expenditure embodied in the Annual Financial Statement shall separately show:
  - The sums required to meet expenditure charged upon the Consolidated Fund of India; and
  - The sums required to meet other expenditure proposed to be made from the Consolidated Fund of India.

—thus the expenditure proposed in the Budget is either (i) voted or (ii) charged.

- Article 113(1) of the Constitution provides that 'the estimates of expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament'.
- Article 113(2) requires that estimates of voted expenditure shall be submitted to the Lok Sabha in the form of demands for grants and the House shall have power to assent, or refuse to assent to any demand, or to assent subject to a reduction of the amount specified therein.
- The Article 113(3) enjoins that no demand for a grant shall be made except on the recommendation of the President.
- In respect of Railways the following expenditure is 'Charged' on the Consolidated Fund of India:
  - The salary, allowances and the pensions payable to or in respect of C&AG of India;
  - Any sums required to satisfy any judgement, decree or award of any Court or awards by Arbitrators where made into rule of court; and
  - Any other expenditure declared by the Constitution or by Parliament by law to be so charged.

### 5.1. The Railway Budget Process

- The following are the annual budget processes:

- The Annual Budget
- Budget Allotment
- August Review and Revised Estimates
- Supplementary Grants
- Final Modifications
- Final Grant

### 5.1.1. The Annual Budget

- Based on the time table, issued by the Railway Board the Financial Adviser and Chief Accounts Officer will draw up a detailed programme laying down the dates by which the various Divisional/Branch Offices (Executive) should furnish the accounts/returns relating to them to their Accounts Officer.
- The time table will also indicate the dates by which the Accounts Officer should vet the same and forward them to the Head of the Department, Financial Adviser and Chief Accounts Officer (Budget) and Local Audit Officers. The dates by which the Heads of the Departments should furnish the accounts of the relevant Sub heads of the several grants to the Financial Adviser and Chief Accounts Officer for the Railway as a whole will also be laid down.
- In so far as the amounts allotted to the Headquarters Offices are concerned, the position of the Head of the Department who is the Controlling Officer for such amounts, will correspond to that of the Branch/Divisional Executive Officers in regard to the submission of the Appropriation Accounts for this portion of the allotment to the concerned internal checking section of the Financial Adviser and Chief Accounts Officer's Office for purposes of scrutiny.
- The Headquarters Books and Budget Section will forward copies of these programmes to all the Divisional/Branch Audit Offices.
- Based on the Accounts, prepared by the Heads of the Departments from the ones furnished by the several Executive Offices in the Divisions/Branches, the advance copies of the Accounts will be compiled by the Budget Section of the Financial Adviser and Chief Accounts Officer's Office and

forwarded to the Railway Board and two copies thereof furnished to this office.

- The requirements of funds under the several Sub-Heads of demands for grants in respect of the various departments will be advised by the Budget Officer of the Division and by the Departmental Officers. In the case of other Branch Offices, the advice will be sent to the respective Heads of the Departments and the Local Accounts Officer.

- The Accounts Officer will vet these estimates and forward his remarks, if any, to the Heads of the Departments concerned and endorse a copy to the Financial Adviser and Chief Accounts Officer (Budget) along with a copy of the estimates vetted by him.

- The Heads of the Departments will consolidate the requirements of their departments under each of the Sub-Heads of demands, etc., for the Railway as a whole and forward to the Budget Section of the Financial Adviser and Chief Accounts Officer's Office.

- These will be scrutinized by the Financial Adviser and Chief Accounts Officer and modifications, if any, necessary, will be discussed with the Heads of the Departments and the final requirements advised to the Railway Board in the prescribed form.

- For this purpose, the various sub-Detailed heads of account which fall under the several sub-heads of the Demands for Grants are available in the Printed forms sent by the Railway Board to all the Railways, in which the Revised Estimates for the current year and the Budget Estimates for the ensuing year have to be furnished.

### 5.1.2. Demands for Grants (F 305-307)

- The proposals of Government in respect of sums required to meet expenditure from the Consolidated Fund of India are to be submitted to the Lok Sabha in the form of "Demands for Grants". The Demands shall be for gross expenditure, the credits or recoveries being shown in the form of foot notes to Demands.

- At present, there are 16 heads of Demand for grants. Ordinary Working Expenses including Pensionary Charges are included under Grant Nos. 3 to 13 (for all Railways). Miscellaneous Expenditure and Misc. Expenditure (General) are included under Grant nos.1 (for Railway Board) & 2 (for Railway Board & Railway Admn. etc. to whom grants are made). There is a single head for Demand for Grants for all Works Expenditure – (including Assets-Acquisition, Construction and Replacement), under the Grant No.16 (for all Railways and Railway Board). Grant No.14 is for Appropriation to Funds (for all Railways and Rly. Board) and Grant No.15 is for Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of over Capitalization (for Railway Board).

- The Demands for Grants are presented in two parts. Part I is for all Railways and Part II is for Individual Railways. Each part will have 3 sub divisions-

- (a) Sub-heads of the Demands representing major function/activities,
- (b) Detailed Heads representing a further break-up of the activity of classification,
- (c) Primary Units (Objects of Expenditure) identifying 'what' the expenditure denotes i.e Salary, Wages, Allowances etc.

- For the preparation of the Budget by the Railway Board, the Railway Administrations and other authorities empowered to incur expenditure are required to submit to the Railway Board their revised estimates for the current year and budget estimates for the following year, within the dates fixed by the Railway Board for the following heads:

- i) Estimate of Earnings,
- ii) Estimate for Revenue Demands 2 to 15
- iii) Civil Estimates
- iv) Estimate for Works Demand 16.

The detailed procedures for the preparation of budgets by the Railway Administration

are contained in paragraphs 309 to 353 of the Indian Railway Financial Code Vol.-I.

### 5.1.3. Preparation of Budget by Railway Administration (F - 309).

- Preparation of the revised and budget estimates should commence at the 'grass root level' i.e. Divisions, Construction Departments, Workshops, Stores Depots, Traffic Department etc.;

- The entire responsibility for framing the estimates devolves upon the spending/earning authorities concerned though the actual work of compilation and scrutiny would rest with the FA&CAO who would also draw the attention of the GM to matters of purely financial impact;

- The estimates should be as accurate as possible;

- Care should be taken to see that the data on which the forecast is based is adequate and reliable and that the conclusions arrived at from the data can be sustained by past experience and future expectations of likely events;

- No stereotyped method should be adopted for forecasting the estimates.

- The revised and budget estimate should be framed by various concerned authorities for the following heads (F 312):

- **Gross Receipts** i.e. Coaching Earnings-passenger & parcel traffic, Goods Earnings-Goods traffic, Sundry Other Earnings-Telegraphs, Rents & tolls, caterings etc. etc., Receipts of Worked Lines, Refunds of Revenue-to be deducted from the estimated receipts under each sub head etc.;

- **Ordinary Working Expenses** i.e. Demand 3 to Demand 14. These are so arranged that sub-heads of the demands are in alignment with minor heads of Accounting Classification under Annexure A to N. Separate estimate is required for each demand.

While working out the estimates, list of Credits or Recoveries to be excluded from the scope of the demands and the items to be taken in reduction of demands presented for

vote of Parliament shall be taken into account (F335).

Summaries of Ordinary Working Expenses and Revenue Receipts and Expenses are also prepared and submitted to the Railway Board (F 336 & F 337).

- **Payments to Worked Lines;**
- **Appropriation to and Expenditure to be met out of Railway Funds (Demand no.14)** - Appropriation in respect of DRF, DF, Pension Fund, RSF & CF are charged here. Detailed guidelines for making estimate have been laid down in F338 to F343.
- **Payment to General Revenues-** The payments for the items included under this head are budgeted for under **Demand No.15 (F344-345);**
- **Works Expenditure (Works Machinery and Rolling Stock Budget) F346-347.** The revised and budget estimates for expenditure on construction, acquisition, and replacement of assets are prepared in the form of the Works Machinery and Rolling Stock Programme. Detailed instructions for the preparation of the Rolling Stock and the Machinery and Plant Programme are contained in Indian Railway Code for Mechanical Department (Chapter XV). The Budget is prepared under one single **Demand Head No.16;**
- **Civil Estimates (F349)-** To enable the Ministry of Finance to incorporate the requirement of and/or information relating to the Ministry of Railways regarding staff advances and other transactions which form part of the General Budget following estimates are prepared: (1) Income tax, Interest on advances by Central Government and Interest on Debt and other Obligations, (Annex. III), (2) Debt Heads and K-Deposits and Advances (Annex. IV), (3) K-Deposits and Advances and F-Loans

and Advances, by the Central Government. (Annex. V), (4) Remittance Transactions (Annex. VI).

The estimates are based on the actuals of the first 7 months and expectations for the last 5 months of the current year. Explanations for significant variations should be given appropriately and must be accompanied along with the estimates.

#### **5.1.4. Compilation and Scrutiny of Budget in the Railway Board (F354-F356)**

- The estimates of working expenses submitted by the individual railways are subjected to a critical examination by the Railway Board and, after taking all the relevant factors into consideration, the Railway Board frames its own estimate to the expenditure likely to be incurred during the year.
- The procedure adopted by the Railway Board in fixing the allotment for each railway is-
  - The revised estimate for the current year is first fixed under each demand for each railway, after taking into account the expenditure for the preceding year and comparing the expenditure during the first seven months of the current year with the corresponding period of the previous year;
  - Having thus fixed the revised estimate for the current year, the budget estimate for the next year is prepared on a consideration of the special circumstances so far as known of both years;
  - The estimates of expenditure on rolling stock, plant & machinery, structural and other engineering works submitted by the railways are examined to see the necessity and justification and are discussed with the railway administrations before fixing the works to be undertaken during the budget year.
  - The programmes as finally settled after discussion form the budget estimates of the railways for expenditure



to be incurred during the following year on new constructions and open line works chargeable to Capital, Depreciation Reserve Fund, Development Fund, Open-line Works (Revenue) and & Railway Safety Fund.

### 5.1.5. Submission to the Minister.

- The estimated amount required for plan expenditure during the next year is intimated to the Planning Commission/Ministry of Finance for necessary provision being made in the “Ways and Means” budget of the Government of India and after it has been ascertained from Planning Commission/Finance Ministry that funds will be available to meet the estimated expenditure, the programmes are submitted to the Minister for approval.
- The rolling stock and plant and machinery programmes approved by the Minister are subject to further modifications if so required due to certain reasons. Of the proposed modifications, the important ones are brought to the notice of the Minister.
- All estimates are consolidated under the respective “Demand for Grants” and submitted to the Minister before presentation of the budget to the Parliament.

### 5.1.6. Presentation to the Parliament.

The complete Budget, that is, the demands for grants and other Budget papers, viz. the explanatory memorandum to the Budget and the detailed estimates of each railway (known as the Works, Machinery and Rolling Stock Programme) along with a summary are presented to the Lok Sabha and the Rajya Sabha with the recommendation of the President (to be obtained under Article 113 (3) of the Constitution.

### 5.1.7. Appropriation Bill/Budget Allotment (F360)

- Pursuant to Article 114(1) of the Constitution, *after the Demands for Grants have been voted by the Lok Sabha, there shall be introduced a Bill to provide for the Appropriation out of the Consolidated Fund of India of all moneys required to meet the*

*grants so made by the Lok Sabha and the Expenditure, if any, charged on the Consolidated Fund of India. The Appropriation Bill as passed by the Parliament and assented to by the President forms the basis for budgetary allocations to the Railways.*

- The Budget Allotments for the Railway under the various sub-heads of the several grants, as approved by the Parliament are *found in the Book of Demands for grants in the case of Railway Grants and in the Budget Orders in case of civil grants.*

### 5.1.8. Distribution of Funds by the Railway Board (F361-F364).

- The grants as voted by the Parliament and the appropriation for the charged expenditure as sanctioned by the President, are distributed by the Railway Board among the railway administrations and other authorities subordinate to them, as soon as possible after the Budget is sanctioned.
- The sums so distributed are called ‘Allotments’ and the orders by means of which the allotments are made are called ‘Budget Orders’. The allotments made out of funds voted by the Parliament are shown as ‘Voted’ and those fixed by the President are shown as ‘Charged’.
- The budget orders are accompanied by the final issues of ‘Demands for grants’ and ‘Works, Machinery and Rolling Stock Programmes’ containing the detailed distribution of the Budget Allotment made to the railway administrations for working expenses and Capital, DRF, DF, OLWR and RSF expenditure.
- The budget allotment made to a railway administration is intended to cover all charges, including the liabilities for past years. It shall be operative until the close of the financial year. *Under the ‘doctrine of lapse’, any unspent balance shall lapse and shall not be available for utilization in the following year.*
- In the event of the Budget Order of the Railway Board not being received before the commencement of the financial year, the railway administrations are empowered to

incur expenditure on works which were in progress at the end of the previous financial year. All expenditure incurred under this rule must be treated as a charge against the allotments eventually made for such works.

- In case of any reduction in the estimates originally submitted to Railway Board prompt measures should be taken by the railway administrations to limit the expenditure to the amounts allotted/distributed by the Railway Board.

### **5.1.9. Distribution of Funds by a General Manager to the Subordinate Authorities (F 365-F 368).**

- GM of individual Railways should take steps immediately to distribute the funds, placed at his disposal to authorities subordinate to him in such manner as he may consider most suitable, provided that the total of the sums so allocated does not exceed the total of the grant placed at his disposal.

- In making this initial distribution, he may, at his discretion keep a sum un-allotted as a reserve for emergencies that may arise in future.

- With respect to expenditure on works, the allotment made by the GM to lower authorities shall, as far as possible, follow the lines of the Works, Machinery and Rolling Stock Programmes issued by the Railway Board some of which are-

- The condition under which and the extent upto which the authorities may sanction re-appropriations between the sums allotted for individual works shall be specified by GM in making the allotment.

- Any re-appropriation in excess of that admissible from the sum allotted for an individual work or re-appropriation from and to the lump sum allotted shall require the prior sanction of the GM.

- The authorities to whom funds are distributed by the General Manager may, subject to any general or special instructions issued by him, redistribute the funds placed at their disposal to the authorities under them.

- No expenditure shall be incurred by an authority without the allotment of necessary funds.

- The authorities, to whom the funds are allotted, shall be responsible to report at once to the next higher authority. *In exceptional cases, where expenditure is authorized in anticipation of the allotment of funds, or in excess of the existing provision the authorization should be followed by a formal allotment of funds to the extent required.*

- The expenditure on each work shall be limited to the sum allotted for it.

- If for exceptional reasons, expenditure in excess of budget allotment has to be incurred and if the authority incurring the expenditure is either not in a position to find funds by re-appropriation or is not empowered to sanction a re-appropriation thereof, application for additional funds shall be made to the next higher authority stating how the expenditure is proposed to be made together with the explanation as to why the expenditure could not be foreseen in time for inclusion in the Budget and why it cannot be postponed to the next financial year.

### **5.1.10. Re appropriations (F 375).**

The Transfer of funds originally assigned for expenditure on a specific object to supplement the funds sanctioned for another object is called Re appropriation.

### **5.1.11. Powers of Railway Board in respect of Budget Allotment and re appropriations (F 376).**

- Within the amount of a grant as voted by the Parliament, the Railway Board has full powers, of transferring the provision from one subhead to another by a formal order of re-appropriation; but re-appropriations from one grant to another are not permissible.

- Under Grant No.-16 no re-appropriation of fund is permissible between Capital, Railway Funds and Revenue *even though re-appropriation is permissible between the various sub-heads of grants viz. the various plan heads.*

- As regards 'Charged' expenditure, there are no restrictions on the powers of the Railway Board to transfer provision from one sub-head to another by a formal order of re-appropriation, *but no re-appropriation is permissible from one grant to another or from 'Charged' heads to 'Voted' heads or vice versa.*

### **5.1.12. Powers of Railway Administration in respect of Budget Allotment and re-appropriations (F 377).**

- No re-appropriation is permissible between 'Voted' and 'Charged' allotments or between allotments made under one grant and another.

- In the case of Grant No. 16 no re-appropriation is permissible between the Capital, Railway Funds and Revenue.

- The re appropriation (i) to and from the provision for the plan Heads (a) New lines (Construction), (b) Gauge Conversion, (c) Electrification projects, (d) Track renewals, (e) Staff quarters, (f) Amenities for staff and Passenger amenities etc. under Grant No.16 (ii) to and from the provision for 'Payments to other railways' in Grant No.9 and (iii) to and from the provision for 'Suspense' in Grant No.12 *require the prior approval of Railway Board.*

- The amount allotted to the railway administrations under Civil Grant for "Interest on debt and other obligations and reduction or avoidance of debt" is distributed under the units of re appropriations as mentioned in Para 378 of F-I.

- *No re appropriations are permissible after the close of the financial year (31st March).*

- All proposals for re appropriation of fund which are beyond the General Manager's powers shall be submitted to the Railway Board sufficiently early.

- When orders are issued by the Railway Board authorizing the railway administrations to incur expenditure to a certain extent over and above the allotment sanctioned for them, they should be taken as

"expenditure orders" as distinct from Budget Orders".

### **5.1.12. Unforeseen Expenditure-Operation of the Contingency Fund of India.**

Unforeseen Expenditure which cannot be met by re appropriation from the existing grant and expenditure on a "New Services/New Instrument of Services" not contemplated in the budget shall be met out of the balance in the Contingency Fund of India. Supplementary estimates for all expenditure so financed shall be presented to the Parliament at the first session, meeting immediately after the advance is sanctioned. As soon as Parliament has authorized the additional expenditure by including it in any Supplementary Appropriation Act, the advance made from the fund shall be resumed to the fund.

### **5.2. Review of Expenditure**

Railway Administration should review their expenditure in **August** to see whether any modifications are necessary in the allotments placed at their disposal. This is also called August Review. The review in respect of each grant should be submitted to the Railway Board so as to reach them not later than *1<sup>st</sup> September* each year. The Administrations should review the position in as much detail as possible at the time, and if there is any new expenditure which was definitely not anticipated in the budget and which cannot be postponed, they should examine whether such expenditure can be met by savings in expenditure provided for in the Budget when such savings can be foreseen or can be achieved without serious damage. The review should show whether such examination discloses the necessity of additional grants or the possibilities of net savings, in order to enable the Board to set off savings on one railway against excesses on another and to arrive at one estimate of the net additional grant required.

### **5.3. Revised Estimates**

- This is mainly intended for the Railway Board to enable them to obtain a supplementary grant duly voted by the

Legislature, after taking into account the position on all the Railways.

- The revised estimates for each year will be submitted by the Railway Administration along with the Budget Estimates in the ensuing year. Based on the requirements advised through the Revised Estimates and further clarifications obtained from the Railway Administrations as a result of scrutiny of the estimates by the Railway Board, the Railway Board will advise the Railways on the amount fixed by them as the Revised Estimate under each of the grants. While in the Book of Demands, the amount fixed under each of the Sub-Heads of grant is prescribed in the advice regarding the Revised Estimates, the amount for the grant as a whole and for the particular Sub-Heads from and to which re-appropriation is not within the powers of the Administration, are laid down. Based on the amounts so advised, the distribution of funds to the various Heads of the Departments is made by the Accounts Office in the same manner as the distribution of Original Grant. A copy of this distribution statement is also received by the Principal Director's of Railway Audit office and will be scrutinized generally on the same lines as the distribution statements of Original Grant.

#### **5.4. Supplementary and Excess Grants.**

Notwithstanding the provisions as mentioned in the paragraph for Unforeseen Expenditure and operation of Contingency Fund above, when the amount of a grant/appropriation in the budget is found to be insufficient for the purpose of the current year, an estimate for the supplementary grant/appropriation, is submitted by the Railway Board to the vote of Parliament/sanction of the President in the same way as the Original "demands for Grants/Appropriations" except that the recommendation of the President has to be obtained for supplementary Demands not only under Article 113(3) but also under Article 115(1)(a) and 115(2) of the Constitution.

- The Railway Board presents the Supplementary demand to the Parliament for their vote based on the August Reviews and/or Revised Estimates of the individual Railways. After the same is voted by the Parliament, copies of the Book of Supplementary demands will be forwarded to the Railway Administrations. The amount allocated to the Individual Railways in respect of each grant out of the supplementary grants voted by the Parliament will also be advised separately by the Railway Board to the Railway Administrations. The funds so allotted to the Railway will be distributed in the same manner as the Original Grant. The checks exercised on the distribution statements of the Original Grant will apply mutatis mutandis to the above distribution statements also.

#### **5.5. Final Modifications**

The Railway Administration will furnish to the Railway Board for each grant separately, so as to reach the latter not later than the 21st February of each year, statements showing the additional allotments required (both Voted and Charged) or surrenders to be made, during the current financial year under each head of re-appropriation, as prescribed in the Budget Orders and require the sanction of the President, with adequate explanations for surrender/allotment. The railways should, however, continue to review the budgetary position further on submission of the Final Modification statements and any modification that may be considered necessary should be advised telegraphically to the Board so as to reach them on the *1<sup>st</sup> March each year* or any other date in March or any other date in March that may be advised by the Railway Board. Any important changes subsequently found necessary should be intimated to the Railway Board before *20th March of the year*, telegraphically to enable the President to accord sanction to them where possible, so that the Railway Administration may sanction in time, before the *31st March of the year*, any re-appropriation to cover the anticipated excess over allotments.

## 5.6. Final Grant

Based on the above advises, the Railway Board will advise the Railway Administration before the close of the financial year the amount fixed as Final Grant in respect of the several Demands for Grants. In such advises, the total amount for each grant and the amounts fixed in respect of some of the Sub-Heads of the grant from and to which re-appropriation of funds is not within the competence of the Railway Administration, only will be advised. The funds so allotted will be distributed to the various authorities in the same manner as the Original Grant. The checks exercised on the statements showing the distribution of the Original Grant will apply mutatis mutandis to the above statements. In addition, it should be seen that the distribution of the Final Grant is made before the close of the financial year.

## 5.7. Appropriation Accounts

### 5.7.1. Forms and Parliamentary Financial Control on these accounts.

Parliamentary Financial Control is secured by the fact that all 'Voted' expenditure must receive Parliament's prior approval and by the system of reporting back to it, through the Public Accounts Committee, the actual expenditure incurred against the Grant voted by Parliament and appropriations sanctioned by the President.

- *The statements which are prepared for presentation to the Public Accounts Committee, comparing the amount of actual expenditure with the amount of grant voted by Parliament and Appropriation sanctioned by the President, are called the 'Appropriation Accounts'.*
- Detailed programme giving the dates for submission of advance and audited copies of the Appropriation Accounts and connected statements is circulated every year by the Railway Board in consultation with the C & AG, for compliance by the Zonal Railways.
- The form of Appropriation Accounts has been fixed by the Public Accounts Committee in such a way that they would exhibit the variations from the amounts

sanctioned by the Parliament in the form of Budget and Appropriations.

- The General Manager of each railway sends to the Railway Board the Appropriation Accounts for his railway in Form F 403 for each grant under the columns Major Head and sub-head, Final Grant or Appropriation, Actual Expenditure & Excess/Savings. The figures of Original Grant or Appropriation exhibited in the Appropriation Accounts should be those shown against the railway in the Book of Demands for Grant as Voted by the Parliament in the case of 'Voted' grant and sanctioned by the President in case of 'Charged' expenditure. The figures of Final Grant or Appropriation should be those as finally sanctioned by the Railway Board before the close of the financial year. The figures of actual expenditure as shown in the Appropriation Accounts should agree with those shown in the Annual Accounts and against the appropriate detailed head of Grant, irrespective of the detailed head of the grant under which provision for such expenditure was made in the budget. In case of Grant no.16-Assets-Acquisition, Construction and Replacements, separate figures of Capital, DRF, and DF as the case may be, should be shown under the various sub-heads. The figures of Supplementary Grants in case of Voted expenditure to be shown in Column I of the Appropriation Accounts should be those which are voted by the Parliament for each sub-head of Demands for Grants. These figures are specifically mentioned in the letters sanctioning modified allotment and should be exhibited as such in the Appropriation Accounts against the sub-heads concerned.
- The Accounts Department monitors the expenditure incurred on the Railways through internal check. At the end of the year i.e. after the March Account Current is finalized, the Accounts Department prepares statement of actual expenditure against the allotments and after obtaining the remarks of the spending authorities for variations, consolidate the same by different Grants. These statements are called **Appropriation**

**Accounts** and are prepared and sent to Railway Board/ Pr. Director of Audit of the Railway Audit Department. The Pr. Director of Audit after scrutinizing the Accounts certifies the accounts with his remarks and is presented to the Parliament. Then the Public Accounts Committee examines the same on behalf of the Parliament.

- These statements are signed both by the Chairman Railway Board, as a Principal Secretary to the Government of India, Ministry of Railways and by the Financial Commissioner, Railways, as Secretary to the Government of India, Ministry of Railways in financial matters, and transmitted to the Principal Director of Railway Audit who has been entrusted by the Comptroller And Auditor General of India with the duty of reporting these Accounts.

- The Original Grant and the Supplementary Grant are both sanctioned by the Parliament. The Railway Board has been authorized to re-appropriate within the Grant to the extent of the Grant as voted by the Parliament by transferring the provisions from one Subhead to another by a formal order of re-appropriation. *However, re-appropriation from one grant to another is not permissible.*

- The Appropriation Accounts should be prepared separately for each grant. Comparison is made between the Original Grant/Appropriations and Final Grant and between the Final Grant and actual expenditure as booked in the accounts of the Railway. The various grants and what functional group they represent are given in the Annexure.

- These are otherwise known as Column I and Column IV statements.

- Then comes the Col. IV variation, which is the variation between the actual and the Final Grant. It is this statement with the explanation for variations, which is called the Statement of Appropriation Accounts.

- Under the Sub-heads of the Appropriation Accounts of each Grant, explanations should be furnished for the variations between the Original Grant or Appropriation and the Final Grant or

Appropriation and also between the Final Grant or Appropriation and the actual expenditure of the year. Cases where explanations for variations are to be given and the monetary limit therefore have been mentioned in Para 409 of FI. In other words it is the explanation for the residual modification sanctioned by the competent authority other than the Parliament.

### **5.7.2. Subsidiary Statements and Accounts**

The Appropriation accounts should be supported by a Block Account, Capital Statement, a Balance Sheet and a Profit and Loss Account of the railway. These statements should be prepared separately for Commercial and Strategic lines (F 427).

### **5.7.3. Accounts of Production Units (F 432)**

In respect of Production Units like CLW, DLW, ICF), in addition to Block Account, Capital Statement and Balance Sheet a Manufacturing Account with a Statement of Outturn should also be submitted as Annexure V & VI.

### **5.7.4. Other Accounts, Annexures and Subsidiary Statements accompanied with Appropriation Accounts**

Other accounts, annexure and subsidiary statements, which should accompany the Appropriation Accounts of individual Railways and Production Units, are:

- Annexure.1 Various Demands for Grants
- DRF Account, (Annexure-VII)
- DF Account, (Annexure-VIII)
- Pension Fund Account, (Annexure-IX)
- Railway Safety Fund Account, (Annexure-X)
- Stores Account (including Statement of Stores Transactions), Stock Adjustment Account (Annexure-XI),
- Stock Verification and Revaluation Account, (Annexure-XII),
- Statement of balances outstanding under Suspense (Annexure-XIII).
- Profit & Loss Accounts of Catering department (Annexure-XIV),

- Statement of expenditure held under objection and not regularized by competent authority (Annexure-A),
- Statement of Undercharges detected by Accounts and Audit etc (Annexure-B),
- Statement showing Remissions and Abandonment of Claims to Revenue (Annexure-C),
- Statement of Expenditure of important Open line Works & New Construction (Annexure-D),
- Statement Showing Revenue And Capital Expenditure Relating to Strategic Lines (Annexure E)
- Statement of Estimated & Actual Credits and Recoveries (Annexure-F)
- Block Accounts including Capital Statement Comprising The Loan Accounts) Balance Sheet And Profit And Loss Account (Annexure G )
- Statement of Losses etc. and Ex Gratia payments above Rs.50,000/- (Annexure-H),
- Statement showing irregular Re-appropriation (Annexure-I),
- Statement showing important Misclassifications and other mistakes in accounting etc. (Annexure-J).
- Statement of Defects in Budgeting (Annexure-K).

Some other statements enclosed to Appropriation Accounts are:

1. Statement showing the percentage of Working Expenses to Earnings, i.e. Operating Ratio.
2. Statements of Credit to Capital for Retired Assets.

A Summary of Appropriation Accounts is compiled by each Zonal Railway in the form mentioned in F 440.

A Statement of Annual Expenditure showing the *reconciliation of figures in the Account Current with those in the Appropriation* for the year should be prepared in Form 441F. The figures of "Voted" expenditure should be shown as distinct from "Charged" expenditure.

### 5.7.5. Appropriation Accounts of Civil Grants or Appropriations.

Every F.A. & C.A.O of Railway should furnish to the Railway Board, so as to reach them by the prescribed dates, advance copy of the Appropriation Accounts of the following Civil Grants in Form No. F 403-

- (i) Interest free Advances,
- (ii) Loans and Advances bearing interest,
- (iii) Interest on debt and obligations and reduction or avoidance of debt-charged,
- (iv) Pre-partition payments.

The Appropriation should be prepared under sub-heads as shown in the relevant Budget Orders of the year.

### 5.7.6. Settlements of audit observations on Finance and Appropriation Accounts.

- On receipt of Advance copies of the grants in audit these are scrutinized expeditiously and the points, if any which could not be got finalized informally, are forwarded to the Financial Adviser and Chief Accounts Officer/HQ taking into account the points raised by the Branch/Divisional Audit Offices. At Divisional/Branch Unit level audit points are issued to Divisional Accounts/Branch Unit Accounts Officer(s) first and attempts are made to finalize the same at Divisional/Branch Unit Level. Points unsettled are forwarded to F.A. & C.A.O/HQ.

- The points so raised will be discussed with the designated Financial Adviser (Budget) and settled.

- In the case of a difference of opinion between the Audit and Accounts Officers while discussing the points, such points will be arranged for discussion at higher levels.

- After settling the points, the draft of the final copy of the Accounts will be prepared by the Accounts Office, duly taking into account the results of discussions and sent to Audit office for concurrence.

- After the issue of the proposed final copy is agreed to by Audit Office, the final copy will be got signed by the General

Manager and sent to the Railway Board duly endorsing two copies to Audit office.

- In case Zonal Railway Audit office agrees to the issue of the final copy with certain reservations/qualifications, the Railway Board will be apprised of the fact enclosing a copy of the letter, wherever necessary, while forwarding the final copy. One of the copies will be forwarded to the Deputy Comptroller and Auditor General (Railways) along with audit's remarks, if any. There may be a few cases, where there are disagreements between the Audit and Accounts. In such cases, the Audit Certificates along with observations, if any, are issued by the respective Principal Director of Audit of the Zonal Railway and sent to the respective General Manager of the Railway, with a copy to the Railway Board and also to the C&AG.

- Consolidation is made at Railway Board's level and it is named as Appropriation Accounts of the Railways in India. The Consolidated Appropriation Accounts should be prepared by sub-heads under which the demands for Grants were presented to the Parliament and the figures of Original Grant or Appropriation to be exhibited in these accounts should be the same as those entered in the Books of Demands for Grants.

- The Consolidated Appropriation Accounts consist of a Grand Summary of the Appropriation Accounts by Grants and Appropriations in Form No. F 440, an Appropriation Account for each Grant in Form No. F 403, together with brief notes giving under each sub-head explanation of variations between final Grants or Appropriations and actual expenditure. Other consolidated Statements/Annexure are also accompanied with the Consolidated Appropriation Accounts. In addition to the Appropriation Accounts Consolidated Accounts of Civil Grant is also prepared by the Railway Board. After being compiled these are sent to C&AG for certification.

- After being checked at C&AG's Office the Appropriation Accounts are printed and presented to the Public Accounts Committee

for examination. The printed copies are signed by the Financial Commissioner & Ex Officio Secretary to the Govt. of India (Ministry of Railways), Chairman, Railway Board & Ex Officio Principal Secretary to the Govt. of India (Ministry of Railways) & Dy. Comptroller and Auditor General of India (Railways) on behalf of C&AG.

The Appropriation Accounts are published in Book form in the name "Appropriation Accounts of Railways in India- Part II- Detailed Appropriations Accounts" accompanied by a review by the Railway Board to be titled as "Appropriation Accounts of Railways in India-Part I- Review". This review consists of following topics:

- (i) Financial results of the year.
- (ii) Changes in the procedure, form and classification of accounts during the year
- (iii) Detailed review of the receipts and expenditure of the year, the figures of the different Grants being considered in suitable groups as well as individually,
- (iv) Results of Appropriation Audit showing excess over Grants, irregular Re-appropriations etc. requiring a report to or ratification by the Parliament.
- (v) Block Accounts, Capital Statement, Balance Sheet, Stores Balances, Capital Fund, Depreciation Reserve Fund, Development Fund, Investments etc.

#### **5.7.7. Examination by the Public Accounts Committee.**


The examination of the Appropriation Accounts and of the Audit Report thereon, on behalf of Parliament, is conducted by the Public Accounts Committee. The Committee's findings are recorded in a report presented to the Parliament. Government examines each of its recommendations with a view to implementing them and report to it on the action taken when the next year's Accounts come up for examination. In the exceptional cases in which Government are not in a position to implement a recommendation, they place their views before the committee to enable it to present a further report to the Parliament.



Slide 1

**Session 5**


**Railway Budget & Appropriation Accounts**



Slide 4

**Basic Concepts**

- As per the Separation Convention 1924, the Railway Budget is presented to the Parliament by the Union Railway Minister, prior to the General Budget.
- It is presented to both Houses of Parliament separately.
- Figures relating to the receipts and expenditures of the Railways are shown in the General Budget as they are the part of the total receipts and expenditure of the Government of India.




Training Module on Audit of Railways; Session: 5 4

Slide 2

**Learning Objective**

- In this session, the participants will be able to understand the basic concepts of the Budgetary System of the Indian Railway, its preparation, compilation, scrutiny etc. and parliamentary control over it, which will help them to focus on audit issues in the practical job scenario.




Training Module on Audit of Railways; Session: 5 2

Slide 5

**Basic Concepts**

- Every budget contains three elements:
  - 1. A review of the preceding year, including the actual receipts and expenditure in that year;
  - 2. An estimate of the receipts and expenditure of the coming year; and
  - 3. Proposals, if any, for meeting the requirements of the coming year.
- The estimates of expenditure embodied in the Annual Budget separately shows:
  - 1. The sums required to meet expenditure charged upon the Consolidated Fund of India; and
  - 2. The sums required to meet other expenditure proposed to be made from the Consolidated Fund of India.




Training Module on Audit of Railways; Session: 5 5

Slide 3

**Basic Concepts**

- Budget is a Constitutional and Management document.
- Article 112 (1) of the Constitution of India prescribes, 'The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for the year' referred to as 'Annual Financial Statement' popularly called as the 'Annual Budget' and is placed before Parliament.




Training Module on Audit of Railways; Session: 5 3

Slide 6

**Basic Concepts**

- Expenditure 'Chargeable' on the Consolidated Fund of India are:
  - Salary, allowances and the pensions payable to or in respect of C&AG of India;
  - Any sums required to satisfy any judgement, decree or award of any Court or awards by Arbitrators where made into rule of court; and
  - Any other expenditure declared by the Constitution or by Parliament by law to be so charged.




Training Module on Audit of Railways; Session: 5 6

Slide 7

### Budget process

- **The processes of Annual Budget:**
  - The Annual Budget
  - Budget Allotment
  - August Review and Revised Estimates
  - Supplementary Grants
  - Final Modifications
  - Final Grant




Training Module on Audit of Railways; Session: 5 7

Slide 10

### Preparation of Budget

- Payments to Worked Lines;
- Appropriation to and Expenditure to be met out of Railway Funds;
- Payment to General Revenues i.e. Dividend on Capital-at-Charge, Contribution for Grants to States in lieu of Passenger Fare Tax, Contribution for Assisting the States for financing Safety Works etc.
- Works Expenditure; and
- Civil Estimates

The estimates are based on the actuals of the first 7 months and expectations for the last 5 months of the current year .




Training Module on Audit of Railways; Session: 5 10

Slide 8

### Preparation of Budget

- Based on the time table issued by the Railway Board, the Financial Adviser and Chief Accounts Officer draws up a detailed programme laying down the dates by which the various Divisional/Branch Offices (Executive) should furnish the accounts/returns relating to them, to their Accounts Officers.
- Preparation of the Revised and Budget estimates commences at the 'grassroots level' i.e. Division, Workshop, Stores Depot etc etc.
- Care taken for preparation of Budget:
  - (i) Estimates should be as accurate as possible;
  - (ii) The data on which the forecast is based is adequate and reliable.




Training Module on Audit of Railways; Session: 5 8

Slide 11

### Compilation and Scrutiny of Budget in the Railway Executives & Accounts Offices.

- Budget Officers of the Divisional units and the Departmental Officers send the requirements of their funds to the respective Heads of the Departments and the Local Accounts Officers who vet and forward the same to the Heads of the Departments concerned endorsing a copy to the FA&CAO (Budget) along with the copies of the estimates vetted.
- After consolidation of the requirements of their departments the Heads of the Departments forward these estimates to the FA & CAO / Budget.
- FA & CAO / Budget in turn advises the final requirements to the Railway Board.




Training Module on Audit of Railways; Session: 5 11

Slide 9

### Preparation of Budget

- The Revised and Budget estimates are framed by various concerned authorities for the following categories:
  - Gross Receipts i.e.
    - Coaching Earnings, Goods Earnings, Sundry Other Earnings, Receipts of Worked Lines, Refunds of Revenue etc.;
  - Ordinary Working Expenses i.e.
    - Demand 3 to Demand 14, Estimate of Cost of Establishments, Suspense Heads, Repairs & Maintenance Expenditure of Rolling Stock, Cost of Fuel, etc.;




Training Module on Audit of Railways; Session: 5 9

Contd.....S/10

Slide 12

### Compilation and Scrutiny of Budget in Railway Board Office.

- The estimates of expenses submitted by the individual railways are subjected to a critical examination by the Railway Board.
- The Railway Board frames its own estimate of the expenditure likely to be incurred during the current year (for Revised Estimate) and during the next year (for Budget Estimate).
- All estimates are consolidated under the respective "Demand for Grants" and submitted to the Minister.
- The complete Budget, with all Budget papers, alongwith a summary are presented to the Lok Sabha and the Rajya Sabha with the recommendation of the President to be obtained under Article 113 (3) of the Constitution.



Training Module on Audit of Railways; Session: 5 12

Slide 13

### Budget Allotment

- After the Demands for Grants are voted by the Lok Sabha, there shall be introduced a Bill to provide for the *Appropriation out of the Consolidated Fund of India* of all moneys required to meet the grants so made by the Lok Sabha and the Expenditure, if any, charged on the Consolidated Fund of India.
- The Appropriation Bill as passed by the Parliament and assented to by the President forms the basis for budgetary allocations to the Railways.
- The Budget Allotments for the Railway as approved by the Parliament are found in the Book Demands for grants in the case of Railway Grants and in the Budget Orders in case of civil grants.

Training Module on Audit of Railways, Session: 5 13

Slide 16

### Powers of Railway Board on budget allotment & re-appropriation

- The Transfer of funds, originally assigned for expenditure on a specific object to supplement the funds sanctioned for another object is called Re-appropriation.
- In respect of Budget Allotment-
  - Within the amount of a Voted grant the Railway Board has full powers of transferring the provision from one subhead to another by a formal order of re-appropriation; and
  - As regards 'Charged' expenditure, Railway Board has full power to transfer provision from one sub-head to another by a formal order of re-appropriation, *but no re-appropriation is permissible from one grant to another or*

Contd.....SF17 16

Slide 14

### Distribution of Funds by the Railway Board

- Grants as Voted by the Parliament and the appropriation for the Charged expenditure as sanctioned by the President, are distributed by the Railway Board among the Railway Administrations as soon as the Budget is sanctioned.
- Budget allotment is intended to cover all charges, liabilities for past years, to be paid during the year.
- Any unspent balance shall lapse and shall not be available for utilisation in the following year under the 'doctrine of lapse'.

Training Module on Audit of Railways, Session: 5 14

Slide 17

### Powers of Railway Board and Railway Administration on budget allotment & re-appropriation

from 'Charged' heads to 'Voted' heads or vice versa.

- Under Grant No.-16 no re-appropriation of fund is permissible between Capital, Railway Funds and Revenue.
- In respect of Zonal Railways – In addition to the restrictions on Railway Board, all proposals for re-appropriation of fund which are beyond the General Manager's powers shall be submitted to the Railway Board sufficiently early.

*No re-appropriations are permissible after the close of the financial year (31st March).*

Training Module on Audit of Railways, Session: 5 17

Slide 15

### Distribution of Funds by GM to the Subordinate Authorities

- GM of individual Railway is to distribute the funds placed at his disposal to authorities subordinate to him.
- GM follows the following basic guidelines while distributing funds to lower authorities:
  - A specific sum shall be allotted for each of rolling stock and for each individual work estimated to cost over Rupees One Lakh.
  - A lump sum shall be allotted for all works which are estimated to cost less than the minimum limit prescribed by him.

Training Module on Audit of Railways, Session: 5 15

Slide 18

### Revised Estimates

- It is mainly intended for the Railway Board to enable them to obtain a supplementary grant duly voted by the Legislature, after taking into account the position on all the Railways.
- Based on the requirements advised through the Revised Estimates the Railway Board advises the Railways on the amount fixed by them as the Revised Estimate under each of the grants.

Training Module on Audit of Railways, Session: 5 18

Slide 19

### Supplementary and Excess Grants.

- When the amount of a grant/appropriation in the budget is found to be insufficient for the purpose of the current year, an estimate for the supplementary grant/appropriation, is submitted by the Railway Board to the vote of Parliament/for sanction of the President.
- After the same is voted by the Parliament, copies of the Book of Supplementary demands are forwarded to the Railway Administrations by the Railway Board for further allocation to different units.

Training Module on Audit of Railways; Session: 5 19

Slide 22

### Appropriation Accounts

- These are the statements prepared for presentation to the Public Accounts Committee, comparing the amount of actual expenditure with the amount of grant voted by Parliament and Appropriation sanctioned by the President.
- Detailed programme giving the dates for submission of advance and audited copies of the Appropriation Accounts and connected statements is circulated every year by the Railway Board in consultation with the C & AG, for compliance by the Zonal Railways.

Contd.....S/23  
Training Module on Audit of Railways; Session: 5 22

Slide 20

### Final Modification of Budget

- Railway Administration furnishes to Railway Board, statements showing the additional allotments required or surrenders to be made, for each grant separately, not later than the 21st February each year, with the explanations for variations between the final modified allotments required and the revised estimates as fixed by the Board.
- Any important changes subsequently found necessary should be intimated before 20th March of the year, to enable the President to accord sanction to them.

Training Module on Audit of Railways; Session: 5 20

Slide 23

### Appropriation Accounts

- The form of Appropriation Accounts has been fixed by the Public Accounts Committee in such a way that they would exhibit the variations of actuals from the amounts sanctioned by the Parliament in the form of Budget and Appropriations.
- The General Manager of each railway sends to the Railway Board the Appropriation Accounts for his railway, for each grant, under the columns Major head and sub-head, Final Grant or Appropriation, Actual Expenditure incurred and variations (Excess or Savings) between the two and explanations for variations where required.

Contd.....S/24  
Training Module on Audit of Railways; Session: 5 23

Slide 21

### Final Grant

- The Railway Board advises the Railway Administration before the close of the financial year, the amount fixed as Final Grant in respect of the several Demands for Grants.
- The total amount for each grant and the amounts fixed in respect of some of the Sub-Heads of the grant from and to which re-appropriation of funds is not within the competence of the Railway Administration, only are advised.

Training Module on Audit of Railways; Session: 5 21

Slide 24

### Appropriation Accounts


- These are supported by a Block Account, Capital Statement, a Balance Sheet and a Profit and Loss Account of the railway.
- These are prepared separately for Commercial and Strategic lines.
- In respect of Production Units like CLW, DLW, ICF), in addition to above Accounts, a Manufacturing Account with a Statement of Outturn are also be submitted.
- Some other accounts, annexures and subsidiary statements, as prescribed also accompany the Appropriation Accounts of individual Railways and Production Units.

Training Module on Audit of Railways; Session: 5 24

Slide 25

**Settlements of audit observations on Finance and Appropriation Accounts.**

- On receipt of advance copy of the Appropriation Accounts by the Divisional/Branch Unit Audit Offices from the Divisional/Branch Unit Accounts Offices, Audit points are first discussed at local level.
- Unsettled audit points are issued to Divisional/Branch Unit Accounts Officers with a copy to F.A. & C.A.O/HQ/Budget.
- Consolidated Audit points are raised to F.A. & C.A.O/HQ/Budget by the Principal Director of Audit of Zonal Railway, after scrutiny at HQ's level.
- Unsettled audit points are raised and incorporated in the Audit certificates issued by Principal Director of Audit and forwarded to General Manager of Railway with copy to Railway Board & Dy. C & AG (Railways).




Training Module on Audit of Railways: Session 5

Slide 28

**Examination by the Public Accounts Committee.**

- The examination of the Appropriation Accounts and of the Audit Report thereon, on behalf of Parliament, is conducted by the Public Accounts Committee. The Committee's findings are recorded in a report presented to the Parliament. Government examines each of its recommendations with a view to implementing them and report to it on the action taken when the next year's Accounts come up for examination.




Training Module on Audit of Railways: Session 5

Slide 26

**Consolidation of Appropriation Accounts at Railway Board.**

- Consolidation is made at Railway Board's level and named as Appropriation Accounts of the Railways in India.
- The Consolidated Appropriation Accounts is prepared by sub-heads under which the demands for Grants were presented to the Parliament and the figures of Original Grant or Appropriation to be exhibited in these accounts should be the same as those entered in the Books of Demands for Grants.
- The Consolidated Appropriation Accounts consist of a Grand Summary of the Appropriation Accounts by Grants and Appropriations together with brief notes giving under each sub-head, explanations of variations between final Grants or Appropriations and actual expenditure.




Training Module on Audit of Railways: Session 5

Slide 27

**Checking at C & AG's Office and printing of Appropriation A/cs.**

- After being compiled these are sent to C&AG for certification.
- After being checked at C&AG's Office the Appropriation Accounts together with comments, if any, on above are printed and presented to the P. A. C. for examination duly signed by the Financial Commissioner & Ex Officio Secretary to the Govt. of India (Ministry of Railways), Chairman, Railway Board & Ex Officio Principal Secretary to the Govt. of India (Ministry of Railways) & Dy. Comptroller and Auditor General of India (Railways) on behalf of C&AG.



Training Module on Audit of Railways: Session 5

**Questions:**

1. Under which Article of the Constitution of India budget of Union Govt. is placed before the Parliament?
2. After which Railway Convention Railway Budget is presented to the Parliament by the Union Railway Minister?
3. How the Railways' revenue and Capital expenditure is met?
4. How many elements contain in a Budget?
5. What are the Articles of the Indian Constitution those give guidelines on framing the budget?
6. What is the Railways' Charged Expenditure on Consolidated Fund of India?
7. What are the Annual Railway Budget Processes?
8. Which authority issues the time table for preparation of budget?
9. What is the detailed procedure adopted by a Railway in preparation of Annual budget?
10. How many Demands for grants are there for which budget estimate is prepared? How many are for Railways and how many for Railway Board/Railway Administration?
11. Which are the heads for which revised estimates for the current year and budget estimates for the following year, are required to submit to the Railway Board?
12. What care should be taken while preparing a budget estimate or revised budget estimate?
13. What does a Civil Estimate cover?
14. What instrument is introduced to provide for the Appropriation out of the Consolidated Fund of India after the Demands for Grants have been voted by the Lok Sabha? Under which Article it is introduced?
15. In which documents of Railways the Budget Allotments for the Railways and Civil grant as approved by the Parliament are reflected?
16. How Distribution of Funds by the Railway Board to Zonal Railway and distribution of fund by the Railway to the different expending units under its control are made?
17. What is called Re appropriations?
18. State whether following Re-appropriations made by the Zonal Railway are permissible or not.
  - (i) Re-appropriation between 'Voted' and 'Charged' allotments
  - (ii) Re-appropriation between allotments made less than one grant and another.
  - (iii) Re-appropriation between the Capital, Railway Funds and Revenue in the case of Grant No. 16.
  - (iv) Re-appropriation to and from the provision for the plan Heads (a) New lines (Construction), (b) Gauge Conversion, (c) Electrification projects, (d) Track renewals, (e) Staff quarters, (f) Amenities for staff and Passenger amenities etc. under Grant No.16
  - (v) Re-appropriation to and from the provision for 'Payments to other railways' in Grant No.9
  - (vi) Re-appropriation to and from the provision for 'Suspense' in Grant No.12
  - (vii) Re appropriations after the close of the financial year (31st March).
19. What is the difference between Budget Order & Expenditure Order?
20. Under what circumstances unforeseen expenditure & expenditure on "New

Services/New Instrument of Services" not contemplated in the budget, are met from Contingency Fund of India and how these are regularized?

But, Supplementary estimates for all expenditure so financed shall be presented to the Parliament at the first session, meeting immediately after the advance is sanctioned. As soon as Parliament has authorized the additional expenditure by including it in any Supplementary Appropriation Act, the advance made from the fund shall be resumed to the fund.

and what they do on them? What is the fate of their report?

21. What is called August Review?

22. What is Revised Estimate? Why is it prepared?

23. What is called Supplementary and Excess Estimate/ grant? What are the relevant provisions for dealing with this estimate/grant?

24. What are the relevant provisions regarding Final Modification?

25. What is Final grant? What are the relevant provisions regarding Final grant?

26. What are called Appropriation Accounts? Mention detailed programmes and procedures in connection with Appropriation Accounts.

27. What are the important Subsidiary Statements and Accounts annexed to Appropriation Accounts?

28. For which Civil Grants Appropriation for Civil Grant are prepared?

29. How Appropriation Accounts are checked, observations raised and audit observations on Finance and Appropriation Accounts are settled?

30. Which Committee examines the Appropriation Accounts and of the Audit Report thereon, on behalf of Parliament

**Answer Sheet:**

1. Article 112 (1) of the Constitution of India.

2. In terms of Separation Convention 1924, the Railway Budget is presented to the Parliament by Union Railway Minister.

3. The revenue expenditure is met entirely by railways itself; the shortfall in the capital (plan) expenditure is met partly from borrowings (raised by Indian Railway Finance Corporation) and the rest from budgetary support from the Central Government.

4. A budget contains three elements, viz.:

- A review of the preceding year, including the actual receipts and expenditure in that year;
- An estimate of the receipts and expenditure of the coming year; and
- Proposals, if any, for meeting the requirements of the coming year.

5. Articles 112 (1) & (2) & Articles 113 (1) to (3) of the Constitution.

6. The following expenditure is 'Charged' on the Consolidated Fund of India in respect of Railways:

- The salary, allowances and the pensions payable to or in respect of C&AG of India;
- Any sums required to satisfy any judgement, decree or award of any Court or awards by Arbitrators where made into rule of court; and
- Any other expenditure declared by the Constitution or by Parliament by law to be so charged.

7. The following are the annual budget processes:

- The Annual Budget
- Budget Allotment
- August Review and Revised Estimates

- Supplementary Grants
- Final Modifications
- Final Grant

8. The Railway Board issues the Time table for preparing the budget and the Financial Adviser and Chief Accounts Officer draws up the detailed programme for preparation of budget.

9. See Para 5.1.1 & 5.1.3 of Participants' notes Session 5.

10. There are 16 heads of Demand for grants.

Grant Nos. 3 to 13 is for all Railways, Grant nos.1 for Railway Board & 2 for Railway Board & Railway Admn. etc. to whom grants are made, Grant No.16 for all Railways and Railway Board, Grant No.14 is for all Railways and Rly. Board and Grant No.15 is for Railway Board.

11. Estimates are required to be sent to Railway Board for Following Heads:

- i) Estimate of Earnings,
- ii) Estimate for Revenue Demands 2 to 15
- iii) Civil Estimates
- iv) Estimate for Works Demand 16.

12. Following care should be taken while preparing budget estimate and revised budget estimate:

- That the data on which the forecast is based is adequate and reliable and that the conclusions arrived at from the data can be sustained by past experience and future expectations of likely events;
- The estimates should be as accurate as possible;
- No stereotyped method should be adopted for forecasting the estimates.

13. A Civil Estimates covers following areas:

(i) Income tax, Interest on advances by Central Government and Interest on Debt and other Obligations, (ii) Debt Heads and K-Deposits and Advances, (iii) K-Deposits and Advances and F-Loans and Advances,



by the Central Government, (iv) Remittance Transactions.

14. A Bill in the name of Appropriation Bill is introduced to provide for the Appropriation out of the Consolidated Fund of India

This is introduced in terms of Article 114(1) of the Constitution of India.

15. The Budget Allotments for the Railway under the various sub-heads of the several grants, as approved by the Parliament are found in the Book of Demands for grants in the case of Railway Grants and in the Budget Orders in case of civil grants.

16. See Paras 5.1.8 & 5.1.9 of Participants' notes -Session 5.

17. The Transfer of funds originally assigned for expenditure on a specific object to supplement the funds sanctioned for another object is called Re appropriation.

18. (i) No  
 (ii) No  
 (iii) No  
 (iv) Requires prior approval of Railway Board.  
 (v) Requires prior approval of Railway Board.  
 (vi) Require the prior approval of Railway Board.  
 (vii) No

19. When orders are issued by the Railway Board authorizing the railway administrations to incur expenditure to a certain extent over and above the allotment sanctioned for them, they should be taken as "expenditure orders" whereas the orders by means of which the allotments are made by the Railway Board are called 'Budget Orders'.

20. Unforeseen Expenditure which cannot be met by re appropriation from the existing grant and expenditure on a "New Services/New Instrument of Services" not

contemplated in the budget shall be met out of the balance in the Contingency Fund of India.

21. Railway Administration review their expenditure in **August** to see whether any modifications are necessary in the allotments placed at their disposal. This is called August Review.

22. The Revised Estimate is mainly intended for the Railway Board to enable them to obtain a supplementary grant duly voted by the Legislature, after taking into account the position on all the Railways.

23. When the amount of a grant/appropriation in the budget is found to be insufficient for the purpose of the current year, an estimate for the supplementary grant/appropriation is submitted by the Railway Board to the vote of Parliament/sanction of the President. This is called Supplementary Estimate. The estimate when sanctioned is called Supplementary grant.

For relevant provisions see Para 5.4 of Participants' notes -session 5.

24. See Para 5.5 of Participants' notes - Session 5.

25. Based on the advises from the respective Railways, the Railway Board will advise the Railway Administration before the close of the financial year the amount fixed as Final Grant in respect of the several Demands for Grants.

For relevant provisions see Para 5.6 of Participants' notes -Session 5.

26. The statements which are prepared for presentation to the Public Accounts Committee, comparing the amount of actual expenditure with the amount of grant voted by Parliament and Appropriation sanctioned by the President, are called the 'Appropriation Accounts'.

See Para 5.7 of Participants' notes - Session 5. for detailed programmes and procedures.

27. Block Account, Capital Statement, a Balance Sheet and a Profit and Loss Account of the railway etc. are annexed to the Appropriation accounts. For other various Annexure, Statements etc. see Para 5.7.4 of Participants' notes -Session 5.

28. Appropriation Accounts of Civil Grants or Appropriations are prepared for the following Civil Grants:

- (i) Interest free Advances,
- (ii) Loans and Advances bearing interest,
- (iii) Interest on debt and obligations and reduction or avoidance of debt-charged,
- (iv) Pre-partition payments.

29. See 5.7.6 of Participants' notes Session-5.

30. The examination of the Appropriation Accounts and of the Audit Report thereon, on behalf of Parliament, is conducted by the Public Accounts Committee. The Committee's findings are recorded in a report presented to the Parliament.

Then Government examines each of its recommendations with a view to implementing them and report to it on the action taken when the next year's Accounts come up for examination. In the exceptional cases in which Government are not in a position to implement a recommendation, they place their views before the committee to enable it to present a further report to the Parliament.



# Session: 6



## **Audit of Railway Finance and Appropriation Accounts**

<b>Session Title: Audit of Railway Finance and Appropriation Accounts.</b>		Session Guide
<b>Instructor's Guide</b>	Reference	Participants' Response
<b>Session Overview</b>		
<b>Welcome</b> participants to the session and remind them that their active participation is critical for the success of each session.	Lecture	
<b>Learning Objective</b>		
<b>Inform:</b> Given the inputs of Audit procedure in connection with Audit of Finance & Appropriation Accounts of Railway and various points to be seen during audit of Finance & Appropriation Accounts and Audit Certificates to be issued and PowerPoint slide show, the participants will, at the end of the session, acquire an understanding of the different audit checks to be exercised during audit of Finance and Appropriation accounts finally, which will help them to focus on audit issues in the work context and to raise different types of audit observations in connection with Finance and Appropriation Accounts..	Lecture	
<b>Basic Concepts</b>		
<b>Discuss:</b> <ul style="list-style-type: none"> <li>• <u>Audit procedure</u>: Audit Planning-preparation of detailed audit programme-risk analysis etc.-selection of sample vouchers etc.-preparation of Matrix-Information Sheet-Entry conference &amp; Exit conference, Audit Execution, Audit Reporting and Documentation- <i>assertions of completeness, measurement, regularity, occurrence and disclosure</i>.</li> <li>• Points to be seen during audit of various Railway Accounts.</li> <li>• Points to be seen during audit of Appropriation Accounts of the Railway.</li> <li>• Issue of Audit Certificates and Management letter.</li> <li>• Types of possible irregularities noticed on Misclassification and mistakes in Accounting, Defects in Budgeting, Unsanctioned expenditure etc. with illustrations.</li> </ul>	Lecture with Power Point Slide Show <b>Session 6 AUDIT OF FINANCE AND APPROPRIATION ACCOUNTS OF RAILWAYS.</b>	
<b>Summarise:</b>		
<b>Distribute</b> Participants' Note. <b>Tell</b> the participants that during the session, we discussed Audit procedure in connection with Audit of Finance & Appropriation Accounts of Railway and various points to be seen during audit of Finance & Appropriation Accounts, Audit Certificates to be issued and different nature of observations can be issued. <b>Invite</b> questions on themes discussed. If participants have any doubts/clarifications about themes, clarify the same. Answer participants' queries.	Session 6 Participants' Note	

<b>Session Title: Audit of Railway Finance and Appropriation Accounts.</b>		<b>Session Guide</b>
<b>Instructor's Guide</b>	<b>Reference</b>	<b>Participants' Response</b>
Thank the participants and bring the session to a close.		

**Training Method:** Interactive Lecture and Power Point Slide Show.

**Materials Required:** Power Point Slides, Projector, White Board, Marker Pen and Participants' Note.

## **Session Title:** **Operationalization of Finance Attest Audit.**

### **6.0. Session Overview:**

Different financial ratios/indices/parameters are prepared by the Railway administration e.g. operating ratio, return on Capital (percentage of (revenue) surplus to Capital at Charge), percentage of net receipts to capital at charge, Current assets/liabilities [Work in process (workshop) as a percentage of the value of workshop out turn, stores inventory as percentage of the total issue of stores, unrealized earnings at the year end in terms of number of days, earnings], to judge the financial performance of the Railway. Therefore, audit has a great role to check the accuracy of the figures and compilation of various accounts meticulously as any mistakes in accounting/compilation may lead to incorrect reflection of the performance of Railway. Detailed checks in Audit to be exercised in connection with audit of general books and accounts and Appropriation Accounts have been laid down in Railway Audit Manual (Chapter XIX and XX- Paras 366 to 422) and audit of earnings, catering Audit, stores & workshop audit have been laid down in Chapters XII, XIII, XIV, XVII & XVIII respectively. These apart, rules and regulations as laid down in Indian Railway Accounts Code, Part I (Chapter II to VIII), Part II and Indian Railway Finance Code Vol. I & II are also to be followed. Internal checks by the Railway Accounts have also been laid down in Chapter VII of Indian Railway Accounts code, Part-I. Audit has the responsibility to review the efficiency of internal checks. Further, C & AG issues special instructions every year on checking of Appropriation Accounts of Railway facilitating Audit of Finance & Appropriation Accounts of Railways. The Secret Memorandum of Instructions of Audit also lay down the extent of check to

be exercised in various types of vouchers and accounts. Audit should follow accordingly as per guidelines.

The Finance Attest Audit Manual of Indian Audit & Accounts Department lays down the framework for the process of financial audit within the Indian Audit & Accounts Department which gives audit tools. These can be exercised during Audit of Finance & Appropriation Accounts of Railways also.

A Task Force was constituted in 2011 by the Headquarters (C & AG) for operationalisation of the Financial Attest Audit Manual in respect of audit of Finance Accounts of the State Governments and the Task Force recommended to convert the financial attest audit of Finance & Appropriation Accounts to an assertion (objective) based audit providing reasonable assurance that the accounts are free from material misstatement and irregularity. Apart from detailed instructions on planning the audit, the recommendations and tools also contain audit checks to prove the assertions in audit through substantive audit tests and tests of control that have been developed separately for scrutiny of vouchers, monthly accounts, monthly appropriation accounts, finance accounts and annual accounts and appropriation accounts.

The audit procedures prescribed in Financial Attest Audit Manual are closely linked to the provisions of Financial Audit Guidelines forming part of International Standards of Supreme Audit Institutions (ISSAI).

Taking into the recommendations prescribed by the Task Force and the existing audit instructions as prescribed in the books on Railway Accounts and Audit and instructions issued by the C & AG from time to time the best practices for carrying out systematic and effective Audit in Railway Audit Department are discussed here. Before proceeding to next, the idea of completeness, occurrence,

measurement, disclosure and regularity should be made clear: These are-

**Completeness:** 'Completeness' means that all transactions relevant to the year of account have been recorded. It implies that no transaction has been overlooked. This assertion directly tests for potential understatement of figures in accounts. For example, if the accounts are prepared for the financial year 2013-14 and an item of expenditure which takes place during 2013-14 is omitted from accounts, the 'completeness' objective is not fulfilled.

**Occurrence:** 'Occurrence' means that all recorded transactions occurred and were relevant to the year of account, for e.g. if an item of receipt was booked in the accounts for the financial year 2013-14, to satisfy the 'occurrence' objective, the item should properly relate to only 2013-14 and not to any other financial year. This assertion directly tests for potential overstatement of figures in the accounts.

**Measurement:** 'Measurement' means that the recorded transactions have been correctly valued, properly calculated, or measured in accordance with established accounting policies, on an acceptable and consistent basis. This involves much more than clerical accuracy as it requires the auditor to check the conformity with the established accounting policies and standards and the consistency in the measurement.

**Disclosure:** 'Disclosure' means that the recorded transactions have been properly classified and disclosed where appropriate. This implies that the receipts and expenditure were booked into the proper account head and the disclosures in the notes and foot notes in the accounts are appropriate and adequate.

**Regularity:** 'Regularity' is a unique requirement for Government/Railway Accounts. This requires that the recorded transactions are in accordance with the primary and secondary legislation and other specific authorities required by them.

### 6.1. Audit Plans:

Audit Plan includes detailed instructions for audit of Finance & Appropriation Accounts categorized as follows:

- a) Audit Planning
- b) Audit Execution
- c) Audit Reporting and Documentation
- d) Integration with central audit
- e) Integration with inspection of treasuries (F.A. & C.A.O)
- f) Integration with audit of departmental accounts rendering units

The detailed audit checks to be carried out on the Vouchers, Monthly Accounts Current, Monthly Appropriation Accounts, Finance Accounts and Annual Appropriation Accounts are separately discussed. Method of selection of sample of vouchers and other inputs of the accounts for substantive audit test are also discussed separately.

#### 6.1.1. Audit Planning:

##### (i) Time Lines for audit.

The audit of Finance & Appropriation Accounts of Railway commences with the issue of a time schedule by the Railway Board in consultation with C& AG of India. The schedule consists of datelines for the following activities connected with preparation and audit of Finance & Appropriation Accounts:

##### (ii) Activities at Railway Accounts Offices.

- Completion and submission of Monthly Accounts Current to Audit,
- Completion and submission of Monthly Accounts for the month of March,
- Submission of Annual Accounts Current to Audit,
- Submission of Finance Accounts & Appropriation Accounts and other Statements to Audit Department, for audit as per schedule;
- Finalization of Finance & Appropriation Accounts after considering the observations in audit.
- Instructions are also issued to the Divisional Units and other Accounting



units fixing the internal deadlines for the following activities:

- Submission of initial accounts by all Accounts Rendering Units;
- Fixing of cut-off date for acceptance of re-appropriations orders.

**(iii) Activities at Railway Audit Offices:**

- Issue of intimation to all auditing units including Divisions about the date lines fixed by the C & AG's Office and fixing of internal date lines about submission of Advance of Audited Statements,
- Return of audited Statements to Railway Accounts Offices together with observations, if any thereon.
- Discussion with respective F.A. & C.A.O of the Railway for finalizing the observations.
- Sending of each Audited Statements to C & AG's Office along with the audit observations thereon remaining unsettled.
- Approval of the Audit Certificate in respect of Finance & Appropriation Accounts by Accountant General (Audit) for final Certification of accounts by C&AG of India.

**6.1.2. Responsibility Centre for audit of Finance and Appropriation Accounts.**

The best practice for conducting efficient audit of Finance and Appropriation Accounts would be to create a dedicated Section for conducting this audit through a year-long process and not merely a year-end exercise. In fact, some of the Railway Audit Offices are also having such a separate Section. This may be named as 'Financial Attest Audit Group'. The responsibility of the Finance and Appropriation Accounts Audit Team (FAAAT) should include all activities connected with the *Planning, execution, reporting and documentation* of audit of Finance and Appropriation Accounts as well as *coordination* with other sections of Financial Attest Audit Group dealing with scrutiny of vouchers etc. during Central Audit, Local Audit Parties and Inspection Teams of the Office.

Several of the **audit checks** of Finance & Appropriation Accounts can be exercised on the Database though Computer Aided Audit Techniques. It can be done using any CAAT tool like IDEA. The audit checks required in various substantive audit tests can be listed out to facilitate easy development and adoption of IDEA in such audits by the Railway Audit Offices. The query to be used is dependent on the nature of Master Tables in the Application in use in the Railway Accounts Offices. However, percentage test check has been prescribed in CAG's Secret Memorandum of Instructions for Audit.

**6.1.3. Preparation of detailed audit program.**

The planning for financial attest audit of Finance & Appropriation accounts should be integrated with the preparation of Annual Audit Plan of the Railway Audit Office. Planning will be the responsibility of FAAAT in Financial Attest Group. **The planning activities to be carried out will include:**

**Conduct risk analysis of 'account areas, accounting information, accounts rendering units, expenditure incurring units and revenue collection units'.** The decisions on materiality levels and risk parameters may be left to the professional judgment of the Principal Director of Audit of the Zonal Railway or the person nominated by him/her.

It may, however, be ensured that risk analysis of account areas, accounting information, accounts rendering units, expenditure incurring units and revenue collection units are decided prior to commencement of audit and should be an input for preparation of the Annual Audit Plan of the Office. In carrying out the risk analysis, the Principal Director of Audit may assess the controls that exist in the Railway Accounts Office.

The following indicative sources of information are suggested for various account/accounting information/accounts rendering units. Past experiences and

review of previous audit observations give wider scope in identifying Risk Areas.

### 6.1.3 (i) Accounts Areas and Accounting Information.

#### *Sources of information for Risk Analysis:*

- Comments from audit of Finance and Accounts of previous year.
- Important Notes to Accounts and Foot notes included in current and previous year's Finance & Appropriation Accounts.
- Monthly Accounts Current and Appropriation Accounts.
- Budget allocations and actual expenditure of previous year.
- Availability of budget grant/supplementary grant/final grant
- Comments on savings and excesses in Grants appearing in current and previous year's appropriation accounts.
- Defects in budgeting (discussed separately in Audit of Appropriation Accounts).
- Report on review of balances carried out by Railway Accountant Offices. Differences between the figures furnished by the divisional/field units and compiled figures at HQ.
- Entries in 'Objection books' maintained in compilation sections of Accounts Offices of Railway and in the 'Register of Points to be watched at Headquarter Office of the PDA in connection with Appropriation Accounts' and 'Observations raised by Audit during routine Audit of Accounts', maintained by the Central Audit Parties of Railway Audit.
- Assurances given by the F.A. & C.A.Os of Railways and the Finance Commissioner of the Railway on correction of accounts, if any, in the entry and exit conferences.
- Reports of Public Accounts Committee on regularization of excesses in previous years.
- Correct treatment of booking of receipts and expenditure under proper

head of accounts with full details-misclassification and mistakes in accounting.

- Correct treatment of booking of expenditure under Capital, CF, DF, DRF, OLW (R) and revenue etc. as per principles laid down in Indian Railway Finance Code, Accounts Code.
- Negative balances in various funds e.g. Capital, CF, DF, DRF, SRF etc.
- Demands payable, Demands recoverable registers.
- Suspense Registers- Any negative and inefficient balance in suspense heads (viz. Misc. deposit, Traffic A/cs., Misc. Advance)-debit and credit items.
- Sanctions and Estimates especially in connection with the heads of account under which the expenditure is proposed to be met.
- Sanctions Register maintained by Central Audit wing of Railway Audit and the Railway Accounts Office.
- Divisional Advices of Transfer (DATs).
- Transfer Entries passed before the accounts for the year are closed.
- Transfer Entry passed after the accounts of the financial year are closed.
- Serialization of All Transfer Certificates.
- Debit/Credit and their acceptance and account.
- Reconciliation of bank entries in the Bank Statements with party ledgers to avoid risk of improper debit/credit to the party's accounts.
- Account cheques/drafts in the cheque register before depositing into Bank.
- Trend of bulk/rush booking of expenditure at the fag end of the financial year to avoid defects in budgeting leading to a chance of misappropriation or misclassification.
- Existence of good Internal Control/Internal check system.
- Existence of regular reconciliation system between various accounts and schedules.

**6.1.3 (ii) Accounts Rendering Units**

- Report of inspection of the various units including divisional units rendering accounts.
- Inspection Reports of local audits.

**6.1.3 (iii) Drawing and Disbursing Officers**

- Reports of local inspection parties.
- Audit notes of central audit parties.

**6.1.4. Selection of sample vouchers.**

This part will prescribe the planning materiality levels in the form of monetary thresholds and other criteria for selection of sample vouchers, sample account areas and sample transactions for substantive testing. On Railway Audit a separate book in the name of 'Secret Memorandum of Instructions of Audit' has been prescribed by the C & AG, wherein the selection criteria (monetary limit and percentage to be test checked) have been laid down. But the selection of sample *vouchers* and other accounting inputs like grants, vouchers, challans, classified abstracts, consolidated abstracts, transfer entries, settlement accounts and different transactions forming part of the accounts may be done by the Principal Director of Audit adopting the Monetary Unit Sampling method through the IDEA Software. The Principal Director of Audit using his/her professional judgment may also select the items to be audited.

It will be the responsibility of FAAAT to apply the IDEA Application, draw the sample transactions and communicate the same to the Financial Attest Audit Group, Divisional units, Field Audit Parties and Inspection Teams. The sampling is to be done after stratifying the VLC data of transactions into Revenue Receipts, Capital Receipts, Revenue Expenditure, Capital Expenditure, Deposits & Advances and Remittances. The IDEA application is to be applied on the VLC Database. However following transactions forming part of the Monthly Accounts Current and Monthly Appropriation Accounts of the Railways are recommended to be considered *Material by Nature and*

*Context.* The sampling may, therefore, be done on transactions *other than following* transactions listed below for which **100% checking is desirable:**

- Transactions relating to Loans and Advances under *Major Heads 7610 & 7615;*
- Transactions relating to Public Debt under *Major Heads 8005;*
- Transactions pertaining to Contingency Fund under *Major Head 8000;*
- Transactions relating to Reserve Funds booked under *Major Heads 8115 to 8121;*
- 8658 – *Suspense Accounts*
- Transactions relating to Cash Remittances and adjustments with other Departments States booked under *Major Heads 8782 to 8790.*
- Transactions under deposits and Advances of Railways under *Major Head 8337 to 8552– K-Deposits and Advances.*

**6.1.5.** Prepare a '*Matrix*' showing the assertions sought to be proved, samples of transactions and vouchers selected for carrying out the test, substantive audit tests to be carried out and the responsibility centre for the substantive audit test. The results of the audit tests carried out may be noted in the 'Information Sheet' showing the nature of substantive audit test, the units/account area/account information on which the test was carried out and results of the substantive audit tests carried out by Financial Attest Audit Group, Local Audit Parties and Inspection units.

**6.1.6.** Monitor receipt of '*Information Sheet*' based on the '*Matrix*' supplied to the entire audit teams involved in the financial attest audit of Finance & Appropriation Accounts. While this *Information Sheet* should be received from financial attest Audit Group on a monthly basis, the local inspection parties should attach this *Information Sheet* as a separate appendix to the regular inspection reports. The Information Sheets will be forwarded to FAAAT after vetting by the concerned headquarters section.

**6.1.6.** Make arrangements for Entry Conference in connection with financial attest audit of Finance & Appropriation Accounts between F.A. & C.AOs/other Executive Heads, where necessary, and the Principal Director of Audit with the agenda notes/presentations. While sending communication to the members for the entry conference an audit engagement letter may be issued also.

**6.1.7.** On conclusion of audit, FAAAT shall also arrange for holding an Exit Conference and prepare the agenda and presentations for the same. They will also prepare Management Letter, if any, to be issued to the F.A. & C.A.O, with a copy to Railway Board and/or to any Account Rendering Units.

## **6.2. Audit Execution**

The audit of Finance and Appropriation accounts may be carried out in three phases- Phase I of audit which commences after approval of the budget will involve development of detailed audit program and preliminary audit activities. Phase II and Phase III are intended exclusively for execution of audit. Reporting will also be part of Phase III. While the respective Principal Director of Audit can decide on commencement date of Phase II, it is better that Phase II commences after the submission of the monthly civil accounts for the month of September by which month the half-yearly expenditure figures are available. Phase III will commence after the Grant Statements/Appendixes of the Finance and Appropriation Accounts are received in the Office of Principal Director of Audit from the Office of F.A. & C.A.Os of the Railway.

The contributions of Local Audit Parties, Financial Attest Audit Group to the financial attest audit of Finance & Appropriation Accounts and the Inspection Parties should be a **year-long activity commencing soon after the annual audit plan is received and ending after the accounts for March are closed.** Since the Financial Attest Audit Section will be selecting the sample of

transactions for substantial audit test on scientific sampling principles, the same transactions can be selected for audit both in central and local audits. The local audit parties will carry out the audit with reference to records available in the audited entity and the Financial Attest Audit Group with reference to vouchers/records available along with the vouchers sent to Audit Office of Railway Audit and copies of sanction orders received separately from the Railway Board.

### **6.2.1. Scope of Audit**

#### **6.2.1 (i). Scope of Audit in Phase I.**

Phase I of the audit execution will commence immediately after the Vote-on-Account on the budget for the financial year has been approved by the Central legislature and will end after scrutiny of the budget by the FAAAT. The scope of audit at this stage consists of scrutiny of the budget and the state of readiness of the Book Section in the Office of F.A. & C.A.O of the Railway for compilation of accounts pertaining to transactions flowing from the new budget. Some of the mandatory audit checks those may be exercised by the team at this stage are the following:

- a. *Verify the Grants and Appropriations in the Schedule to the Appropriation Accounts and check whether all the Sectors, Sub-Sectors, Major and Minor Head codes and Nomenclature are as per the List of Major & Minor Heads.*
- b. *Verify whether the VLC section/Book section has captured all the information on the Unit of Appropriation and Original Appropriation required to be captured in the Grant/Appropriation Check Register from the new Appropriation rules/instructions.*
- c. *Flag the expenditure met out of the Advances from the Contingency Fund in the previous financial year remaining to be recouped.*
- d. *Identify the mandatory contributions to be made during the year to the*

*Funds* constituted in the Railway for specific purposes.

- e. Verify the maintenance of 'Sanctions Database', 'Subsidiary Loans Register' by the Office of the F.A & C.A.O & Ministry of Railways granting loans and maintaining their detailed accounts and Financial Attest Audit Group in Office of Principal Director of Audit.
- f. Obtain the following *details/information from F.A. & C.A.O* for verification of *settlement / reconciliation / analysis* during central audit and/or field inspection carried out during the course of the financial year:
  - *Statement of differences in cash balance* worked out by Office of the F.A. & C.A.O and those reported by Reserve Bank of India and remaining to be reconciled as on 31 March of previous year.
  - *List of Abstract Contingency bills pending settlement as on 31 March of the previous year for watching receipt of Detailed Countersigned bills during the current year.*
  - *List of unencashed cheques pending for more than six months.*
  - *List of reconciliation certificates pending.*
  - *List of items pending under the Major Head '8658 Suspense A/c with Railways, Transaction on behalf of the Reserve Bank etc.'*
- g. *Check of IT Controls in the VLC system and where possible in the Cash Information System.*

### 6.2.1 (ii). Scope of audit in Phase II

Phase II of audit execution focuses on the audit of Monthly Accounts Current, Monthly Appropriation Accounts and their underlying transactions and vouchers. The month of commencement of Phase II is left to the professional judgment of the Principal Director of Audit. It is, however, desirable that Phase II be scheduled immediately after the submission of Monthly Accounts Current for the month

of September since this would provide half-yearly figures of expenditure and receipts. Subject to the professional judgment of the Principal Director of Audit, detailed audit of the Monthly Accounts Current and the Monthly Appropriation Accounts may be carried out for the months as selected by the PDAs. However, as per Secret Memorandum of Instructions of Audit issued by the C & AG the Monthly Accounts Current is checked as per percentage prescribed in this Book.

The objective of the audit checks in Phase II are to identify errors, unauthorized expenditure etc. if any in Monthly Accounts and Monthly Appropriation Accounts sufficiently early so that corrections can be carried out before the Accounts for the year are closed finally. FAAAT will also test check transactions indicated in the 'Verified Date-wise Monthly Statement' for each month. The audit checks to be carried out at this stage are indicated in 'Audit Checks for audit of Monthly Accounts Current' as discussed later. The audit checks to be carried out at Phase II on Monthly Appropriation Accounts are indicated in the 'Audit Checks for audit of Monthly Appropriation Accounts' as discussed later.

Even though audit of accounts for the months are selected for detailed scrutiny, substantive audit checks on individual vouchers and transactions should be carried out by Financial Attest Audit Group and local audit immediately after the annual audit plan is approved and should end only after the accounts for March are closed. The audit checks to be carried out at this stage are indicated in the 'Audit Checks for audit of Vouchers' as *discussed later*.

The month for which the accounts and transactions are checked is dependent on the compilation of accounts. Normally the accounts for the month of April should be available for audit in the month of July. The audit of monthly accounts should

therefore commence in July for the new financial year. However during the months of March to June the audit schedule will have to be fast tracked to cover audit of all the months of accounts prior to audit of the Finance Accounts and Appropriation Accounts for the year.

The audit of vouchers during local audit should cover the month for which expenditure has been incurred at the time of audit and for which the records are available with the audited entity. The selection for the purpose of financial attest audit need not therefore linked with the selection of year of account and transactions for compliance audit being carried out by the audit team. This need not cause any difficulty since limited number of transactions is likely to be communicated by FAAAT for scrutiny by individual local audit teams as part of the financial attest audit.

The present practice of selecting a number of Grants for detailed scrutiny during audit of Finance & Appropriation Accounts should be integrated with the audit of Monthly Accounts, Monthly Appropriation Accounts and the Finance & Appropriation Accounts. This scrutiny will be the responsibility of FAAAT. The team may conduct a comprehensive review of five to ten Grants every year but not less than two during the second phase of audit. The results of this audit and the findings of audit of Monthly Accounts, Monthly Appropriation Accounts and the Finance & Appropriation Accounts should be used for reporting on the implementation of the Grant. Grants for such review should be selected using the professional judgement of the PDA on the basis of persistent savings disclosed in past Appropriation Accounts. The scope of this review should inter alia include compliance with budgetary procedures and expenditure control exercised in respect of provisions made in the budget/supplementary demands. The expenditure incurred to the date of review should be

scrutinized to assess adequacy of budget controls and monitoring.

A separate Register may be maintained in section responsible for audit to record errors and omissions noticed during audit of Monthly Appropriation Accounts for follow up action. The unsettled cases which may have impact on accuracy or completeness of Finance & Appropriation Accounts should be considered for audit comments and for qualification of accounts.

### **6.2.1 (iii). Scope of audit in Phase III**

Phase III of audit will commence after the F.A. & C.A.O starts submitting the Grant Statements. The audit checks during the Phase III will be similar to the checks presently being carried out for certification of the Finance & Appropriation Accounts. In addition, review of compliance with audit observations pointed out during Phase I and Phase II of audit will also be part of the scope of audit of this phase. It should also be verified that there are no corrections to the database on which audit in Phases I and Phase II was conducted. In case there are corrections carried out on monthly accounts current already audited in subsequent months these corrections should be compulsorily scrutinized and their impact on accounts assessed. The detailed audit checks to be carried out on each Statement and Appendix of Finance Accounts are indicated in the 'Audit Checks for audit of Finance Accounts', as discussed later. The detailed audit checks to be carried out on Appropriation Accounts are also indicated in 'Audit Checks for audit of Appropriation Accounts'.

During Phase III the audit team may also examine independently the reasons for excesses and savings in at some departments, as may deem fit, where substantial excess expenditure or savings might have taken place. Such detailed appropriation audit should provide an insight not only into the nature of and reasons for the excess expenditure or savings in relation to the budgeted grants

but also focus attention, more importantly, on the control failures and deficiencies, delays in decision-making, etc., that might have facilitated the excesses/savings and on the failure of superior authorities to detect and rectify them. The points/aspects require special attention and probe with reference to the failure of the controlling and drawing and disbursing officers to restrict their expenditure within the allotted amounts. Selection of these departments is left to the professional judgement of the PDA of the respective Railway.

The audit of Annual Appropriation Accounts forming part of Phase III should further be split into three sub-stages. The first Sub-Stage commences as soon as Head-wise Appropriation Accounts containing information relating to Grant number and Nomenclature of the Heads of Accounts up to Sub-head level forming part of the particular Grant are received from F.A. & C.A.O. The correctness of Grant number and Nomenclature of Heads of Account should be checked at this stage with reference to those in Detailed Demands for Grants and any corrigendum issued thereof. Further, information relating to the sanctioned provision (Original and Supplementary) and the net effect of re-appropriation orders issued during the year up to sub-head level available in this version of the statement may also be checked for correctness. The findings of Phase I of audit relating to budgetary processes discussed above should aid the audit process during this stage.

Sub-Stage II commences as soon as second version of the Head-wise Appropriation Accounts showing figures of expenditure are received from the F.A. & C.A.O. The audit check at this stage should be focussed on verifying whether the expenditure incurred is within the sanctioned provision. In case of expenditure exceeding the original provision, it should be verified whether the excess fund is provided through authorized

re-appropriation orders. The findings of Phase II discussed above relating to audit of Monthly Accounts and Monthly Appropriation Accounts should aid the audit process during this stage.

The third Sub-Stage commences after the final appropriation accounts are received from the F.A. & C.A.O's Office. The audit checks at this stage are contained in the Audit checks for audit of Appropriation Accounts, as discussed below.

Majority of the audit checks prescribed are amenable to execution through use of IDEA. In fact, if the controls of database system are audited effectively and the F.A. & C.A.O is of the opinion that reliance can be placed on the System, it is advisable to execute through IDEA the checks of verification of Major Head-wise/Minor Head-wise figures in the Statements/Appendix with those in the system, and checks of *consistency of figures between different Statements/Appendix in Finance Accounts and between those in different Statements/Appendix of the Finance Accounts and corresponding figures in Appropriation Accounts*. Where the F.A. & C.A.O has a unique System even though there are similarities, each Office of Principal Director of Audit should develop processes for the above checks using IDEA keeping the table structure of the System to be checked.

### **6.3. Audit Documentation and Reporting:**

The draft report consisting of the Audit Certificate and Management Letter should be prepared by FAAAT after conclusion of audit. As required in Financial Attest Audit Manual, assertion based documentation should be done for financial attest audit of Finance & Appropriation Accounts. The audit checks of Vouchers, Monthly Accounts, and Monthly Appropriation Accounts are prepared for the *assertions of completeness, measurement, regularity, occurrence and disclosure* relating to each of the above accounts. The audit checks

for each item of account in the Finance Accounts and the Grants in the Appropriation Accounts as discussed later ensure that the assertions are checked for its correctness.

Documentation should include completion of 'Matrix' and should show specific accounts, accounts areas, nature of transactions chosen for proving the different assertions, samples of vouchers/documents chosen for substantive audit tests relating to each assertion, results of the substantive audit tests done and the overall conclusion drawn with cross referencing of audit evidence collected.

While the serious observations in audit of Finance & Appropriation Accounts are to be embedded in the audit certificate itself, it is desirable that a 'Management Letter' be issued as a result of the audit to the departmental heads in charge of the accounts rendering units pointing out those audit findings which though not material enough to qualify the accounts needs to be addressed to improve the quality of accounts. A similar letter can also be issued to F.A. & C.A.O for matters relating to compilation of accounts. FAAAT should prepare the draft and send the same to all concerned prior to the Exit Conference. The Principal Director of Audit can decide on whether any of the audit findings qualify for inclusion in the Report of the C&AG of India.

#### **6.4. Integration of Financial Attest Audit with Central Audit:**

Central audit in the Department is presently carried out as a stand-alone activity with certain outputs from the audit being marked for verification in local audit. To broad-base the audit of Finance & Appropriation Accounts, the results of central audit has to be programmed to serve as input for audit of Finance & Appropriation Accounts. Central audit is presently carried out in two streams – sanction audit and voucher audit. The objective of sanction audit carried out by Integrated Audit Units (IAU) or its

equivalent in Offices of Pr. Director of Audit is to identify deficiencies that may affect the accuracy and reliability of Finance and Appropriation Accounts. It is started right from the receipt of the copy of the sanction from the Railway Administration. If there is any mistake in the allocation head of Income or Expenditure the entire booking subsequently made against the sanction would be wrong. The percentage of voucher to be checked has already been laid down in SMI. The sample of vouchers to be selected for scrutiny in central audit for purpose of the audit of Finance & Appropriation Accounts will be communicated by FAAAT to the Financial Attest Audit Group for distributing the responsibility for audit to individual audit teams within the group.

The following points should specifically be looked into by individual audit teams within Financial Attest Audit Group while auditing sanctions and the results of audit communicated to FAAAT. The audit checks of sanctions required to be carried out by the individual audit teams while auditing sanctions for the purpose of audit of Finance and Appropriation Accounts are the following:

- *Check the sanction has the approval of the authority competent to do so.*
- *Check whether the classification of heads of account indicated in the sanction is correct.*
- *Verify whether the sanction issued complies with provisions of Railway Accounting Rules with regard to classification into Revenue and Capital expenditure.*
- *Verify whether the sanction order correctly classifies the sanctioned expenditure into Voted/Charged categories.*
- *Verify whether the sanction is indicative of drawal of budgeted funds merely to avoid lapsing of budget provision.*
- *Check whether the financial sanctions are issued by the competent authority*



*and where required with the approval of Railway Board/Ministry of Railways.*

- *Check whether write-off sanctions are issued after following prescribed procedures. Sanctions to the write off of losses should be completely investigated and traced into the Register of losses or the Register of serious irregularities. Whether the write-off losses above Rs.50, 000 were reported to the Railway Board.*
- *All sanctions of payments arising out of Arbitration awards should be thoroughly scrutinized with reference to the circumstances for which such payments had to be made.*

The individual audit teams within Financial Attest Audit Group may maintain a Register showing the irregularities noticed during audit of sanctions which may have a bearing on the accuracy of accounts and send a list of unsettled cases to FAAAT on 30<sup>th</sup> September and at the end of January, February and March with copies of correspondence exchanged in the matter. FAAAT will analyze their resolution and take appropriate decision while preparing the report on audit accounts at the end of Phase III of audit.

The results of audit of vouchers and Challans selected for scrutiny in central audit for the sake of audit of Financial Attest Audit of Finance & Appropriation Accounts should be communicated on a monthly basis to FAAAT in the form of 'information sheet' referred to earlier.

#### **6.5. Integration with Inspection of Treasuries (F.A. & C.A.O).**

Since treasury is the nodal point through which all transactions of Government money are carried out, it is necessary to include the audit of the treasury in a program for audit of the Finance & Appropriation Accounts. In Railway F.A. & C.A.O does the function of Treasury. As per Para 135 of Railway Audit Manual audit of vouchers and documents are done to the extent as laid down in Secret

Memorandum of Instructions and audit should generally keep a watch over the progress of work in Accounts Office and efficiency of internal check. A separate local inspection of Accounts Office is not necessary as the initial records are available for scrutiny at the time of audit of relevant vouchers and documents. The programme of Audit provides for test-audit of some records which are usually checked during local inspection of other offices. However, an Annual review of the working of Accounts Office will be carried out in the form prescribed in the Secret Memorandum. But, the Cash and Pay department should be inspected as per Para 370 of Railway Audit Manual to see that-

- i) The system of receipts and disbursement of cash and the check on the work of the subordinates are sound and leave no loophole for frauds or temporary misappropriations,
- ii) moneys received by the railway are paid promptly into Government treasuries and that funds required for payments are obtained from Government treasuries by cheques drawn by the Accounts Officer or his/her authorized representative,
- iii) the cash book and supporting documents are checked daily by an Accounts Officer, and
- iv) the system of providing funds to pay clerks/cashier and receiving unpaid amounts is satisfactory.

In addition to above, the audit will be more fruitful if the results of the following audit checks on the financial controls in the F.A. & C.A.O's Office and on the selected transactions are passed on to FAAAT.

1. *Verify fact of checking entries in register of daily receipts and payments by the treasury officer (F.A. & C.A.O) for transactions of two days in a month selected at random.*
2. *Verify encasement of challans by treasury officer before crediting to government account for sample transactions selected.*

3. *Verify posting of receipts and payments from daily account to the cash book directly or through subsidiary registers at least for transactions of two days in a month selected at random.*
4. *Verify posting of net difference between receipts and payments of the day into Register of Reserve Bank Deposits at least for transactions of two days in a month selected at random.*
5. *Verify the proper maintenance of following Registers:*
  - a. *Register for Reserve bank Deposits,*
  - b. *Registers for revenue deposits class-wise,*
  - c. *Registers of bill passing branch consisting of register of token, register of pay orders and register of objected bills,*
  - d. *Register of Abstract Contingent Bills and adjustment thereof,*
  - e. *Register of lapsed deposits.*
6. *Verify controls for watching expenditure against budget allotment.*
7. *Check effectiveness of controls on receipt and issue of cheque books and receipt books.*

### **6.6 Integration of audit of Accounts Rendering Units:**

The audit checks to be exercised while auditing the accounts rendering units like Construction, Engineering, Signal & Telecom., Mechanical, Workshop, Stores & Traffic Departments etc. are indicated in the Guidelines for audit of Monthly Accounts. The selection of sample transactions to be checked in local audit will be communicated by FAAAT in the Office of Principal Director of Audit to the local audit parties through the respective headquarters section. The audit of the monthly accounts received from these Accounts Rendering Units is to be done by the Financial Attest Audit Group. Alternatively the PDA may decide to entrust verification of original record pertaining to any audit finding noticed in central audit carried out by Financial Attest Audit Group to the Group itself

rather than relying on local audit parties. The results of the central and local audits should be communicated to FAAAT in the Office of the PDA by the audit teams in the Information Sheet prepared as suggested earlier.

### **6.7. Audit Checks for audit of Vouchers**

Although audit of vouchers are done at Central Audit as per instructions and extent of check laid down in Secret Memorandum of Instructions on Audit, vouching is an integral part of any financial attest audit. While audit of expenditure vouchers is the major function of Central Audit Parties, the results of these audits are not being used for arriving at an opinion on the true and fair view of the Finance and Appropriation Accounts. In operationalisation of the Financial Attest Audit Manual vouching will be carried out both by Central Audit Parties and Field Audit Parties. Vouching will primarily be the responsibility of Central Audit Parties. *The role of Field Audit Parties/ Teams in this regard will be limited primarily to the following:*

1. Selective review Receipt Challans which are not sent to Office of the F.A. & C.A.O.
2. Selective review by Field Audit Parties of Sub-Vouchers which are not submitted to Office of the F.A. & C.A.O. along with Monthly Accounts.
3. Review by Field Audit Parties of expenditure incurred on Abstract Contingent Bills where the Detailed Contingent Bills have not been sent within the specified period.
4. Review by Field Audit Parties of those vouchers intimated by Central Audit Parties for verification with reference to original records during local audit.

The following **checks on assertions on measurement, completeness, regularity, occurrence and disclosure** will be mandatorily exercised on all vouchers selected for audit by both the Field Audit Parties and Central Audit Parties:

**6.7.1. Assertions on Measurement:**

- Verify whether the amount accounted in the List of payment is same as the amount actually paid as per Voucher.
  - Verify whether the amount actually paid as per Voucher is same as per the receipt signed by the recipient.
  - Verify whether the amount accounted in the Schedule of Receipts is same as the amount actually received as per Challan.
  - Verify whether the totaling in the vouchers and challans are correctly arrived at.
  - Verify whether the total of sub-vouchers equal the paid amount as per main voucher.
  - Check whether the sub-vouchers retained by Drawing & Disbursing Officer and Countersigning Authority are within the limits prescribed by Government.
  - Verify whether the total of Detailed Contingent Bills equal the amount drawn as per Abstract Contingent Bills.
  - Check whether the deducted amounts from bills are correctly booked in corresponding Revenue Receipt/Capital Receipt/Public Account Major Head.

**6.7.2. Assertion on Completeness:**

- Verify whether the bills/challans are in the prescribed format and contains all documents required to be attached to the bill/challans.
- Check whether all adjustments for affording interests to deposits, reserve funds have been carried out by Departments on the basis of master list of such obtained from F.A. & C.A.O.

**6.7.3. Assertion on Regularity:**

- Verify whether certificate of Payments or Certificate of Receipts for Missing Vouchers/Challans are properly authorized and accepted by F.A. & C.A.O.
- Verify whether the classification of vouchers and challans are correctly done.
- Check whether expenditure booked as charged expenditure is eligible for such classification under provisions of constitution and as per provisions in the budget.

- Check whether the expenditure in the voucher is sanctioned by appropriate authority and the actual expenditure is for the amount sanctioned.
- Check whether the expenditure is incurred with proper budget allocation and that the expenditure is not on a new service or new instrument of service.
- Verify whether the vouchers contain order of payment by the concerned Accounts Officer with the seal of payment stamped on the voucher.
- Check whether the expenditure is correctly classified as revenue or capital based on principles applicable for classification into revenue or capital.
- Check whether in respect of bookings under *PAO Suspense & Reserve Bank Suspense* under Major Head 8658- the expenditure is adjustable with Government of India and Reserve Bank of India action has been taken for adjustment.
- Check whether in respect of bookings under Major Head 8658 Suspense Account (Railways), the classification is justified based on the circumstances and action taken to collect wanting information/documents and adjust the same through minus debit or minus credit.
- Check whether in respect of any cash written off due to theft/embezzlement etc after the same has reached the government servant, the amount is entered in Railway account as a receipt and then shown as expenditure under appropriate head of account and that only net loss after recovery of any dues is shown as such loss.
- Check in respect of offices having cheque drawing powers whether the transactions pertain only to their offices.

**6.7.4. Assertion on Occurrence:**

- Check all Nil Payment Vouchers of month of March to verify whether they have been paid to avoid lapsing of budget allocation.
- Check whether in respect of refund of deposits, the original deposits have been credited to Railway account.

- Check whether in respect of adjustment or refund of advances, the advance had originally been paid and booked under the correct head of account.
- Check whether in respect of expenditure incurred through Contingency Fund action to recoup the same through supplementary demands have been taken.
  - Check whether Detailed Contingency Bill has been received within the specified period for amounts drawn on Abstract countersigned Bill.

#### 6.7.5. Assertion on Disclosure:

- Check whether the classification shown in the Bill/Challan is correct.
- Check fund availability certificate is disclosed on the voucher.
- Check whether the designation of the competent authority sanctioning the expenditure is disclosed on the vouchers.

#### 6.7.6. Vouchers other than Bills and Challans

In Railways Accounting vouchers include not only Bills and Challans but other documents like Transfer Entry Documents, Reserve Bank of India Advice Memorandum, Inward Settlement Accounts, Outward Settlement Accounts and Approvals and Authorizations granted by F.A. & C.A.OS. The following audit checks should be carried out by Central Audit Parties as part of financial attest audit function on these documents:

#### 6.7.7. Transfer Entry Documents:

Identify whether the Transfer Entry is passed before closure of the accounts for the financial year or after closure of financial year.

*If Transfer Entry passed before the accounts for the year are closed:*

- Check whether the correct head of account which should have been originally debited or credited has been given a debit or credit in the Transfer Entry Form and whether the Head of Account given wrong debit or credit is given a 'minus debit or credit'.

*If the Transfer Entry passed after the accounts of the financial year are closed:*

Verify the following:

- Whether the transfer entry involves *more than one Railway/ government department*. If so, verify from the Transfer Entry Form whether the correct Head of Account which should have been originally debited or credited has been given a Debit or Credit and whether the Head of Account originally given *wrong* debit or credit is given a 'minus debit or minus credit'.
- That only a 'Note of the Error' is made and no transfer entry made when the corresponding head of account relates to a revenue receipt head of account or revenue expenditure head of account on both sides.
- If the Transfer entry relates to a Debt, Deposit, Remittance Head of Account confirm whether the correct Head of Account which should have been originally debited or credited has been given a Debit or Credit and whether the Head of Account originally given *wrong* debit or credit is given a 'minus debit or minus credit'.
- If the Transfer entry relates to rectification of short/nil credit to a Debt, Deposit, Remittance Head of Account which should have been given but instead wrongly credited to a revenue receipt head of account confirm whether the correct DDR Head of Account which should have been originally credited has been given a Credit and whether the Revenue Receipt Head of Account originally given *wrong* credit is given a 'debit- deduct refunds'.
- If the Transfer entry relates to rectification of short/nil debit to a Debt, Deposit, Remittance Head of Account which should have been given but instead wrongly debited to a revenue expenditure head of account, confirm whether the correct Debt Deposit Remittance Head of Account which should have been originally debited has been given a Debit and whether the Revenue Expenditure Head of Account originally given *wrong* debit is given a 'credit'.
- Check whether in respect of transfer entries pertaining to transfer of tax revenue from the union to states covered

under *Major Heads 0020- Corporation Tax, 0021- Taxes on income other than Corporation Tax*, are correctly booked by Office of the F.A. & C.A.O.

### **Approvals and Authorizations granted by F.A. & C.A.O.**

- Check approval given for crediting of interest to GPF Account to ensure that the calculations are correctly made on the outstanding balances under the Fund and are subject to budget provisions.
- Check approvals given for repayment of loans to central government and interest thereon to ensure completeness of payments due.
  - Check correctness of approvals given for proforma correction of closing balances of previous year's accounts.
  - Check approvals given for write off of balances due to government but have become irrecoverable for appropriateness of such write off.
  - Check approvals given for crediting to Revenue Head of account any deposits remaining unclaimed.
  - Check approvals given for writing off any amount due to book keeping errors to *Major Head 8680- Miscellaneous Government Accounts* for correctness of procedure followed and amounts written off.
  - Check all transactions of the nature of periodical adjustments carried out by the Office of Accountant General (A&E).

### **6.8. Audit Checks for Monthly Accounts & Accounts Current.**

Audit checks to be exercised are detailed in Para 372 of Railway Audit Manual. However, methods of check in the systematic manner are as follows:

#### **6.8.1. Assertions on Completeness:**

- It should be ensured that the accounts are rendered complete in all respect. Check whether all the accounts of Treasury (F.A. & C.A.O) for the month have been included in the monthly accounts current.
- Check whether all Accounts from Divisional units and other accounting units like Workshop, Stores and Traffic

etc. have been included in the monthly accounts current.

- Check whether all clearance memos of Reserve Bank of India/Inward Settlement Accounts/Outward Settlement Accounts are included in the monthly accounts.
- Check if the totals of Abstract of Major Head Totals tally with corresponding figures in Disburser's Account.
- Check if the figures under Abstract of Major Head Totals tally with totals of Consolidated Abstracts of Debt/ Deposit/ Remittance Heads and those of Departmental Abstracts.
- Check if in selected Compilation Sheets and Consolidated Abstracts the bookings of expenditure are supported by vouchers/schedules/suspense slips/transfer entries.
- Check if in selected Compilation Sheets and Consolidated Abstracts the bookings of receipts are supported by Schedule of receipts/deduction sheets/transfer entries.
- Check whether there are any differences between totals of List of Payments and Schedules and differences if any are booked under *Major Head 8658 – Suspense Accounts (Railways)*.
- Check whether there are any differences between schedules and accompanying Vouchers and differences if any are booked under *Major Head 8658 – Suspense Accounts (Railways)*.
- Verify whether all the Outward Settlement Accounts for the month have been sent.
- Verify whether all the Inward Settlement Accounts have been properly acted upon.
- Check if the crediting of funds (sinking fund) created for amortization due for the month has been done as per requirement.
- *Check whether all periodical adjustments due for the month/quarter and year have been carried out and include all adjustments which ought to*

*be included in the Accounts for the year in terms of Para 333-AI..*

- Check whether the transfer entries in respect of rectification of mistakes necessitated by the reconciliation of accounts by departmental heads are carried out under intimation to the departments concerned.
- Check if recoupment Transfer Entries for recoupment of Contingency Fund necessitated by the passing of any Supplementary Budget during the month is effected.
- Check specifically if the Transfer Entries for recoupment of Contingency Fund are only for the value of actual transactions and not for the entire sanctioned amounts.
- Check whether the entire balance under Major Head '8782 - Cash Balance, Remittances etc.-Cash Remittances and Adjustments between Officers rendering accounts to the same Accountant General/Accounts Officers'-Transfer within the same Railway leaves no balance under the former head..

#### **6.8.2. Assertions on Measurement:**

- Check whether the previous month's figures are correctly carried forward to current month for all heads of accounts in the Monthly Accounts. The opening balance should be compared with the closing balance of the previous month's account and the closing balance with the General Cash Book.
- Check whether the cash transactions as per Co7 register are correctly posted in the Accounts Current; entries should be traced from the General Books also. The entries in the column "current month" and the schedules of 'Receipt' and 'Expenditure' should be checked with the ledgers.
- Check the arithmetical accuracy of the selected Consolidated Abstracts.
- Check the arithmetical accuracy of selected List of Payments and Schedule of Receipts.
- Check correctness of calculation of interest paid if any on loans and whether

correct interest rates applicable for such loans have been adopted for calculation.

- Check differences if any between balances in the Loans Broadsheet and Ledger and the reasons for the same.
- Check correctness of calculation of interest paid, if any, on General Provident Funds /Sinking Funds and whether correct rates applicable for such funds have been adopted for calculation.
- Check in respect of Provident Funds under trustee whether the balances in the account match the corresponding balance in the accounts sent by the trustee.
- Check if the cash balances reported by Central Account Section of Reserve Bank of India in Statement of Balances equal the cash balance figure compiled by the F.A. & C.A.O and also the total of figures in cash accounts of treasuries for net transaction in district treasuries, transactions in Headquarters and adjustment transactions made by Central Accounts Section of Reserve Bank of India. In case of differences check whether the difference is being pursued for correction.
- Check differences between balances in the Departmental Adjusting Account Broadsheet and Ledger, if any, and the reasons for the same.
- Check that the prescribed schedules have been correctly prepared and that their totals agree with the respective entries in the Account Current.
- Check that debits and credits to the head 'Reserve Bank Deposits' (Railways) and the various Deposit and Remittance heads connected with the same as shown in the Account Current are tallied with the details in the schedules of transactions under 'Reserve Bank Deposits'.
- Check whether net receipts or payments under the head 'Reserve Bank of India Remittances' as in the Detail Book agree with the corresponding adjustment for the month made by the Reserve Bank of

India against the balance of the Government concerned.

- Check whether the bookings under Major Heads '8671-Departmental Balances' and '8672-Permanent Cash Imprest' are for authorized amounts.

### 6.8.3. Assertions on Regularity:

- Check whether all Major Heads, Sub Major Heads, Minor Heads, Sub Heads, Detailed Heads and Object Heads operated are authorized and that all receipts and expenditure are reflected Minor head wise
- Check whether there is adequate budget provision either through original estimates, supplementary estimates or re-appropriations for the total expenditure booked under various Heads of Account.
- Check separately whether there is adequate budget provision either through original estimates, supplementary estimates or re-appropriations for the expenditure treated as charged on the Consolidated Fund of India booked under various Heads of Account and their eligibility for booking as charged expenditure.
- Check if the limits prescribed for guarantees given by the Central Govt. have not been exceeded.
- Check if unadjusted balances in *Suspense Accounts* represent assets in the form of receivables either through cash/adjustment or liabilities in the form of payables through cash/adjustment.
- Check selected expenditure to ensure that there are no unauthorized cases of expenditure on New Service/New Instrument of Service.
- *Verify that transactions involving annual adjustments are appearing only in the accounts of March (Final).*
- Check whether the annual adjustments proposed by the compilation sections in F.A. & C.A.O's Office are correct and justified.
- Check whether proposals for annual adjustment received from Chief

Controlling Officers have been incorporated in Accounts.

- Check whether all the capital expenditure incurred qualifies to be booked as capital as per norms for treating an expenditure as capital.
- Check whether selected revenue expenditure incurred qualifies to be booked as revenue and not capital as per norms for treating expenditure as revenue or capital.
- Check whether bookkeeping differences written off if any like difference between Ledger and BROADSHEET booked to Major Head '8680 – *Miscellaneous Government Accounts*' are correctly done following procedures prescribed in Rules.
- Check whether the reasons for minus entries are explained in the Annexure to the Account current indicating (i) Head of Accounts, (ii) the amount, (iii) the reasons for "minus entry" and (iv) year to which the minus transaction pertains. These should be critically examined.
- Check *new item of receipt and expenditure appearing in Misc. Receipts and Expenditure. Expenditure under Major Head 2016 should contain the expenditure figures of establishment on audit department and should not include expenditure on account New Pension Scheme.* Receipts/ Expenditure are shown duly bifurcated under Commercial Lines/Strategic Lines in the Account Current for March.

### 6.8.4. Assertions on Occurrence:

- Verify that there are no unauthorized rectifications of balances of previous year's account closing to government account.
- In respect of the accounts for the month of March, check whether the unspent balances of Deposits of Railway Accounts have been transferred to appropriate Major Heads especially *Major Heads 8337, 8342 & 8445, etc.* from which they were created.
- Check the debits under Major heads dealing with Deposits to verify whether

any unspent balances of previous years' Railway Deposit Accounts have wrongly been treated as revenue receipts during the current year.

- Check whether the reconciliation of expenditure by Departmental Heads have been carried out with the F.A. & C.A.O. and whether the adjustments required on the basis of reconciliation of expenditure by Departmental Heads with F.A. & C.A.O. have been carried out.
- Check in respect of specific Funds created out of Consolidated Fund or from any Grants received and booked as Receipts under Minor Head, whether the corresponding transfer to/from Reserve Funds under the concerned functional Major Head has been made.
- Check whether the accounting entries to transfer expenditure incurred to be ultimately transferred to Reserve Funds/Sinking Funds (DRF) have been carried out to ensure that the expenditure has in fact been met from the Reserve Fund concerned.
- Check in audit of treasuries (F.A.& C.A.O):
  - That the total of payments reported by treasuries in daily schedules relating to Reserve Bank of India Remittances is debited to Reserve Bank of India A/C.
  - That the total of issues reported by treasuries in daily schedules relating to RBI Remittances is credited to Reserve Bank of India A/C.
  - That daily schedules of RBI Remittances are supported by vouchers.
  - That deduction in Plus and Minus Memoranda are equal to receipts in accounts.
- Receipts under Civil Major Heads of Tax Revenue under 0021 – Taxes on income other than Corporation tax, 0049-Interest Receipt, 0050-Dividend & Profit, 0071-Contributions & Recoveries towards Pension & other retirement benefits, 0210 –Medical & Public Health, etc., Non Tax Revenue & Other Non Tax Revenue and receipts booked

under 1601 – Grants-in-aid from Central Government, 6004 – Loans & Advances from the Central Government may be checked with relevant sanctions, grant registers, clearance memos etc. available in Books sections.

#### 6.8.5. Assertions on Disclosure:

- Examine whether bookings under *Minor Head of Other Receipts* is justified or whether they should be booked under some other *Minor Head* under a Major Head already existing for such booking.
- Examine whether bookings under *Minor Head Other Expenditure* is justified or should be booked under some other Minor Head under a Major Head already existing for such booking.
- Check whether the Grants booked under the head '*Other Grants*' are only those grants which are general purpose grants.
- Check if all the deposit holders have independently confirmed the balances outstanding against them as per their accounts.
- Check if the Loanees have independently confirmed the balances outstanding against loans availed by them.
- Verify the Suspense Register to ensure that no expenditure is debit to the Consolidated Fund is kept under suspense.
- Check whether the un-recouped expenditure incurred from Contingency Fund is not booked to the Consolidated Fund.
- Check whether expenditure booked under '*Contingency Fund*' by treasury (F.A. & C.A.O) is with proper sanction.

#### 6.9. Audit checks for audit of Capital and Revenue Accounts (Section II of the Annual Report-Financial Statement).

Detailed audit checks in respect of Capital and Revenue accounts have been laid down in Para 374 of Railway Audit Manual. However, it may be mentioned here that most of the checks can be exercised **from the Account Current for March**. In all cases, amount to the end of the previous year should be checked with the previous year's statements. Some of



the important checks are also detailed below:

Receipts and Expenditure on Capital Account (Statement No.IV A.706)-The column showing the amount to the end of the previous year should be checked with the previous year's statement as usual and the other column showing transactions during the year with the Statement No.V mentioned below.

Details of Capital Expenditure (Statement No. V-A 707) should be checked with 'total-to-date' column of the detailed expenditure schedules attached to Capital Account Current for March. It may be seen that expenditure is shown in net i.e. after deducting receipts on capital account and that all credit entries due to special adjustments, etc. are explained in footnotes.

Estimates of further Expenditure on Capital Account (Statement No.VI A.708) - The figures in the 2<sup>nd</sup> column only need be checked to see if they are equal to the figures shown in the Statement of the previous year plus the expenditure for the current year as shown by Statement V. Statement No. VI, VIII & V have relation with each other.

In case of Capital Account (Statement No. VIII A-710) – the expenditure on final heads should be checked with Statement No. VI and Capital Ledgers. The figures under suspense account and cash should be checked with those in the **accounts for March**.

In respect of Revenue Account (Statement No.IX- A-711) - The earnings and expenditure under the various heads should be checked with the **Revenue Account Current for March** and its schedules. The details of earnings under the various abstracts should be checked with the respective registers maintained in the Traffic Accounts Branch. The statement of outstanding (A-716) should be checked with the Station Balance Sheets as regards station outstanding and with the Accounts Office Balance Sheet

and register of Bills Recoverable in regard to other outstanding.

Dividend Accounts (Statement No.XVII A-719) – This will be checked with the previous year's final copy of the accounts and Statement No.XVI of the current year. The calculation in respect of Dividend payable to General Revenue should be made as per formula prescribed in Statement No.XVII-A. This is revised by the Railway Board from time to time and the format is circulated to all Railways along with the instructions, every year. Further discussions have been made also, in the later part of the Audit of other Accounts

Depreciation Reserve Fund Account (Statement No.XVIII A-720) - During checking of the Opening Balance the statement showing transfers effected without financial adjustment during the year should be checked.. The amount of replacement and renewals expenditure and credits for released materials will be checked with the schedules of working expenses accompanying the Accounts Current for the month of March. The amount of appropriation to DRF and Closing Balance will be verified with the consolidated Revenue ledger. The figure of interest charges should be the same amount as shown in the Transfer Certificates sent to the Railway Board.

Railway Pension Fund & Railway Safety Fund (Statement No.XVIII-B – A720 B & XVIII-C-A 720-C) - The process of check of this statement is similar to the one adopted for statement No.XVIII A. The appropriation to the fund in respect of Railway Audit staff should be checked with reference to the amount shown in the Schedule of expenditure under other Misc. Expenditure accompanying the Account Current for March.

Expenditure charged to Development Fund/Open Line Works – Revenue (Statement No. XX A-722 and XXI A-723-A)- (i) The details of outlay to the end of the year should be checked with reference to the end of the year to the

audited statements of the previous year (ii) audited copy of the statement of TWFA and (iii) the statements indicating the details of expenditure during the year. It should be seen that the figures of outlay for the year under each minor heads agree with the net figures appearing against the concerned items in the relevant schedules to the Revenue account Current for March and the differences, if any, due to rectification through Capital and Revenue Accounts in terms of paras 707, 711-FI are suitably explained through foot notes in the statements.

Expenditure charged to Railway Safety Fund (Statement No.XXII-A 724) & Expenditure charged to DRF (Statement No.XXIII – A 725)- Similar checks may be adopted as in case of DF & OLW(R).

In addition to above, the audit procedures as outlined in respect of Accounts Current i.e. Assertions on completeness, Assertions on Measurement, Assertions on Regularity, Assertions on occurrence and Assertion on Disclosure may be followed to have detailed examination successfully.

A table showing the initial/subsidiary records and other related accounts/records/statements from where the accounts/statements are compiled and cross checking can be made for ascertaining the accuracy of the figures incorporated in the accounts is prepared and shown in a **separate statement in this chapter**.

### **6.10. Audit Checks for audit of Finance Accounts.**

#### **6.10.1. General checks for all Schedules and Appendices.**

In terms of Para 380 of Railway Audit Manual, rules as laid down in paras 729 to 746 A should be followed while checking the Finance Accounts of Railways.

Following general checks may, however, be exercised for all Schedules and Appendices:

a) Check whether the format of various Schedules/Appendices is as prescribed

in the Indian Railway Code for Accounts Department, Part-I.

- b) Check whether the figures are given in 'Crore of Rupees', in 'Lakh of Rupees,' or in *Unit of Rupees* in Schedules & Appendices, as required.
- c) Check whether the figures for the same item depicted across different schedules and appendices are the same and if there are any differences due to rounding off or otherwise, suitable foot-notes are given to explain the differences.
- d) Check whether details of the source of data are indicated as foot-note in respect of facts and figures included in the Finance Accounts from sources other than that accounts or accounting records maintained by the F.A. & C.A.O's Office. Check whether reconciliation of expenditure figures has been carried out with corresponding expenditure figures in Appropriation Accounts.
- e) Check correctness of figures for previous years wherever indicated with corresponding figures in the Finance Accounts of that particular year and check whether variations if any are explained through appropriate foot-notes.
- f) Check correctness of all the figures and references given in 'Notes to Accounts'.
- g) Check if the charged expenditure is indicated in *italics*.
- h) Check whether irregularities if any pointed out by Central Audit team during the year while doing the audit of vouchers in the Loan, Book, Deposit and Account Current in F.A. & C.A.O's Office have been complied with.
- i) Check whether provisions of Indian Government Accounting Standards issued so far have been complied with or not.
- j) Check whether there are no abnormal transactions of receipts/disbursements

requiring investigation, rectification or insertion of suitable footnotes.

- k) Check whether *Per contra* adjustments wherever carried out have been linked at different places.
- l) Check correctness of the totals and calculations of percentages in statements.
- m) Check 'adverse' balances under Suspense heads.

**6.10.2.** In may, however, be borne in mind that in order to exercise a complete check of Completeness, Measurement, Regularity, Occurrences & Disclosures the procedure as mentioned in the previous paras in respect of other accounts all the Schedules/Appendices & Annexure appended to the Finance Accounts should be checked thoroughly and cross verified with the Accounts Current & Capital & Revenue Accounts' figures. A Statement showing the items of Accounts Current & Finance Accounts to be cross verified is appended to this Manual.

## **6. 11. Audit Checks for audit of Appropriation Accounts.**

### **6. 11.1.Introduction**

F.A. & C.A.O's Offices of Railway prepare Monthly/Yearly Appropriation Accounts showing sub-head wise provision and expenditure together with savings/excess over provision and the percentage of excess. The Monthly Appropriation Accounts are sent to the Finance Department every month. Copy of the Appropriation Accounts is also given to Office of the Principal Director of Audit. This Account gives an overall view of the sub-head wise expenditure up to the month in the Consolidated Fund against available budget provision and helps to identify errors in classification, excessive expenditure, cases of shortfall in expenditure, operation of unauthorized heads etc.

A detailed examination of the Accounts should be carried out by the PDA's Office for months as selected by the PDA. The months suggested are September (mid-year) and every month of the last quarter

(January, February & March). The objective of this audit check is to identify errors, unauthorized expenditure etc., if any; sufficiently early so that corrections can be carried out before the Accounts are closed finally.

A separate Register may be maintained in section responsible for audit to record errors and omissions noticed during audit of Monthly Appropriation Accounts for follow up action. The unsettled cases which may have impact on accuracy or completeness of Finance Accounts could be considered for audit comments or qualification of accounts

Annual Appropriation Accounts are to be audited for correctness of provisions, expenditure, savings/excess and disclosures required as per law. In terms of Para 389 Railway Audit Manual audit against grants and appropriations will be conducted according to the general principles and rules laid down in para 2.2.5-2.2.10 of MSO (Audit). Audit instructions are also laid down in paras 390, 393-415 of RAM. However, for systematic audit following procedures may be adopted. The audit checks are to prove the different assertions.

### **6.11.2. Assertions for Audit.**

#### **6.11.2(i) Assertions on completeness.**

1. Check whether the appropriation accounts include all the grants.
2. Check whether the appropriation accounts include the original grant or appropriation, supplementary grant or appropriation and re-appropriations, withdrawals or surrenders in respect of all the grants.
3. Check whether the expenditure met out of advance from Contingency Fund but not yet recouped to the Fund are shown in proper Appendix/Annexure.
4. Check whether details of estimates and actual in respect of recoveries adjusted in the accounts in reduction of expenditure are shown in proper Appendix/Annexure.
5. In respect of Grants operated by more than one department of Railway verify

whether the expenditure figures in the Grant includes the total expenditure incurred by all departments authorized to incur expenditure from the grant.

6. Check whether the appropriation and the related expenditure are given upto the level of subheads in a Grant.
7. Check whether the format of Appropriation Accounts is as prescribed and shows the following details correctly:
  - a. Number and nomenclature of the Grant and those of the Heads of account up to Subhead;
  - b. Separate details of appropriation and expenditure for voted and charged items;
  - c. Separate exhibition of revenue and capital items and display of appropriation in the sequence of Original, Supplementary, Re-appropriation and Surrenders;
  - d. The minus sign for re-appropriations/ surrenders from subhead is indicated.
  - e. Savings and excess are mentioned in the descending order of the quantum of savings/excess.
8. Check whether the scope of the subhead adopted in demand for grants is sufficiently broad as to cover only items of appreciable size.

#### **6.11.2(ii) Assertions on Measurement**

1. Verify whether the expenditure indicated in the appropriation accounts tally with corresponding figures in Appropriation Accounts Register of the F.A. & C.A.O's Office.
2. Verify whether the expenditure indicated in the appropriation accounts register tally with corresponding figures in consolidated abstracts.
3. Check whether the figures in 'Summary of Appropriation Accounts' are on gross basis after including the recoveries adjusted and not on net basis.
4. Check whether the figures in Detailed Appropriation Accounts are reconciled (Major head-wise, Minor head-wise

and Loan wise) with corresponding figures in Abstracts/Appendices of the Finance Accounts as far as expenditure from Consolidated Fund is concerned.

5. Check whether the figures in Summary of Appropriation Accounts are reconciled with corresponding figures in respective Abstract/Appendix of Finance Accounts.
6. Check whether all the re-appropriations orders issued up to 31 March and received till the prescribed cut off date have been taken into account in preparation of the appropriation accounts and only such orders have been considered.
7. Check whether all the appropriation, expenditure, savings and excess figures are indicated in thousands of rupees.
8. Check whether the amounts shown in the Grant Summary of Appropriation Accounts agree with those in the individual Grants and Grant-wise details of recoveries.
9. Check whether reconciliation of the expenditure in the Appropriation Accounts with that reflected in the Finance Accounts has been worked out correctly in the Grant Summary.
10. Check whether the deviations of expenditure from appropriation have been correctly worked in respect of voted-revenue, Voted-capital, Charged-revenue, Charged-capital items.
11. Check whether the figures of 'Provision/Expenditure/Excess/Saving' as given under 'Summary of Appropriation Accounts' tally with those given under individual 'Grant/Appropriation-wise Accounts'.
12. Check whether in respect of fund accounts the opening balances indicated in the Notes agree with closing balances of previous years.
13. Check whether in respect of Fund accounts the receipts indicated in the Notes agree with figures under the

head 'transfers' in the detailed appropriation accounts.

14. Check whether in respect of Fund accounts the disbursements agree with figures indicated in 'statement of recoveries adjusted in accounts as reduction of expenditure'.

### 6.11.2 (iii) Assertions on Regularity

1. Check whether the Classification adopted in the budget is as per the List of Major and Minor Heads of Account up to Minor Heads of Accounts.
2. Check whether *new Sub-heads, Detailed heads and Object Heads have been opened and operated with the prior concurrence of Railway Board.*
3. Check whether the appropriation accounts adopt the same heads of account as in Part II of Demands for Grants.
4. Check whether all expenditure incurred is with adequate budgetary provision approved by the Legislature.
5. The following checks on the budget may also be carried out:
  - a. Check whether provisions in the budget have been obtained under existing schemes.
  - b. Check whether provisions have been made under capital section for expenditure which falls under revenue section.
  - c. Check whether provisions have been made under revenue section for expenditure which falls under capital section.
  - d. Check whether there are any cases of misclassification of provisions at the object head level.
  - e. Check whether provisions for expenditures treated as charged on the Consolidated Fund are as per provisions of Article 202(3) of the Constitution of India.
  - f. Check whether lump-sum provision is not sought in supplementary demands without showing the scheme-wise requirement.
  - g. Check when demands (original or supplementary) for appropriation of

the necessary amounts for the expenditure are placed before the Parliament, whether suitable provision have been made for anticipated liabilities.

- h. Check the provision in paragraph 333 AI that adjustment should not be made in the previous year's accounts in certain circumstances should not be used to cover the results of defective budgeting. The onus of proving that the disbursements could not have reasonably been anticipated should lie on the Controlling Officer.
6. The following checks should be carried out on re-appropriations of funds with reference to original records in the Ministry where felt necessary:
  - a. Check whether re-appropriation orders issued are authorised in terms of relevant Rules Governing the Delegation of Financial Powers of the Railway concerned.
  - b. Check whether re-appropriation orders have been issued before the close of the financial year.
  - c. Check the re-appropriation orders to verify whether any such order has been issued to meet expenditure which has not been sanctioned by an authority competent to sanction it.
  - d. Check the nature of re-appropriation to ensure that there are no re-appropriations from charged to voted, revenue to capital/loan categories and from one grant to another grant.
  - e. Check whether the re-appropriations are intended to cover only those types of expenditure which are normally under the scope or intention of the Grant.
  - f. Check whether the General Manager of the Railway or Railway Board (in case it is beyond the power of the G.M.) has approved the re-appropriation/ surrender.
  - g. Check whether adequate reasons have been given for the increase/decrease in provision.

7. The following checks should be carried out to ensure due compliance with legislative powers:
  - a. Verify whether there is any unauthorised transfer/appropriation of funds from the Consolidated Fund to the Public Account.
  - b. Check whether proceeds from any cess collected for specific purpose by the Railway as per the relevant Cess Act is correctly transferred to the concerned designated Fund in the Public Account and the utilization is as per relevant rules.
  - c. Check whether the corresponding figures in Appropriation Accounts, Statement of State Transactions and Finance Accounts are consistent.
  - d. Check whether there are significant re-appropriations made for meeting expenditure on new service or new instrument of service.
8. Check the nil payment vouchers to verify whether they are merely cases of transfer to Railway deposits/Railway Advances-K-Deposits and Advances (*Major Heads 8445 & 8552*) at the fag-end of the financial year from functional major heads to avoid lapse of grants.
9. Check whether there is budget provision in the concerned grant for conversion of loans to equity.
10. Check whether specific Notes on Reserve Funds involving transfer of funds from/to the Consolidated Fund are included.

#### **6.11.2 (IV) Assertions on Occurrence**

1. Check whether expenditure transferable to funds or other heads of account have been transferred.
2. Check whether the expenditure met out of advance from Contingency Fund but not yet recouped to the Fund are not shown as expenditure from consolidated fund and note to this effect is kept under the concerned Major Head in the Appropriation Accounts.

3. Check whether the expenditure met out of advance from Contingency Fund but not yet recouped to the Fund in the previous year but recouped in the current year is shown as expenditure from consolidated fund during the current year
4. Check whether are instances of postponement to a later year of payments or adjustments which should have been made during the year under report are brought out appropriately or not in the explanations.
5. Where re-appropriation has been made to provide for additional funds over and above the sanctioned provision, check whether they have been issued before incurring the actual expenditure beyond the sanctioned provision.

#### **6.11.2 (V) Assertions on Disclosure**

1. Check whether the comments on savings and excess required to be made as per instructions laid down by Public Accounts Committee have been made in the Appropriation Accounts.
2. Check whether the reasons indicated by the department for excess/savings are included in the appropriation accounts.
3. Check whether all charged appropriations and expenditure have been shown in the appropriation accounts in italics and a note to this is given in the introductory portion of the accounts.
4. Check whether there are adequate disclosures in the appropriation accounts in respect of the following:
  - a. Substantial amounts paid by the Railway as subsidies.
  - b. Large items of expenditure recoverable from other Governments, outside parties, etc.
  - c. Instances of large payments or adjustments carried over from a previous year.
  - d. Cases of recurring excesses/savings over the past few years.
  - e. Cases where additions made by re-appropriation to meet expenditure

- are found to be less than the ultimate savings.
- f. Cases where expenditure in excess of deposited amount in respect of deposit works is met from any appropriation of Grant.
  - g. Cases where the project remained incomplete despite adequate budget allocation for sufficient period.
5. Check whether in respect of expenditure debited to 'Suspense' heads of account there are appropriate explanatory notes given in the appropriation accounts.
  6. Check whether there are appropriate narrations under the grant concerned given for deviations with regard to expenditure which was met out of the grants, subventions, etc, received from other Government, outside bodies, organizations etc., and for expenditure from various reserve funds.
  7. Check in local audit whether there are any systems in place for monitoring the actual expenditure against appropriation particularly where a lump sum allotment is placed at the disposal of a single higher authority but several officers are authorized to incur expenditure.
  8. Check whether explanation for variation does not include trivial cases of variation below levels prescribed by Public Accounts Committee.
  9. Check whether explanation for variations is clear, complete and conclusive and also states cases where no explanation has been provided by the Railway Administration.
  10. Check whether reclassification of expenditure to adopt correct classification due to post budget decision is separately mentioned with details.
  11. Check whether all cases of overall excess expenditure over the Grant requiring regularisation are mentioned under the Grant and in the Summary and the actual amount of excess is indicated in brackets.
  12. Check whether there is a note to the effect that expenditure met out of advance from Contingency Fund but not yet recouped to the Fund in the previous year but recouped in the current year is shown as expenditure from consolidated fund during the current year under the concerned Grant of which the Major Head is part of.
  13. Check in respect of Grants from which Funds are created, whether there is an indication of the specific Major Head and Grant where activities permissible to be incurred from the Fund are likely to be depicted.

### 6.11.3. Explanations in the Accounts:

- It should be seen that the explanations for variations between the Original Grant and Final Grant (Column 1) and between the Final Grant and Actual Expenditure (Column 4) are lucid, self-explanatory, illuminating and in unambiguous terms. The following points should also be borne in mind:-
  - In all cases, definite reasons for the excess or saving should be given, bringing out clearly why the particular event leading to the variation could not be foreseen at the time of the preparation of the Budget and the Revised Estimates; and what circumstances arose subsequently leading to the variation.
    - In the case of an excess, it should be mentioned as to why the incurrence of the liability could not be postponed; and if for any reason (to be specified), it could not be postponed, and these explanation would bring out why necessary provisions could not be made in the Final Estimates.
  - The explanations also should elucidate-
    - In case of surrenders/lapses on account of non-receipt of bills or debits for Stores (i) the sources of supply and (ii) whether the suppliers were consulted in the matter, and, if so, at what stages, and

▪ In case of increases/excesses on account of receipt of more debits or payments for Stores (i) when those debits etc. were received and (ii) at what stages of the estimates the suppliers were consulted.

- Variations arising out of changes in procedure, allocation, further consideration of schemes, plans, etc. during the course of the year, should be reflected in the explanations relating to all the concerned Sub-Heads of the grant or grants.

- In the case of variations arising out of defects in estimating, it should be clearly brought out at what stage the liability of the expenditure arose, how the errors of omission or commission occur, why they could not be set right before the close of the year, whether the question of individual responsibility has been considered and if so, with what results and what steps have been taken to avoid a recurrence of such errors.

- In the case of variations caused by misclassifications and other mistakes in accounting, the explanations should bring out when the errors occurred and why they could not be detected in the course of review of expenditure during the year and set right before the final closing of the year's accounts.

- Whenever, reference to some letters of the Railway Board is quoted in support of the explanations, copy of the same should invariably be appended.

- In the case of points referred to in items (ii), (iii) and (IV) above, it should be ensured that the fact that the items will be included in the relevant Annexure/Statements is mentioned in the explanations themselves.

- It should be noted that the explanations for variations in Column 1 are required to be furnished for the grant as a whole and not by each Sub-Head. Further in regard to Column 1, the explanations are required to be furnished only when the variation for the grant as a whole is in excess of the permissible limits or when the variation in respect of any of the Sub-heads is in

excess of the permissible limits. The explanations for Column 1 should be correlated with those furnished by the Administration at the time of Revised Estimates, Final Modification and latest Modifications.

- In so far as the Divisional Appropriation Accounts are concerned, the explanations will continue to be furnished by Sub-heads of the Grant both in respect of column 1 and column 4.

- Further the limits below which explanations are not required to be furnished, laid down in the Indian Railway Financial Code, is applicable for the Sub-head of the grant as a whole and is not intended to apply to each individual Department, District or Divisional Units.

- The explanations furnished in the audited copies of the Accounts received from the various units will be consolidated in the Headquarters Books and Budget Section to verify the explanations furnished in the consolidated accounts received from the Financial Adviser and Chief Accounts Officer.

#### **6.11.4. Some other common checks as well as special checks to be applied by audit in connection with Audit of Finance & Appropriation Accounts.**

(i) It is reiterated that various irregularities noticed during regular audit i.e. transaction audit, local audit, thematic audit, performance audit etc. those have a bearing on financial implications should be recorded in a register 'points to be seen during finance and appropriation audit' invariably which can help as monitoring mechanism while doing financial attest audit.

(ii) The primary responsibility for the allocation of all receipts and payments rests with the concerned departmental officers. Each bill voucher received from them should show the correct allocation of the receipt/expenditure in the fullest detail. Accounts Department is responsible for seeing to the extent it is possible for them to do so, that the allocation shown on the initial document is not *prima facie*



incorrect. Classification and booking of expenditure can be watched in audit from the initial documents i.e. sanctions, estimates. Allocation heads under which the expenditure will be booked are recorded on the sanctions. So justification for booking under these heads may be checked initially. This is the most vital duty in a routine audit.

(iii) In case of works, where the allocation has to be changed during the course of a year from one expenditure to another, the classification of expenditure in that year should follow original allocation.

(iv) It is to be seen that the changes have been given effect to from the beginning of the next financial year only after making necessary budget provisions at the Budget stage or at the Revised Estimate stage.

(v) Irregularities in the classification expenditure and booked against the sanction/estimate leads to overstatement of one head of accounts and understatement of another head say overstating one revenue head and understating another revenue head or vice versa and overstating one revenue head and understating one capital head or vice versa. Hence such *items reflected in the Statement of Misclassification and mistakes in accounting (annexure-J) should be traced in the affected head.*

(vi) *Misclassification between voted and charged expenditure should be seen very carefully. The expenditure of Revenue nature charged to Capital with the intention to reduce the working expenses for reflection of a favourable operating ratio should be carefully examined. Impact in each accounts head for wrong classification should be clearly brought out in audit.*

(vii) All the JVs should be supported by the initial records/documents. i.e. adjustment memo. Important JVs to be checked with all supporting documents and Adjustment Memo with a view to see that no adjustments are made to cover defects in budgeting. This is done to ensure completeness.

(viii) JVs especially transfer between one head and other, between capital and revenue, open line and construction (Project) should be critically checked with a view to see that *no fake paper transfer was made without transaction actually taken place or without physical movement of stores, to avoid the reflection of lapse of fund.*

#### **6.11.5. Types of objections generally noticed during audit of Appropriation Accounts:**

Types of objections that could come up during the check of Appropriation accounts are:

- Misclassification between one Grant and another.
- Mistakes in booking of voted and charged expenditure.
- Double booking.
- Mistakes in Accounting.
- Booking of expenditure without budget allotment or without sanction of competent authority.
- Defects in budgeting.
- Irregular re-appropriation or defective re-appropriation.
- Financial Transfer without physical transfers of materials and vice versa.
- Undercharges detected by Accounts and Audit etc
- Remissions and Abandonment of Claims to Revenue, etc.

To scrutinize such cases the following tools will be useful:

- The various budget orders should be linked to the Appropriation Accounts of the various grants to see that the Budget Allotments and the Supplementary Grants have been indicated correctly.
- The actual expenditure exhibited in the Appropriation Accounts should be checked with reference to the figures in the Account Current and the details of grant-wise actual.
- It should be ensured that the Appropriation Accounts for the

revenue grants are being rendered Sub-Head wise.

○ It should be ensured that in cases where there was no Budget Allotment or Supplementary Grant against a particular head, no expenditure is incurred and also that there is no residual modification as this is not permissible. In other words, residual modification is possible where there was either a budget allotment or a supplementary grant.

○ Supplementary grants are being proposed and sanctioned for a grant as a whole instead of Sub-head wise as in the case of Budget grant. However, as Supplementary grants are sanctioned based on the proposals submitted by the individual Railways, it should be reviewed to see that the distribution of Supplementary grants are done as per the proposals submitted by the Railway for its sanction.

○ It should be ensured that the limits of variation specified in the codes are not applied by the individual Railways and that the explanations are invariably given for all variations irrespective of the amount involved.

○ The explanations for variations should be verifiable in Audit.

○ All cases of defects in budgeting should be thoroughly scrutinized to prove that at every stage of the budgetary exercise proper control was not exercised.

○ The Appropriation Accounts in respect of Works Grants should be rendered work-wise as the budget allotment is made work-wise only as appearing in the Rolling Stock Works and Machinery programme.

○ It should be ensured that the works included in the Pink Book have been classified correctly depending on the nature of the work and the correct source of funding.

○ With the introduction of Capital Fund, Capital Expenditure could be met from either Capital (Provided by

the Central Government) or Capital Fund (Provided by borrowings). Railway Board has clearly laid down which are the Plan Heads which have to be booked under Capital and which are the Plan Heads which have to be met from Capital fund. There are no Plan Heads, which can be booked against both the above sources.

○ It should also be ensured that no expenditure can be incurred on a work for which there is no Budget Allotment.

○ It should also be ensured that credits on Capital account are booked to Capital and not to Revenue when it exceeds the limits prescribed.

#### **6.11.6. Procedure for inclusion of Defects in Budgeting in Annexure 'K' (Statement of Defects in Budgeting)-**

After the scrutiny of the accounts as described earlier, the points, if any, which require further clarification/elucidation or cases, which require inclusion in Annexure 'K' or the Statements of Defects in Budgeting should be drawn out and sent to the Financial Adviser and Chief Accounts Officer with the approval of the Branch Officer.

- In preparing the notes, the points raised by the Divisions will also be taken into account. If felt necessary the statement may be finalized after discussion between Audit and Accounts.

- The draft final copy should be approved by this Office before the final copy is prepared by the Administration and the signature of the General Manager obtained thereon.

- The final copy received from the Administration will be compared with the checked draft final copy and one copy forwarded to the Deputy Comptroller and Auditor General (Railways) after ensuring that the same has been signed by the General Manager personally.

- The facts regarding the reservations with which the Accounts have been certified will be brought to the specific notice of the Deputy Comptroller and

Auditor General (Railways) to enable the matter being pursued with the Railway Board.

- If any delay in obtaining the General Manager's signature is anticipated, the Administration may send one unsigned copy to the Railway Board to avoid delay in the finalization of the accounts in the Railway Board's Office.
- This office also will obtain one unsigned copy from the Financial Adviser and Chief Accounts Officer and forward the same to the Deputy Comptroller and Auditor General (Railways).

After the accounts are signed by the General Manager, copies will be forwarded to the Railway Board/Comptroller and Auditor General of India by the Administration/this Office.

**Certain other important Accounts/statements/reports related to Finance and Appropriation Accounts to be checked more meticulously.**

### 6.12. Debt Head Report.

The Report on the balances under the 'Debt Heads' is called the **Debt Head Report**. This report is prepared duly analyzing the various balances in separate forms prepared for F-Loans and Advances, I-Small Savings, Provident Fund, K-Deposit & Advances, M-Remittances Inter Govt. Adjustment accounts-Accounts with States. It consists of closing balance of the previous year, prior period adjustments (i.e. TWFA) & net receipts and disbursements as appear in the Account Current for March of a financial year.

In audit it may be seen that the balances shown against the various heads of accounts in the Debt Head Report tally with those appearing in the Final Accounts Current with opening and closing balance for the particular year and the balance under one Head of account is not clubbed with the other Head of Accounts either in the debt Head Report or in Final Accounts Current. **The balances appearing in the Debt Head Report should also be exhibited in the Balance Sheet.** It is

therefore necessary to see that the accuracy of the Debt Head Report is strictly maintained. It may be ensured that the balances are worked out by taking into account the closing balance of the previous year and prior period adjustments i.e. T.W.F.A. as on opening date of the current financial year to which accounts relate. *The balances at the end of the year agree with general books balances and are supported by details. The explanations for balances having significant variations from the previous years' balances, if any, should also be examined. The differences between the figures furnished by field units should be tallied with compiled figures at HQ Office.*

In case of Provident Fund Balances-the balances at the end of the year, as per general books agree with the total of balances of the individual members, as personal ledgers. *The balances in the Debt Head Report and Final Account Current should not be worked out under F. Loans & Advances for the total but the same should be worked out and reflected separately under various categories of advances i.e. House Building Advance, Motor Car Advance, Advance for purchase of other Motor Conveyance, other Conveyances and other Advances. Balances have been analyzed regularly and there is no case of write off suspense or doubtful assets in the balances. There is no case of remission of interest, grant of loans without or a nominal rate of interest, grant of loans without necessary safeguard for recovery and unusually large loan to an individual. In case of K-Deposits and Advances-clearance of items outstanding more than three months is done. In case M-Remittances-Inter Govt. adjustments-outstanding balance represents the amount for which settlement could not be effected in the Reserve Bank Account during the year. Therefore, Reserve Bank Balances under this head should be tallied.*

*The balances shown against the various heads of Accounts in the Debt Head report*

should reconcile with those appearing in the Final accounts Current also.

### **6.13. Audit check on Audit of F. Loans and Advances:**

It should be seen that debits for the year on the outgoing side of accounts represent only payments of advances made during the year. As the figures of outgoing side are taken as actual expenditure in the Appropriation Account of Civil Grants-Loans to Govt. servants etc. requiring submission to Ministry of Finance, it should be ensured that account is done as aforesaid and errors in accounting, if any, are rectified before closing of March Accounts.

### **6.14. Audit checks in respect of Income Tax recovered & credited to Major Head 0021.**

The return is furnished by the zonal Railway to Railway Board as per Format laid down by JD of Accounts, Railway Board.

Tax on Income other than Corporation Tax etc. may be reconciled with the figures of Account Current under the Major Head 0021. Figures recorded in the Separate ledgers maintained in this regard may be reconciled also. Timely remittance of the Income Tax recovered may be seen from the ledger.

### **6.15. Intra Railway and Inter Railway transfer transactions:**

(a) Two heads viz. 'Transfer, Railway Revenue' and 'Transfer, Railway Capital' are operated for transfer between Capital and Revenue and vice versa for Intra Railway transfer. Therefore, it should be checked that the transactions are taken place under the above heads. In case of stores transaction, it should be seen that the transaction is invariably accounted for in the accounts for the month proposed by the originating Accounts Officer so that nothing in respect of stores transactions is left outstanding under Intra Railway transfers at the close of a month's accounts. *Intra Railway adjustments from Capital to Revenue as a result of excess procurement of materials under Capital*

*and then transfer to revenue for maintenance purposes should be critically examined and defects pointed out. This leads to defects in budgeting as well as misclassification.*

(b) *It should be seen that before closing of March Account, reconciliation of the transactions both intra & inter- Railways is completed with NIL difference. Adjustments such as for diversion of traffic, compensation claims should be proposed by the Railways only in accordance with the codal provisions and latest instructions from Railway Board. The figures (debits & credits) as finally reconciled with other Railways shall only be shown in the March Account under "Transfer between Railways". It should be seen that on no account amount of transfer certificates is adjusted against the suspense heads such as Miscellaneous Advances/Deposits Miscellaneous. Inter Railway transfer for Bulk orders and adjustments therefore may be critically examined. Further, heads 8782 and 8797 should tally as per monthly list of 'e-recon software'.*

### **6.16. Statements of Transfer Without Financial Adjustment (TWFA):**

These are prepared separately for Capital, CF, DRF, DF, OLWR & other transactions. Items involving adjustments in terms of para 780 FI, should be included in this statement *after obtaining confirmation* that contra adjustment has been taken into account by other Railway concerned so that the *net result on the over all balance* in the Books of Railway Board is NIL. *The figures of TWFA should be adopted in DH Report & Final Accounts Current on the basis of Statement of TWFA sent to Railway Board separately. Adjustments of balances under CSRPF & "Govt. contribution to CSRPF" to NCSRPF & Pension Fund respectively in case of pension optees, if any, should also be included in this statement. For rectification of mistakes in the balances affecting two or more heads of accounts, instructions under para 922 FI should be*

followed. It is to be seen that TWFA statement includes accepted items only of both the Railways to avoid dispute at later stage. The adjustment entries should be linked with JVs, Transfer Vouchers and acceptance advices..

(xi) That interest calculation on DRF & Pension fund is made as per prescribed format of Railway Board. In the calculation sheet relating to Pension Fund, besides the total contribution to the Fund, the break up thereof under (i) Railway (ii) Audit (iii) other Misc. Establishments & Transfers from SRPF (contributory) should also be given.

#### **6.17. Dividend payable to General Revenue:**

The format for calculation of Dividend payable to General Revenue and subsidy due from General Revenue is circulated by the Railway Board every year with detailed guidelines. The rate of dividend on the Capital at charge and relief in dividend are based on the recommendations of Railway Convention Committee (2009). Hence calculation of Dividend payable to General Revenue should be examined with reference to the format and guidelines with special emphasis on the investment on New Line construction and Unremunerative Branch Line. These are to be excluded from the amount for dividend calculation during moratorium period. *Incorrect claim of subsidy on new lines/branch line etc. by the zonal railway pointed out by Audit in previous year not adjusted in current year may be pointed out.*

Statement showing calculation of Dividend on Capital at charge & subsidy due from General Revenue - The Dividend is calculated as per guidelines issued by the Railway Board from time to time. This is calculated as per Form A 719 (A) (Statement No. XVIIIA) as amended from time to time.

#### **6.18. Contingency fund:**

To see that withdrawals from the Contingency fund, recoupment to the fund are brought out in a foot note to the

Accounts current and the same are reflected in the statement of Central Transactions to be sent by the Railway Board to the Controller General of Accounts, Ministry of Finance and the C & AG.

#### **6.19. Major Head 8342 New Pension Fund (NPS):**

Schedule to the Account Current shows the contribution recovered from the employee and matching contribution by the Railway to be transferred to Trustee Bank. Amount lying under Major Head 8342 **yet to be transferred** to Trustee Bank to be identified & pointed out.

#### **6.20. Traffic Book and accounts Office Balance Sheet:**

The Traffic Balance Sheet is prepared manually and sent to Accounts with the system generated monthly statements. Therefore, the entries in the Balance Sheet should be checked from these statements. The reconciliation of the figures with those in the General Books and the correctness of the amount shown under "Cash in transit" should be checked. In case of Accounts Office Balance sheet, a review should be conducted especially of items not coming otherwise under test audit.

#### **6.21. Profit & Loss A/c of Catering unit**

– To see that principles laid down for preparation of P & L A/c have been followed. *Losses incurred on a particular unit for a continuous period may be investigated thoroughly.*

#### **6.22. Audit Check of Suspense Accounts**

- The accuracy of the balances shown in the register should be checked first;
- Several records showing the details of debits and credits to the suspense heads should be checked in accordance with the rules laid down in the Indian Railway code for the Accounts Department;
- It should be seen that proper action is being taken to expedite the clearance of outstanding items and that no item which prima facie could be debited or credited to final head is allowed to stand over in the books-a tendency to do, which some times

manifests itself during the closing months of the year in order to avoid excesses over allotments.

### **6.23. Audit Check of Stores & Workshop Manufacturing Suspense Accounts**

It is to be seen that Chronic outstanding in the Stores Suspense (viz. Stock adjustment A/c) is not on the increase and all out efforts have been made to clear old outstanding. *To see that all debit items are adjusted against working expenses and credit items against earnings.*

Suspense balances on Workshop Manufacturing Suspense (WMS) accounts should be critically examined to see whether negative balance reflects; if so, the detailed reasons investigated. *Reconciliation of balance under WMS A/c as per General Books and Out-turn Statement has been made and there is no difference between the two balances*

### **6.24. Civil Grant: Loans and Advances by the Central Government**

- The actual expenditure will be compared with the totals of the expenditure relating to the various units as well as with the figures shown in the Account Current for March.
- In respect of the Civil Grant-Interest on debt and other obligations, the figures of actual expenditure will be compared with the totals of the expenditure relating to the various units as shown in their accounts as well as with the figures advised to the Railway Board, while passing on the debits for March, wherein the figures for the whole year is also indicated, to the Railway Board.
- In so far as the Appropriation Accounts of the various Departments in each of the units are concerned, the figures of Budget Grant, Final Grant etc., will be verified with reference to the Division wise distribution of the Budget and Final Grant communicated by the various Heads of Departments.
- The figures of actual expenditure will be verified with reference to the

Department-wise and Sub-head-wise actuals already audited by them.

### **6.25. Contents of Annexure:-**

**Audit Certificates:** The various Audit Certificates to be signed by the Principal Directors of Audit of each Zonal Railways are as follows:

- 1) Certificate of audit in respect of the Review of Balances (Debt Head Report),
- 2) Certificate of audit in respect of the appropriation accounts,
- 3) Certificate of audit in respect of Balance Sheet,
- 4) Certificate of Audit in respect of (a) Finance Accounts and (b) Capital and Revenue Accounts,
- 5) Certificate of Income Tax credited to Major Head 0021.

**Audit checks to be exercised during audit of Annexures to Consolidated Appropriation Accounts.****Annexure A**

*(Source: Para 406 of the Railway Audit Manual and Para 442 to 448 of the Indian Railway Financial Code Vol.I)*

**Statement of unsanctioned Expenditure**

- In terms of para 442 of the Indian Railway Financial Code Vol- I each Railway Administration has to furnish a certificate to the Railway Board by the date as laid down in the programme, to the effect that all expenditure included in the Appropriation Accounts has been sanctioned by Competent Authority with the exception of items detailed in the statement of unsanctioned expenditure.
- The following instructions may be borne in mind while checking the above statement:
  - Whether the total amount of expenditure placed under objection to end of the year has been categorized under 'amounting to Rs.1 lakh or more' or 'below Rs.1 lakh'.
  - Whether the total amount placed under objection to end of the year is shown under three divisions, viz.:
    - (i) relating to earlier than previous year;
    - (ii) relating to the previous year; and
    - (iii) relating to the year concerned.
- The amount to be shown against each year will be the amount of expenditure incurred during that year, but not cleared up to the 1st July (i.e. remaining unsanctioned/not regularized up to 1<sup>st</sup> July) of the year following the year to which the statement relates.
- The information to be shown under the column 'Previous Year' should be the same as shown in the current year column of the statement relating to the previous year.
- The amount of total expenditure audited for the purpose of the percentage given in the footnote to the statement of unsanctioned expenditure should be the total expenditure as shown in the summary of the Appropriation Accounts.
- For the purpose of working out figures, to be exhibited in this statement the minus expenditure resulting from certain credit adjustments should be taken as plus, but the amount of expenditure should be correctly shown in Annexure A(i) as minus figures.
- The Statement of Unsanctioned Expenditure is accompanied by two subsidiary statements [viz. Annexure A(i) & Annexure A(ii) to Consolidated Appropriation Accounts], showing the detailed information in respect of items remaining unsanctioned.
- The statements received from the various auditing units form the basis for the check of Annexure A prepared by the Financial Adviser and Chief Accounts Officer for submission to the Railway Board.
- That the information furnished by the Railway Administration tally with the figures recorded by Audit in their own register.

## Annexure B

*(Source: Para 433 of Financial Code Vol.I)*

**Statement of Undercharges Detected By Accounts and Audit. The following points may be borne in mind while checking this statement**

- For the purpose of this statement, amounts withdrawn, written off, cleared by overcharge sheets and recovered during the year concerned should be shown irrespective of the fact whether any portion thereto related to previous years.
- The gross amount of earnings excluding refunds should be shown and not the net earnings;
- The figures should exclude amount of debits for non-accounting and delayed accounting of invoices and Parcel Way Bills.
- The figures should also exclude figures of stations from where returns have not been received and checked.
- Individual items of undercharges amounting to Rs.2/- and below in the case of Goods earnings and 50 paise in the case of coaching earnings which are not debited to stations are excluded from the statement and suitable foot note in this connection is given.
- The amount of undercharges detected by Audit and recovered should be advised along with this Annexure to the Deputy Comptroller & Auditor General (Railways). The particulars should be furnished in the same form as Annexure B



## Annexure- C

*(Source: Para 433 of Indian Railway Financial code Vol. I and Para 407 of RAM)*

### Statement of Remission and Abandonment of Claims to Revenue.

- That Annexure contains items, amount of wharfage and demurrage charges, total earnings audited, total demurrage & wharfage charges recovered and total outstanding Wharfage & Demurrage separately (1) for Wharfage and Demurrage charges and (2) for Other items. Items amounting to Rs.25, 000 each or more and items amounting to below Rs.25, 000 each are shown separately.
- Any remission or abandonment of considerable magnitude or of unusual nature should be suitably explained in the remark column.
- In respect of each item of Rs.25,000/- and over falling under the group 'Other Items', full details of the case, the circumstances under which recovery should not be made, action taken against the person responsible and steps taken to avoid recurrence of such remission or abandonment of claims should be furnished in the form of a note.
- The amount of undercharges foregone on account of ticket less travel, included in the total amount under 'other items' below Rs.25,000/- should also be shown in the note to the statement.
- All cases relating to the financial year concerned in connection with the charging of lower rates than those prescribed for tourists' cars and saloons and waiving of the charges for empty haulage and hire should be included in the statement.
- Total amount of wharfage and demurrage charges accrued during the year should be advised to the Deputy Comptroller & Auditor General of India (Railways) while forwarding the audited copy of the Annexure.
- The break up of the wharfage and demurrage charges should also be ascertained and furnished to the Deputy Comptroller & Auditor General (Railways) along with the audited copy of the Annexure.

*(Source: Addl. Deputy Comptroller & Auditor General of India (Railways) letter Nos.3593-RR/1-28/67 dated 18-9-1967 & No.3123-RR/2-31/68 dated 31-7-1968).*

It should be seen that a note in the above statement is appended as under:

- The figures exclude undercharges of Rs.2/- and below in case of Goods Earnings and 50 paise and below in the case of Coaching Earnings; not debited to the station.
- The figures include amount due from ticket-less passengers and not recovered by Court or station records.
- The figures exclude undercharges of Rs.2/- and below, not adjusted with Defence Department and Foreign Railways.
- The figures exclude all items of losses of cash.
- The figures exclude all items of refund of demurrage and wharfage arising out of charges on account of error in rate calculation etc.
- If the items above Rs.1 lakh are there, these should be listed individually and brief particulars supplied for each item.

## Annexure -D

(Source: Para 433 of Financial Code, Vol. I)

### Review of Expenditure on Important Open Line Works and New Constructions

(Covers review of Open Line Works and New Constructions detailing important works which were undertaken during the year without budget provision and works which were not undertaken although funds had been provided for the same; this review also compares the actual expenditure on the works physically completed during the year with the original estimate.).

**Part 1 (A) exhibits the list of Works Costing Rs.20 lakhs and over which were undertaken without Budget Provision & Part 1(B) reflects the list of Works costing Rs.20 lakh and over previous year on which expenditure was booked during the year without Budget provision, in the following form:**

(Figures in thousands of Rupees)

Railway	Name of work	Estimated Cost	Date of commencement	Expenditure during the year	Total expenditure incurred up to the end of the year	Remarks

**Part II exhibits the list of Works costing Rs.50 lakhs or more for which budget provision existed but were not under taken during the course of the year, in the following form:**

(Figures in thousands of Rupees)

Railway	Name of the work	Estimated Cost	Budget Provision	Remarks

Statement of Expenditure on Open Line Works and New Constructions costing not less than Rs.50 lakhs each.

**Part III exhibits the Variation between Original Estimate and Expenditure in respect of Works completed during the year .....**

(Figures in thousands of Rupees)

Railway	Description of Works	Original Estimate	Final Cost	Excess(+) Savings(-)	Remarks

The Statement of variation between Original Estimate and Expenditure in respect of Works completed during the year is checked with reference to the Pink Book and Works Registers. The statement prepared by the Financial Adviser & Chief Accounts Officer is checked with reference to the audited copies received from units.

## Annexure -E

*(Source: Para 433 of Financial Code, Vol. I)*

### **Statement Showing Revenue and Capital Expenditure Relating To Strategic Lines.**

Statement of Expenditure on strategic lines is to be appended to the Appropriation Accounts.

It is prepared in two parts, one showing Working Expenditure and Other Revenue Charges grant wise (Grant Nos.2 to 14) and the other showing Expenditure on Open Line Works and New Constructions from Capital, Development Fund, DRF, Capital Fund, Railway Safety Fund and Open Line Works (Revenue).

The figures of expenditure shown in these statements should be compared with the relevant figures appearing in the Account current for March.

## Annexure F

*(Source: Para 433 of Financial Code, Vol. I)*

### **Statement of Estimate and Actual Credits or Recoveries**

The information provided in this Annexure is Budget Estimate, Revised Budget Estimate, Actuals & variation between Actuals and Revised Estimate.

The figures of Estimated and Actual Credits or Recoveries as shown in the accounts of all Grants should tally with the similar figures appearing in Annexure F appended to the Appropriation Accounts.

## Annexure G

*(Source: Para 429 of Financial Code, Vol. I)*

### **(Block Accounts, Including Capital Statement Comprising Loan Accounts)**

### **Balance Sheet and Profit And Loss Account (prepared as per specimen entries in Annexure II to IV F 431, F 431A & B).**

The figures in various statements comprising Annexure G may be checked from Capital/Works Ledger and Revenue Allocation Ledger, Cash Book and Account Current for March and with reference to the audited copies received from various units. Itemwise check of P & L A/c, Block Account & Capital Statement and Balance Sheet and source of document from which to be check are shown in a separate Statement is appended to this STM.

## Annexure - H

*(Source: Para 433 of Financial Code, Vol. I)*

### **Statement of Losses.**

The statement of losses should be checked with the register of losses and write off sanctions received **from** competent authorities from time to time.

- It may be ensured that losses that have not been written off are not inadvertently included in this statement.
- Whenever, the amount in respect of any item is more than Rs.50,000/- full details of the case are given, when the loss is not due to natural calamities like flood etc. Railway Board is to be informed about such losses.
- When loss is due to natural calamities, lump sum amount is exhibited indicating the details briefly.
- The statement compiled by the Railway Administration is to be checked with the audited copies received from the various audit units and register of losses maintained by Audit in this regard. The detailed information on the write off sanctions received in Audit from the Railway Administration are recorded in this register (register of losses).

## Annexure -I

*(Source: Para 433 of Financial Code, Vol. I)*

### **Statement of Irregular Reappropriations.**

This statement may be checked with reference to Budget Orders/Re-appropriation Statements.

- It should be seen that the Powers of Railway Administration in respect of Budget Allotment and re appropriations as envisaged under rules are strictly followed.
- It may be ensured that re-appropriations have been sanctioned by the competent authorities.
- Re-appropriations made after the close of year are irregular and are to be included in this Annexure.
- Cases of defective re-appropriations should be distinguished from those of irregular re-appropriations. The former represent unnecessary or insufficient re-appropriations or those made wrongly, while the latter comprise of re-appropriations made in contravention of the orders on the subject, which are beyond the powers of the sanctioning authorities.
- Details rules and regulations already explained in the Paras 5.1.10 to 5.1.12 of the Railway Budget and Appropriation chapter of this STM may be followed while checking this Statement.

## Annexure J

### **Types of possible Mis-classification**

*(Source: Para 433 of Financial Code, Vol. I & Para 405 of RAM)*

Various cases of Misclassifications and mistakes in accounting are given in a separate Statement attached to this STM. These apart, points discussed in para 6.11.4 of this STM may be followed while checking the Misclassifications & mistakes in accounting.

## Annexure K

### **Statement of Defects in Budgeting**

*(Source Para 433 FI & 409 of RAM)*

Items of defects in estimating and expenditure classified in the budget differently from the accounts, whether noticed by Accounts or Audit, should be arranged to be included in the statements submitted by the Administration to the Railway Board. Individual comments on these items may, be sent by the Principal Directors of Audit only when they are important and the Administration is not prepared to include the in the statement specified above. Items amounting to less than Rs.10 lakhs in case of works grants and Rs.5 lakhs in case of other grants which do not present any special feature need not be considered important.

In this connection, points as discussed in para 6.11.6 of this STM may be borne in mind, before checking of this statement.

**Statement showing the various examples of misclassification and mistakes in accounting, noticed during check of Finance & Appropriation A/cs. and impacts in accounts.**

Sl. no.	Brief observations	A/cs./ statement/ grant affected	Impact in accounts.	Sources from where such observations can be located.
	<b>Mistakes in Accounts and Misclassification</b>			
1	Pay & allowances of staff of Survey Unit wrongly booked to Grant No.16 Capital and Capital Fund instead of Grant No.2.	2 & 16 (Cap & CF)	Revenue Expr. deflated & Capital Expr. inflated. Over statement of Profit. Operating ratio deflated.	Statement of Grant Nos. 2 & 16. Payment vouchers as well as Revenue Allocation Register & Works Register.
2	Payment of Pay & Allowances under Arbitration Award & Court Order wrongly booked as voted instead of charged expenditure Grant No.3 and Grant No.4.	3 & 4 (V & C)	Voted expr. inflated and charged expr. deflated.	Payment vouchers as well as Revenue Allocation Register.
3	POH cost of locos of Grant No.5, C & W –Grant No.6 and Plant & Equipment-Grant No.7 respectively not transferred to respective Grants and remained in WMS A/C.	5, 6, 7 & 16 (Cap)	Revenue expr. Deflated & Capital Suspense inflated. Overstatement of Profit. Operating ratio deflated.	WMS A/c.
4	Expr. relating to Capital booked under DRF and expenditure relating to DRF booked under Capital-WMS account.	16 (Capital & DRF)	DRF & Capital Suspense inflated/deflated & vice versa.	Both DRF & Capital-WMS A/c.
5	Expr. towards repair to main roads, approach roads and foot paths of staff quarters, construction of boundary wall surrounding staff quarter, sinking and fitting of deep tube well in Rly. Colony wrongly charged to Grant No.4 instead of Grant No.11.	04 & 11	Expr. Of Gt.4 inflated & Gt.11 deflated.	Payment vouchers as well as Revenue Allocation Regr. This is common mistake done by the Railways.
6	Cost of P.Way materials wrongly charged to Gt. No.4 instead of Gt.no.16 (Capital)	04 & 16 (Capital)	Revenue Expr. Inflated & Capital Expr. Deflated. Under statement of Profit. Operating Ratio inflated.	Statement of Grant Nos. 4 & 16. Payment vouchers as well as Revenue Allocation Register & Works Register.
7	Cost of salary of work charged post charged to Gt. No.6 instead of Gt.no.16-DRF.	06 & 16 (DRF)	Revenue Expr. inflated & Capital Expr. (DRF) deflated. Under statement of Profit. Operating Ratio inflated.	Statement of Grant Nos. 6 & 16. Payment vouchers as well as Revenue Allocation Register & Works Register.
8	Expenditure towards cost of rails was wrongly booked to Gt.No.16-DRF (without physical receipt of the materials) instead of Gt.No.16 (WMS).	16 – Cap.(WMS) & DRF	Expr. On DRF head inflated and Cap Susp (WMS) deflated.	DRF A/c & WMS A/C. & vouchers & invoices.
9	Expr. towards cost of electric energy wrongly booked to Gt.no.16 (WMS) instead of Gt.no.8	08 & Cap.16 (WMS)	Revenue expr. deflated & Capital Suspense inflated. Over statement of Profit. Operating ratio deflated.	WMS A/c.
10	Expr. towards cost of HSD Oil wrongly booked to Misc. Adv (Susp) instead of Gt.no.10.	10 & Misc. Adv.(Susp)	Revenue expr. deflated & Misc. Adv (Suspense) inflated. Over statement of Profit. Operating ratio deflated.	Voucher & Misc. Adv. Register.
11	Repairs and maintenance expenditure of office and welfare buildings and cost of boulder wrongly booked to Gt.no.11 instead of Gt.no.4	4 & 11	Expr. Of Gt.4 deflated. & Gt.11 inflated.	Payment vouchers as well as Revenue Allocation Regr.

12	Expr. towards conversion work by Construction Orgn. wrongly charged to Gt. no.4 instead of Gt.no.16	4 & 16	Revenue Expr. Inflated & Capital Expr. deflated. Under statement of Profit. Operating Ratio inflated.	Revenue Allocation Regr. and Works Register.
13	Recoveries of Pay & Allowances wrongly booked under "Credit or recoveries" instead of minus debit to the respective minor heads of some revenue grants.	Respective grant heads & Credit or recoveries under the respective grants.	Separate budget for Credit or recoveries under different grant heads are affected.	Statements of different budget grants.
14	Arbitration awards booked under Voted instead of Charged expenditure under DRF and DF.	DRF & DF (V & C)	More/less expr. Shown under V & C and vice versa.	Payment vouchers in connection with Arbitration award.
15	Sale proceeds of unserviceable revenue scrap booked to Demand 4 instead of Earnings.	4 & Earnings.	Earnings deflated & expr. Of gt.no.4 deflated.	Cash Receipt vouchers & Statement of demand no.4.
16	Cost of training, expenditure on Pay & Allowances on Rly. Engg. Mech, Optg. Trg. Schools booked to Gt.no.4 instead of Gt.no.12	4 & 12	Expr. Of Gt.12 deflated. & Gt. 4 inflated.	Payment vouchers and other grant statements.
17	Expenditure on Construction of RCC overhead tank and cushion seats in general coaches wrongly booked to Capital instead of DF under Grant no.16.	16-Cap. & DF	Capital expenditure inflated and DF expenditure deflated. Extra liability on Dividend payable to Genl. Revenue.	Payment vouchers & works register.
18	Expr. Under different Plan Heads of Capital wrongly booked to Capital Fund instead of Capital.	16-Cap. & CF	Capital expenditure deflated and CF expenditure inflated. Less liability on Dividend payable to Genl. Revenue.	Payment vouchers & works register.
19	Traffic earnings kept under Traffic Suspense Account and not cleared in final head within the year.	Susp. & Abst.X	Traffic Suspense inflated and Traffic Earnings deflated.	Traffic Suspense A/c and Traffic Earnings Register.
20	Irregular booking of interest received on Capital works as Railway earnings.	16 Cap. Works & Abst.Z.	Capital & Railway Earning-Abst.Z.	Capital ledger and Statement of earnings (Abst.Z)
21	Inefficient balances showing as store in stock are irregular balances.	Stores A/cs.	Stores balances over burdened.	Detailed review of Stores ledgers.
22	Expr. booked to a work called Rails debit without any budget allotment.	DRF A/c.	DRF a/c. overstated	Debit Acceptance Memo. Jvs.
23	Non adjustment of cost of stores materials issued by the Construction Orgn. to Open line authority.	Cap.16	Stores A/c of Construction unit inflated and that of Open line A/c deflated.	Stores ledger/DMTR ledger and Adjustment memo.
24	Incorrect booking of Track Machine and Traffic facilities under Deposit work instead of Capital Fund.	Deposit and Capital Fund.	Deposit head inflated and Capital Fund deflated.	Deposit ledger and Capital Fund ledger.
25	Write back adjustment for materials drawn from stores for Revenue works transferred to RSP works was not carried out between DRF & different Revenue heads	DRF & different Revenue heads	DRF head inflated and Revenue heads deflated	Stores ledger, DRF, revenue ledger & Adjustment memo. to be checked.
26	Expenditure incurred on pay & allowances of staff working under Survey Department debited to Misc. Deposit.	2 & Misc. Deposit.	Misc. Deposit A/c deflated & Demand 2 inflated.	Paid vouchers and Misc. Deposit regr.
27	Wrong crediting of sale proceeds of capital scrap to Abstract Z (Earnings) (abandoned quarters) instead of Grant no.16	Abstract Z & Cap.16.	Abstract Z inflated & Cap 16 inflated.	Sale vouchers, Statement of Abstract Z.
28	Cheques and Credit notes awaiting clearance shown as closing balance under cash instead of under remittance.	Cash & remittance	Closing balance of cash inflated and closing balance of remittance deflated.	Details of Cheques and Credit notes awaiting clearance and details of closing cash balance.

29	Irregular claim of Subsidy in respect of New lines/projects beyond the moratorium period (during the period of construction and 5 years after opening to traffic).	Dividend payable to Genl. Revenue & P & L A/c.	Overstatement of Profit and Less payment of Dividend.	Enclosure to Dividend to Genl. Revenue-Lines opened to traffic to be checked.
30	Non inclusion of value of assets transferred from one Railway to other Railway, through TWFA.	TWFA A/C.	Overstatement/understatement of Capital-at-charge of one Zonal Railways and other. Calculation for payment of Dividend to Genl. Revenue, P&L account, Block Account and Balance Sheet of the Zonal Railways concerned are also affected.	TWFA Statement and transfer advice to be checked carefully.
<b>Defects in budgeting and Control over expenditure.</b>				
1	Excess provision of fund resulted in Savings.	Minor head of respective Grant affected		
2	Short provision of fund resulted in Excess Expenditure.	Minor head of respective Grant affected		
3	Irregular re appropriation of fund.	Minor head of respective Grant affected		



**Table showing the initial/subsidiary records and other related accounts/records/ statements from where the accounts/statements are compiled and cross checking can be made for ascertaining the accuracy of the figures incorporated in the accounts.**

Sl. No.	Item Head	Head of Accounts	Initial/subsidiary records/register	Other linked accounts/records/ Statements/ annexures for cross checking of accuracy.
1	<b>Cash Book</b>	-	(i) In respect of Remittance to Bank- Bank Remittance Register. Bank Statements.	Bank Remittance receipts,
			(ii) Cash check sheet – for station remittances	
			(iii) Counterfoils of Cash receipts for misc. Cash receipts.	
			(iv) In respect of recoveries made from bills passed for payment- from various credit heads of account (Form A-1109)	Various schedules prepared.
			(v) In respect of unpaid amount remitted by the Cashier-List of unpaid wages.	
			(vi) In respect of payments from various debit heads (Form A 1109)- Original voucher (for payment).	(i) CO 6 & CO 7 Registers, (ii) Cheques & Bills registers. (iii) Bills/vouchers for detailed check.
			(vii) Cheque Register/ counterfoils of cheque for cheque issued.	Cheques & Bills registers.
(2)	<b>Journals</b>		Journal Register/Book/Slips.	Adjustment Memo with other related records.
(3)	<b>Subsidiary Register-</b>			
	(a) Revenue Allocation Register, Works Register, Register of Works expenditure.		Cash Vouchers in case of cash payments; JVs in case of payments through Demands Payable/Summary statement of a group of vouchers/allocated abstracts.	Grant No.3 to 13 & Cap. 16 of Appropriation A/cs.
	(b) Register of Earnings		Cash Vouchers in case of direct receipts/JVs in case of transfer credit.	Abstract X, Y & Z of Appropriation Accounts.
(4)	<b>Suspense Register</b>			
(a)	Demands Payable Register		General Cash Abstract Book, Revenue Allocation Register	Outstanding bill amount, if any, not passed during the year can be checked from the cheques & bills register.

(b)	(i) Misc. Advance (Capital)		General Book	Debt Head Report
	(ii) Misc. Advance (Revenue)			Debt Head Report
(c)	Loans and Advances to Govt. servants &			Debt Head Report
(d)	Deposit Miscellaneous (Unpaid wages)			Debt Head Report
(e)	Deposit (Miscellaneous) for other misc. items like Cash security deposit, earnest money, unpaid bills of contractors etc.			Debt Head Report
(f)	Stores Suspense Accounts.		Stores Inventory Ledger, Computerized Stores ledger, General Books of Accounts.	Purchase, Sales, Materials issued to contractors, Stores-in-transit register
(g)	Workshop Manufacturing Suspense Accounts.		Workshop General ledger	
(h)	Traffic Account		Traffic Book/Cash Abstract Book.	Balance Sheet of the Station and Traffic Account Balance sheet.
(i)	Demands recoverable register (for misc. items)		General Book	Debt Head Report. Outstanding amount receivable from any source to be checked from the receivable register.
5	<b>Capital and Revenue Account</b>			
<b>Part –I Consolidated Fund, Part-II Contingency Fund, Part-III Public Fund</b>				
	(i) Capital Receipts		Stock & Share Capital Regrs., Loans raised, all receipts shown in deduct from Expenditure, Genl. Cash Book, Stores & Suspense Register.	Reconciliation of figures of different statements as mentioned in Para 702 AI. Reconciliation of figures of the Accounts Current with Appropriation Accounts.
	(ii) Capital Expenditure		Genl. Cash Book, Register of Capital, Capital Fund, Development Fund, Depreciation Reserve Fund, Safety Fund & Revenue (OLWR), Suspense (Adjustment) Register.	
	(iii) Revenue Receipts		Daily/Monthly Abstract of Cash transactions- Genl. Cash Book, Journals, Ledgers, Register of Earnings, Suspense Register.	
	(iv) Revenue Expenditure		Daily/Monthly Abstract of Cash transactions- Genl. Cash Book, Journals,	

			Ledgers, Revenue Allocation Register, Suspense Register.	
	(v) (a) Debt, (b) Deposit & (c) Remittances	(a) Receipt- Loans recovery. Expenditure-Loans given. (b) Deposit received & disbursed (c) Remittances made and received.	Schedule F- Loans and Advances, Schedule of RB deposit, Schedule of Transfer Railway, Schedule of Closing Cash.	
6	<b>Finance Accounts</b>		All debit and credit entries are to be checked from Capital and Revenue Accounts and schedules there under.	Link between Capital and Revenue Accounts and Finance Accounts is furnished in a separate statement.
7	<b>Profit and Loss Account</b>			
	<b>Debit</b>			
(i)	Working Expenses	Expr. Under Major Head 3002-Indian Railway Commercial lines-Working expenses.(A/c. Current) (Deduct ) Amount met from Fund	Revenue Allocation Register	Appropriation Accounts (Grant Nos. 3 to 13)
(ii)	Payment to worked lines	Expr. Under Major Head- 3001-Indian Railways-Policy Formation, Direction & Research etc. (of A/c. Current) (Deduct ) Amount met from Fund	Revenue Allocation Register	Appropriation Accounts – (Grant No. 2) - Indian Railways-Policy Formation, Direction, Research & other misc. organisations.
(iii)	Surveys	-do-	-do-	-do-
(iv)	Statutory Audit	-do-	Railway Boards Orders	
(v)	Govt. Inspection		Railway Boards Orders	
(vi)	Misc. establishment	-do-	Railway Boards Orders	Appropriation Accounts – (Grant No. 2) - Indian Railways-Policy Formation, Direction, Research & other misc. organisations.
(vii)	Misc. charges	-do-	Railway Boards Orders	-do-
(viii)	Cost of Railway Board		Railway Boards Orders	Appropriation Accounts – (Grant No. 1)-Railway Board.
(ix)	Open line Works (Revenue)	Expr. Under Major Head- <b>Outlay on</b>	Works Register	Grant No.16 of Appropriation Accounts.

		<b>works</b> 3004-Indian Rly. (OLWR) of Account Current		
(x)	Dividend Payable to Genl. Revenue		Railway Board's orders	--
	<b>Credit</b>			
(i)	Gross Earnings	Earnings under Major Head <b>Earnings under Indian Rly. Commercial lines-</b> Revenue Receipts Head-1002-Indian Rly. Commercial lines- Revenue Receipts of (Account Current).	Traffic Book	Annexure X, Y & Z of Appropriation Accounts.
(ii)	Misc. Receipts	1001-Indian Rlys Misc. Receipts-Sale of land, Spl. Surcharge on passenger fares, RRB Exam. fees & Sale of appl. Forms.	Misc. Cash Receipts/Cash Book	
(iii)	Govt. share of surplus profit	1001-Indian Rlys Misc. Receipts-Govt. share of surplus profit from subsidiaries Cos. (Account Current).		
(iv)	Subsidy from General Revenue towards Dividend relief and other concessions.		Railway Board's orders.	
	<b>Capital Statement (comprising Loan Account) &amp; Statement of Block Accounts (Including Loan Account)</b>		a) Loan Register (Statement III of Capital & Revenue A/c) Form A 705. b) Works Register	(i)Statement of Capital at charge (ii) TWFA Statement (iii) Statement of Grant No.16 to Appropriation Accounts. (iv) Balance Sheet.
8	<b>Balance Sheet</b>			
	<b>Assets</b>			
(i)	Fixed & Floating Asset(as in Block A/c Statement)	(i)Contra item No.1 of liabilities (ii) 5002 & 5003- Capital outlay on Indian Railway Commercial and Strategic Railways (of Account Current)	(i)Works Register. (ii)Block Account	(i)Statement of Capital at charge (ii) TWFA Statement (iii) Statement of Grant No.16 to Appropriation Accounts.
(ii)	Cash in hand	(8671 & 8672) department	General Cash Book	

		balances & Permanent Cash imprest (Rlys) of Account Current ).		
(iii)	<b>Sundry Debtors:</b>			
(a)	Loans & Advances	(i)Contra item 2(a) of liabilities (ii)7610, 7615 of Account Current	Suspense Register-Loans & Advances to Govt. servants	Debt Head Report
(b)	Traffic Accounts & Other Railways	1001 – Indian Rly. Revenue Receipts-Comm./Strategic Lines.	Traffic Suspense Register.	Abstract X, Y & Z
(c)	Demands recoverable	Contra item 2(a) of liabilities	Demands recoverable register	Debt Head Report
(d)	Misc. Advance (Revenue)	Major Head 3002-Indian Rly. Comm. Lines/Strategic lines-Working Expenses.	Misc. Advance Revenue Register	Debt Head Report
(e)	Sundry Deposit	Item 2(b) of liability		
(iv)	Investments (a)PF (b) Misc. Deposit (c) Other fund			(a)PF ledger (b) Misc. Deposit (c) Others
(v)	Savings Bank Account with Govt.	Item 2(a) (PF), 3(other funds viz. DF, DRF, PF, CF & RSF) per contra Fewer Items (iv) (Investment) above.		
(vi)	Accounts with States	Inter Govt. adjustment –A./cs, with States (8790 of Account Current)	General ledger	Debt Head Report
(vii)	Accounts with central (Civil)	Accounts with central (Civil) (8790 of Account Current)	General ledger	Debt Head Report
(viii)	Adjusting A/c with P & T	Accounts with P & T (8788 of Account Current)	General ledger	Debt Head Report
(ix)	Adjusting A/c with Defence	Accounts with Defence (8789 of Account Current)	General ledger	Debt Head Report
	<b>Liabilities</b>			
(i)	Total investment as in the Block A/c statement	Loan Account as per Capital Statement & other funds from which assets are financed.	1)Works Register 2) Register of works expenditure classified under Capital, DRF, DF, Revenue (OLWR), RSF & SRSF.	1)Capital at charge statement 2) TWFA Statement 3) Grant 16 Stt. to Apprn. A/c.
(ii)	Sundry Creditors	(a)PF-Small Savings PF etc. 8005 of Account Current (b) Misc. Deposit-K Deposit & Advances- 8445 of	(a) PF ledger (b) Deposit Register, Suspense Reqr, General Book- viz. journal & ledger. (c) General Book -viz. journal & ledger	(a) Debt Head Report (b) Debt Head Report (c) Grant No.13- Abstract N (Suspense) to Appropriation A/cs.

		Accounts Current. (c) Demands Payable-Register of Demands Payable		
(iii)	Railway Fund viz. DRF, DF, CF, Pension, RSF, SRSF	8115-8121- DRF and other funds of Accounts Current	Railway Board's orders & other statements attached to Accounts.	(a) Debt Head Report (b) Grant No.14 to Appropriation Accounts.
(iv)	Balance due to Central Govt. for loans and advances to Rly. Employees.	Item iii (a) per contra of Asset. 7610 of Accounts Current.	Suspense Ledgers- Loans and Advances to Govt. Servants.	(a) Debt Head Report (b) Statement of Civil grants- Loans and Advances to appropriation A/c.


**Statement of Linkage between Capital and Revenue Account and Finance Account  
(Heads for tally)**

Sl.No.	Capital and Revenue Account	Finance Account
1	<b>Receipts:</b> Statement XIII- Detailed Accounts of Revenue Earnings.	<b>Receipts:</b> 1001- Indian Railway Commercial/Strategic lines-Revenue Receipts- Abstract X, Y, Z.
2 (i)	<b>Expenditure:</b> Statement V-Details of Capital Expenditure	<b>Expenditure:</b> Schedule C –Detailed Accounts of Capital and other works expenditure outside the Revenue Accounts.
2(ii)	(a) Statement IX- Statement of Revenue Account (b) Statement XI- Summary of working expenses (Grant wise and Primary Unit wise) (c ) Statement XII- Detailed Accounts of Revenue Working Expenses	Abstract A to N (under Major Head 3002- Indian Railways-Commercial lines-Working Expenses.
2(iii)	Statement No. XIX-Detailed Accounts of Expenditure under Major Head 3001-Policy Formulation Direction, Research & other Misc. Organization Commercial/Strategic, for the year ending 31 <sup>st</sup> March.....	Schedule B-Detailed Accounts of Expenditure under Major Head 3001- Policy Formulation Direction, Research & other Misc. Organization Commercial/Strategic, for the year ending 31 <sup>st</sup> March.....
2(iv)	Statement No.XX - Expenditure charged to Development Fund for the year ending....(Minor Head & Sub Head wise)	Schedule F- Expenditure under Major Head 5002/5003 met from Development Fund by Minor Heads of classification (Plan Head) for the year ending.....
2(v)	Statement No.XXI-Expenditure to Revenue (OLWR) for the year ending..... (Minor and Sub Head wise)	Schedule G- Expenditure under Major Head 5002/5003 transferred to Major Head 5004 Revenue OLWR by Minor Heads of classification (Plan Head) for the year ending.....
2(vi)	Statement No.XVIII A- Depreciation Reserve Fund Account, as on 31 <sup>st</sup> March....[Appropriation (Expenditure) from DRF]	Schedule J- Expenditure under Major Head 5002/5003 met from DRF by Minor Head of classification (Plan Head) for the year ending.....
2(vii)	Statement No.XVIIIC-Railway Safety Fund Account, as on 31 <sup>st</sup> March....[Appropriation (Expenditure) from RSF]	Schedule K- Expenditure under Major Head 5002/5003 met from Railway Safety Fund.

Slide 1

**Session 6**

**Audit of Railway Finance and Appropriation Accounts.**



Training Module on Audit of Railways; Session: 6

Slide 4

**Audit Plans**

- **Time Lines for audit.**
- **The audit of Finance & Appropriation Accounts of Railway commences with the issue of a time schedule by the Railway Board in consultation with C& AG of India. The schedule consists of datelines for the following activities connected with preparation and audit of Finance & Appropriation Accounts:**
- **Activities at Railway Accounts Offices & Activities at Railway Audit Offices.**




Training Module on Audit of Railways; Session: 6

Slide 2

**Learning Objective**

- **In this session, the participants will be able to understand the Audit procedure in connection with Audit of Finance & Appropriation Accounts of Railway and various points to be seen during audit of Finance & Appropriation Accounts, different Audit Certificates to be issued and duties of Audit in connection thereto, which will help them to focus on audit issues in the work context and to raise different types of audit observations in connection with Finance and Appropriation Accounts.**



Training Module on Audit of Railways; Session: 6

Slide 5

**Responsibility Centre for audit of Finance and Appropriation Accounts**

- **It should be created in the name of Financial Attest Audit Group whose functions include all activities connected with the *Planning, execution, reporting and documentation* of audit of Finance and Appropriation Accounts as well as *coordination* with other sections of Financial Attest Audit Group dealing with scrutiny of vouchers etc. during Central Audit, Local Audit Parties and Inspection Teams of the Office. Its functions should be through out the year and not seasonal.**




Training Module on Audit of Railways; Session: 6

Slide 3

**Audit Plans**

- **Audit Plan includes detailed instructions for audit of Finance & Appropriation Accounts categorised as follows:**
  - Audit Planning
  - Audit Execution
  - Audit Reporting and Documentation
  - Integration with central audit
  - Integration with inspection of treasuries (F.A. & C.A.O)
  - Integration with audit of departmental accounts rendering units.




Training Module on Audit of Railways; Session: 6

Slide 6

**Preparation of detailed audit program**

- **The planning for financial attest audit of Finance & Appropriation accounts should be integrated with the preparation of Annual Audit Plan.**
- **The planning activities to be carried out includes:**
  - **Conduct of risk analysis in 'account areas, accounting information, accounts rendering units, expenditure incurring units and revenue collection units'.**
  - **Selection and Sampling of vouchers, and Preparation of a Matrix and an Information Sheet.**



Training Module on Audit of Railways; Session: 6



Slide 7

### Audit Execution

- The audit of Finance and Appropriation accounts may be carried out in three phases:
- Phase I of audit commences after approval of the budget involving development of detailed audit program and preliminary audit activities.
- Phase II and Phase III are intended exclusively for execution of audit. Reporting will also be part of Phase III. Principal Director of Audit can decide on commencement date of Phase II.
- Phase III will commence after the Grant Statements/ Appendixes of the Finance and Appropriation Accounts are received in the Office of Principal Director of Audit from the Office of F.A. & C.A.O of the Railway.

Training Module on Audit of Railways; Session: 6 7

Slide 10

### Audit Documentation and Reporting

- Documentation should include completion of 'Matrix' and should show specific accounts, accounts areas, nature of transactions chosen for proving the different assertions, samples of vouchers/documents chosen for substantive audit tests relating to each assertion, results of the substantive audit tests done and the overall conclusion drawn with cross referencing of audit evidence collected.
- While the serious observations in audit of Finance & Appropriation Accounts are to be embedded in the audit certificate itself, it is also desirable that a 'Management Letter' be issued to the departmental heads in charge of the accounts rendering units pointing out those audit findings. A similar letter can also be issued to F.A. & C.A.O for matters relating to compilation of accounts.

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Slide 8

### Scope of Audit

**- Scope of Audit in Phase I.**

- Phase I of the audit execution will commence immediately after the Vote-on-Account on the budget for the financial year has been approved by the Central legislature and will end after scrutiny of the budget by the FAAAT.

**- Scope of Audit in Phase II.**

- Phase II of audit execution focuses on the audit of Monthly Accounts Current, Monthly Appropriation Accounts and their underlying transactions and vouchers.

**- Scope of Audit in Phase III.**

- Phase III of audit will commence after the F.A. & C.A.O starts submitting the Grant Statements.

Training Module on Audit of Railways; Session: 6 8

Slide 11

### Three stages of conducting Financial Attest Audit

**These are:**

- Integration of Financial Attest Audit with Central Audit.
- Integration with Inspection of Treasuries (F.A. & C.A.O).
- Integration of audit of Accounts Rendering Units.

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Slide 9

### Audit Documentation and Reporting

- Assertion based documentation should be done for financial attest audit of Finance & Appropriation Accounts.
- The audit checks of Vouchers, Monthly Accounts, Monthly Appropriation Accounts are conducted for the assertions of completeness, measurement, regularity, occurrence and disclosure relating to each of the above accounts.
- The audit checks for each item of account in the Finance Accounts and the Grants in the Appropriation Accounts ensure that the assertions are checked for its correctness.

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Slide 12

### Audit of Vouchers & Vouchers other than Bills and Challans


- Checks on assertions on measurement, completeness, regularity, occurrence and disclosure will be exercised mandatorily on all vouchers selected for audit by both the Field Audit Parties and Central Audit Parties.
- Concentration on Transfer Entry Documents should be given especially to see whether the Transfer Entry is passed before closure of the accounts for the financial year or after closure of financial year while checking vouchers other than bills and challans.

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Slide 13

**Audit Checks for Monthly Accounts & Accounts Current.**

- Audit checks are detailed in Para 372 of Railway Audit Manual.
- However, Checks on assertions on measurement, completeness, regularity, occurrence and disclosure will be exercised mandatorily.




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Slide 16

**Audit Checks for audit of Appropriation Accounts.**

- In terms of Para 389 Railway Audit Manual audit against grants and appropriations are to be conducted according to the general principles and rules laid down in para 2.2.5-2.2.10 of MSO (Audit).
- Audit instructions are also laid down in paras 390, 393-415 of RAM.
- However, for systematic audit different assertions i.e. Assertions on completeness, measurement, regularity, occurrence & disclosure etc. are to be kept in mind.




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Slide 14

**Audit checks for audit of Capital and Revenue Accounts (Section II of the Annual Report-Financial Statement)**

- Detailed audit checks in respect of Capital and Revenue accounts have been laid down in Para 374 of Railway Audit Manual. However most of the checks can be exercised from the Account Current for March.
- In addition to above, the audit procedures as outlined in respect of Accounts Current i.e. Assertions on completeness, Assertions on Measurement, Assertions on Regularity, Assertions on occurrence and Assertion on Disclosure may be followed, to have detailed examination successfully.




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Slide 17

**Certain other important Accounts / statements / reports related to Finance and Appropriation Accounts to be checked**

- Annexure J & K.
- Debt Head Report.
- F. Loans and Advances.
- Income Tax recovered & credited to Major Head 0021.
- Intra Railway and Inter Railway transfer transactions.
- Statements of Transfer Without Financial Adjustment (TWFA).
- Contingency Fund.

Contd.....S/18




Training Module on Audit of Railways, Session 6 17

Slide 15

**Audit Checks for audit of Finance Accounts.**

- As per Para 380 of Railway Audit Manual, rules laid down in paras 729 to 746 A should be followed while checking the Finance Accounts of Railways.
- Certain general checks for all Schedules and Appendices are to be exercised in addition.
- The audit procedures i.e. Assertions on completeness, Assertions on Measurement, Assertions on Regularity, Assertions on occurrence and Assertion on Disclosure may also be followed to have detailed examination successfully.




Training Module on Audit of Railways, Session 6 15

Slide 18

**Certain other important Accounts / statements / reports related to Finance and Appropriation Accounts to be checked in Audit.**

- \*M. H. 8342 New Pension Fund.
- \*Traffic Book & Accounts office Balance Sheet.
- \*Profit & Loss A/cs. Of Catering Unit.
- \*Audit of Suspense Account.
- \*Stores & Workshop & Manufacturing Suspense Account.
- \*Civil Grants-Loans & Advances by the Central Govt.




Training Module on Audit of Railways, Session 6 18

## Slide 19

**Types of objections generally noticed during audit of Appropriation Accounts**

Types of objections that could come up during the check of Appropriation accounts are:

- Misclassification between one Grant and another.
- Mistake in booking of Charged Expenditure and voted expenditure.
- Mistakes in booking of Capital Expenditure as Revenue Expenditure or vice versa.
- Double booking of expenditure.
- Mistakes in Accounting.
- Unsanctioned expenditure.
- Booking of expenditure without budget allotment or without sanction of competent authority.
- Financial Transactions done without physical transfers of materials and vice versa.




Training Module on Audit of Railways, Session 6 19

## Slide 20

**Audit Certificates**

- The various Audit Certificates to be signed by the Principal Directors of Audit of each Zonal Railways are as follows:
- 1) Certificate of audit in respect of the Review of Balances (Debt Head Report),
- Certificate of audit in respect of the appropriation accounts,
- Certificate of audit in respect of Balance Sheet,
- Certificate of Audit in respect of (a) Finance Accounts and (b) Capital and Revenue Accounts,
- Certificate of Income Tax credited to Major Head 0021.



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**Questions:**

1. What does the Audit Plan for audit of Finance & Appropriation Accounts include?
2. What does Audit Planning include?
3. What are the responsibilities of Finance and Appropriation Accounts Audit Team (FAAAT)?
4. What may be the probable areas of Finance and Appropriation Accounts where Risk Analysis can be done?
5. Mention some of the sources of information for Risk Analysis in Accounts Areas and Accounting Information.
6. What is Matrix and Information Sheet in connection with checking of Vouchers?
7. In how many Phases audit of Finance and Appropriation accounts are executed/carried out?
8. When does the Phase I of the audit execution commence?
9. Mention some of the mandatory audit checks those may be exercised during Phase I of the audit execution.
10. What is the scope of Audit in Phase II & III?
11. When does the Audit of Phase III commence?
12. When the draft report consisting of the Audit Certificate and Management Letter is issued?
13. Which type of documentation should be done for framing of Audit comments?
14. How Financial Attest Audit is integrated with Central Audit?
15. What are the Audit checks to be exercised during audit of sanctions?
16. How Financial Attest Audit is integrated with Inspection of Treasuries (F.A. & C.A.O)?
17. How Financial Attest Audit is integrated with Accounts Rendering Units?
18. What are the audit checks to be exercised during audit of Vouchers? Mention some important items on Audit on assertions of completeness, measurement, regularity, occurrence and disclosure.
19. What are the audit checks to be exercised during audit of Monthly Accounts & Accounts Current? Mention some important items on Audit on assertions of completeness, measurement, regularity, occurrence and disclosure.
20. What Audit checks are to be exercised during audit of Capital and Revenue Accounts, especially in respect of different Statements & Annexure?
21. What audit checks should be exercised during audit of Finance Accounts especially with reference to General checks for all Schedules and Appendices?
22. What audit checks should be exercised during audit of Appropriation Accounts? Mention some important items on Audit on assertions of completeness, measurement, regularity, occurrence and disclosure.
23. What types of objections are generally noticed during audit of Appropriation Accounts?
24. What are the audit points to be checked in audit of Debt Head Report?

25. What are the audit checks to be exercised in audit of Income Tax recovered & credited to Major Head 0021?
26. What audit checks are to be exercised in audit of Intra Railway and Inter Railway transfer transactions?
27. What audit checks are to be exercised in audit of Transfer without Financial Adjustment?
28. What are audit checks to be exercised during audit of Dividend Payable to General Revenue?
29. What audit checks are to be exercised during audit of Major Head 8342 New Pension Fund (NPS)?
- 30.** What audit checks are to be exercised during audit of Stores & Workshop Manufacturing Suspense Accounts?
31. What audit checks are to be exercised during audit of Civil Grant: Loans and Advances by the Central Government
32. What are the Audit Certificates to be issued by the Principal Director of Audit of a Zonal Railway?

**Answer Sheet:**

1. Audit Plan includes detailed instructions for audit of Finance & Appropriation Accounts categorized as follows:

- a) Audit Planning
- b) Audit Execution
- c) Audit Reporting and Documentation
- d) Integration with central audit
- e) Integration with inspection of treasuries (F.A. & C.A.O)
- f) Integration with audit of departmental accounts rendering units

2. Audit Planning includes:

- (i) Time Lines for audit.
- (ii) Activities at Railway Accounts Offices.
- (iii) Activities at Railway Audit Offices.

3. The responsibility of the Finance and Appropriation Accounts Audit Team (FAAAT) should include all activities connected with the *Planning, execution, reporting and documentation* of audit of Finance and Appropriation Accounts as well as *coordination* with other sections of Financial Attest Audit Group dealing with scrutiny of vouchers etc. during Central Audit, Local Audit Parties and Inspection Teams of the Office.

4. Probable areas of risk analysis in Finance and Appropriation Accounts are 'account areas, accounting information, accounts rendering units, expenditure incurring units and revenue collection units'.

5. See Para 6.1.3(i) of Participants' Notes - Session 6.

6. 'Matrix' shows the assertions sought to be proved, samples of transactions and vouchers selected for carrying out the test, substantive audit tests to be carried out and the responsibility centre for the substantive audit test and

The results of the audit tests carried out are noted in the 'Information Sheet' showing

the nature of substantive audit test, the units/account area/account information on which the test was carried out and results of the substantive audit tests carried out by Financial Attest Audit Group, Local Audit Parties and Inspection units.

7. The audit of Finance and Appropriation accounts may be executed/carried out in three phases. Phase I of audit which commences after approval of the budget will involve development of detailed audit program and preliminary audit activities. Phase II and Phase III are intended exclusively for execution of audit. Reporting will also be part of Phase III.

8. Phase I of the audit execution will commence immediately after the Vote-on-Account on the budget for the financial year has been approved by the Central legislature and will end after scrutiny of the budget by the FAAAT.

9. See Para 6.2.1 (i) of Participants' Notes - Session 6.

10. See Para 6.2.1(ii) & (iii) of Participants' Notes -Session-6

11. Phase III of audit will commence after the F.A. & C.A.O starts submitting the Grant Statements.

12. The draft report consisting of the Audit Certificate and Management Letter should be prepared by FAAAT after conclusion of audit.

13. Assertion (viz. assertions of completeness, measurement, regularity, occurrence and disclosure) based documentation should be done for financial attest audit of Finance & Appropriation Accounts.

14. See Para 6.4 of Participants' Notes - Session 6.

15. See Para 6.4 of Participants' Notes - Session 6.

16. See Para 6.5 of Participants' Notes - Session 6.

17. See Para 6.6 of Participants' Notes - Session 6.

18. See Para 6.7 of Participants' Notes - Session 6.

19. See Para 6.8 of Participants' Notes - Session 6.

20. See Para 6.9 of Participants' Notes - Session 6.

21. See Para 6.10 of Participants' Notes -Session 6.

22. See Para 6.11 & 6.2.1 of Participants' Notes -Session 6.

23. Types of objections that could come up during the check of Appropriation accounts are:

- Misclassification between one Grant and another.
- Mistakes in booking of voted and charged expenditure.
- Double booking.
- Mistakes in Accounting.
- Booking of expenditure without budget allotment or without sanction of competent authority.
- Defects in budgeting.
- Irregular re-appropriation or defective re-appropriation.
- Financial Transfer without physical transfers of materials and vice versa.
- Undercharges detected by Accounts and Audit etc
- Remissions and Abandonment of Claims to Revenue, etc.

24. In audit it may be seen that the balances shown against the various heads of accounts in the Debt Head Report tally

with those appearing in the Final Accounts Current with opening and closing balance for the particular year and the balance under one Head of account is not clubbed with the other Head of Accounts either in the debt Head Report or in Final Accounts Current. The balances appearing in the Debt Head Report should also be exhibited in the Balance Sheet.

For further details see Para 6.12 of Participants' notes-Session 6.

25. See para 6.14 of Participants' notes-Session 6.

26. See para 6.15 of Participants' notes-Session 6.

27. See para 6.16 of Participants' notes-Session 6.

28. See Para 6.17 of Participants' notes-Session 6.

29. See Para 6.19 of Participants' notes-Session 6.

30. It is to be seen that Chronic outstanding in the Stores Suspense (viz. Stock adjustment A/c) is not on the increase and all out efforts have been made to clear old outstanding. *To see that all debit items are adjusted against working expenses and credit items against earnings.*

*For further details see* Para 6.23 of Participants' notes-Session 6.

31. See Para 6.24 of Participants' notes-Session 6.

32. The various Audit Certificates to be issued by the Principal Directors of Audit of each Zonal Railways are as follows:

1) Certificate of audit in respect of the Review of Balances (Debt Head Report).

2) Certificate of audit in respect of the appropriation accounts.

3) Certificate of audit in respect of Balance Sheet.

4) Certificate of Audit in respect of (a) Finance Accounts and (b) Capital and Revenue Accounts.

5) Certificate of Income Tax credited to Major Head 0021.