

## Chapter 2 → Financial Management

### Audit objective 1

*To see whether effective budgetary controls were in place to ensure appropriate allotment and utilization of funds.*

Sound principles of financial prudence, budgetary practices and control over expenditure are essential for effective and efficient use of the scarce budgetary resources. Indian Railways provides for both revenue and capital expenditure to provide medical and health services to its beneficiaries. Revenue Expenditure on medical services inter-alia includes Salaries and Allowances of Hospitals and Dispensaries, Cost of Medicines, Reimbursement of Medical Expenses, Public Health, Maintenance of Equipment, Sanitation in Railway Colonies and Other Welfare Services<sup>7</sup>. Capital Expenditure is incurred towards procurement of equipment and infrastructure development. During 2008-13, Medical Department incurred expenditure of ₹ 9932.22 crore which includes ₹ 9510.70 crore towards revenue expenditure (96 *per cent*) and ₹ 421.52 crore towards capital expenditure (four *per cent*). The revenue expenditure of medical department during 2008-13 was 2.68 *per cent* of the total ordinary working expenses of Indian Railways.

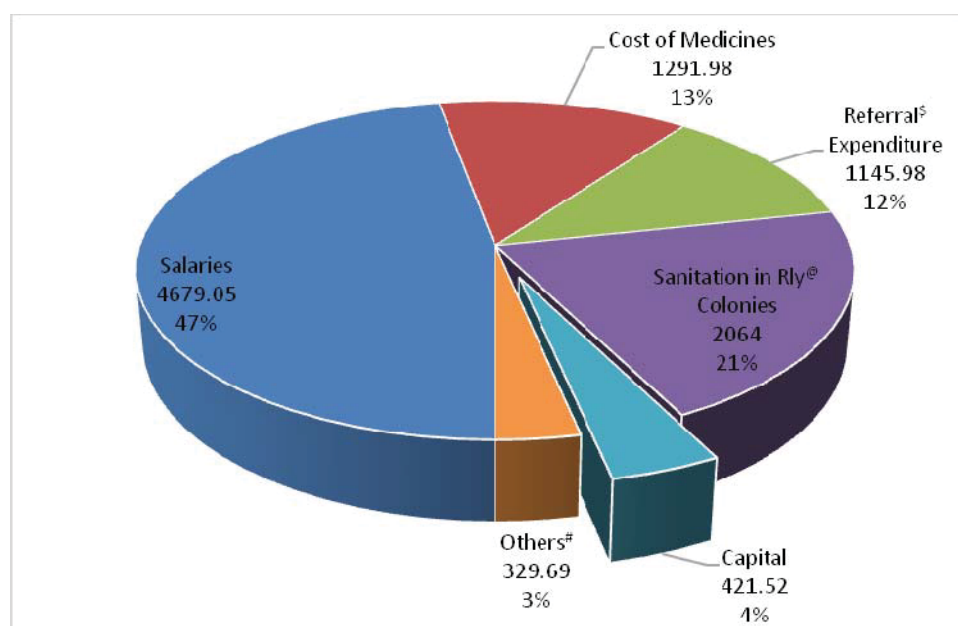
This chapter highlights the budgetary control, utilization of funds and trend of expenditure incurred for the medical and health services of the Indian Railways.

### 2.1 Trend of Expenditure

The various components of expenditure of ₹ 9932.22 crore incurred by the Indian Railways (IR) during 2008-13 are indicated in the pie diagram below:

<sup>7</sup> *Other welfare services include Preventive Health Measures and Pest Control*

**Figure 1: Share of Expenditure for Medical and Health Services during 2008-13**  
(₹ in crore)



\$ Reimbursement to the railway beneficiaries for treatment in recognized non-railway hospitals.

@ Expenditure on sanitary staff and stores, payment to conservancy contractors etc.

# Cost of malaria, filaria and pest control stores, cost of examination of food and water samples, diet charges, etc.

## 2.2 Budgeting Revenue Expenditure

Budget estimates for revenue expenditure of the respective medical branch offices at the zonal level are sent to the Railway Board duly approved by the concerned General Manager (GM). The estimates of expenditure are presented to the Parliament in the form of 'Demand for Grants'. After passing of Appropriation Bill by the Parliament, budgetary allocations are made to all the Zonal Railways (ZRs). Further allocation of funds to the spending units is made by the FA & CAO (Budget) of ZRs. In respect of hospitals at Production Units total expenditure relating to medical services provided to their employees is booked to Capital head under Workshop Manufacturing

Suspense Account. The balances under this suspense head are cleared by debiting to the Zonal Railways on the advice of the Railway Board.

The variation<sup>8</sup> between Actual Expenditure (AE) and the Final Grant (FG) in respect of all the zones ranged between minus 3.08 *per cent* and 1.79 *per cent* during 2008-13. Scrutiny of records of selected hospitals revealed the following:

- I. As against the permissible limit of variation of five *per cent*, variations between BG/FG and AE ranged between 17 *per cent* and 48 *per cent* in seven zones<sup>9</sup>.
- II. In respect of hospitals at five Production Units, actual expenditure vis-à-vis the Final Grant ranged between 12 *per cent* and 53 *per cent* during 2008-13 except in 2010-11 where the actual expenditure was more than the BG/FG as shown in **Appendix III**.
- III. In seven Central Hospitals<sup>10</sup>, while the allotment increased during 2008-13, the number of patients had declined during the same period. This indicated that there was no symmetrical correlation between increase/decrease in number of patients and allotment of funds to the hospitals as indicated in **Appendix - IV**.

Railway Board stated (July 2014) that the budgetary grant was asked for based on past experience and the increasing trend of expenditure could be attributed to the rising salaries and inflation. Contention of the Railway Board was not tenable as the actual expenditure was even less than the final grant in some years in certain zones. Moreover, rising salaries and inflation are some of the common factors which are taken into consideration for assessment of funds requirement.

<sup>8</sup> Minus variation indicates less expenditure over the BG or FG and plus variation indicates expenditure in excess of BG or FG.

<sup>9</sup> CR (28.53 *per cent* - 2009-10), ER (47.87 *per cent* - 2008-09), NER (22.82 *per cent* - 2008-09), NR (18.24 *per cent* - 2008-09, 18.62 *per cent* - 2010-11), SR (20.23 *per cent* - 2008-09), SWR (25.52 *per cent* - 2008-09), WCR (17.21 *per cent* - 2008-09, 23.56 *per cent* - 2009-10)

<sup>10</sup> CH/ECOR (2009-10, 2012-13), CH/ER (2009-12), CH/NCR (2009-12), CH/NR (2011-13), CH/SWR (2009-10, 2011-13), CH/WCR (2009-10, 2012-13), CH/WR (2009-10, 2011-13)

### 2.3 Budgeting Capital Expenditure

At the zonal level, the proposals for procurement of equipment of Capital nature are sent to Chief Mechanical Engineer (CME) after obtaining financial concurrence of FA&CAO for inclusion in the Machinery & Plant (M&P) Programme. The M&P items costing upto ₹ 10 lakh are sanctioned at Zonal Level and items costing above ₹10 lakh are forwarded to the Railway Board for sanction. Procurement of all medical equipments is done through the Chief Controllers of Stores (COS). Similarly, the requirement of works relating to infrastructure development such as construction of Health Units/hospitals is being processed through Annual Works Programme.

During 2008-13, hospitals and health units of IR incurred capital expenditure of ₹ 421.52 crore (four *per cent*). The actual capital expenditure incurred by medical department of IR vis-à-vis BG and FG during 2008-13 is shown in the table below:

**Table 1: Capital expenditure vis-à-vis Budget Grant and Final Grant during 2008-13** (₹ in crore)

Year	BG	FG	AE	Variation between BG and AE (in per cent)	Variation between FG and AE (in per cent)
2008-09	77.08	63.91	65.56	-14.95	2.58
2009-10	87.25	66.28	78.44	-10.10	18.35
2010-11	137.21	113.57	105.76	-22.92	-6.88
2011-12	90.36	83.92	77.96	-13.72	-7.10
2012-13	154.29	109.64	93.80	-39.21	-14.45

Scrutiny of records of selected hospitals revealed that the actual expenditure incurred was less than the BG in all the years during 2008-13 with the highest under-utilization of 39.21 *per cent* during 2012-13. Some specific cases of improper financial practices noticed are mentioned below:

- I. There was underutilization of fund amounting to ₹ 12.91 crore<sup>11</sup> in two ZRs (NWR and SWR);
- II. Excess/unsanctioned expenditure of ₹ 3.17 crore by JR Hospital<sup>12</sup>, Western Railway during 2010-11. The actual expenditure was ₹ 4 crore as against the final grant of ₹ 0.83 crore; and
- III. An amount of ₹ 19.92 crore was sanctioned in 2010 for construction of Nursing College and Hostel at Majherhat/ER. The Nursing College was planned on Railway land on Public Private Partnership (PPP) model so as to facilitate the wards of the Railway employees in finding a good vocational avenue. Expression of Interest called (August 2013) from private partners for operation and maintenance did not yield any response. In 2014, the Railway Board sanctioned revised consolidated estimate of ₹ 27.83 crore. Meanwhile expenditure of ₹ 17.64 crore (February 2014) was incurred towards construction of Nursing College and the entire investment became unproductive due to failure of the Railway Administration in identifying private partners and finalizing modalities before investment.

Director General (Railway Health Service) stated (July 2014) that the capital expenditure such as construction of new hospitals and expansion of existing structures were not under the control of medical department. It was further stated that the alternative use of Nursing College and Hostel at Majherhat/ER was under consideration.

<sup>11</sup> ₹ 10.29 crore in NWR during 2008-13 and ₹ 2.62 crore in SWR during 2012-13.

<sup>12</sup> Jagjivan Ram Hospital