

Chapter 3 Review of Suspense Balances in Indian Railways

3.1 Introduction

The Suspense Heads are certain intermediary/adjusting heads of accounts operated in Government Accounts to reflect transactions of receipts and payments which cannot be booked to Final Head of accounts due to lack of information as to their nature or for other reasons. These heads of accounts are finally cleared, when the amount under them is booked to their respective final heads of accounts, by 'Minus Debit' or 'Minus Credit' suspense heads. If these amounts remain un-cleared, the balance under the 'Suspense Heads' would go on accumulating and would not reflect Receipts and Expenditure of Indian Railways (IR) accurately. Large outstanding amounts under different 'Suspense Heads' reflect that the accounting authorities are not taking necessary action as required to be taken under the rules. Indian Railways Code for Accounts Department stipulates⁴² that the balances under each of the Suspense Head should be proved and reconciliation at the end of the financial year should be complete in all respects.

3.2 Suspense Accounts Operated by Railways

Indian Railways Code for Accounts Department⁴³ Volume I envisages that Suspense Heads are operated to facilitate proper accounting of the various types of transactions which cannot be booked immediately under the final heads for want of detailed particulars or allocations. IR operates the following main Suspense Heads:

Under Revenue Receipts:	i. Traffic Account, and ii. Demands Recoverable.
Under Revenue Expenditure:	i. Demands Payable, and ii. Miscellaneous Advance- Revenue
Under Capital Expenditure:	
	i. Purchase Suspense ii. Stores Suspense iii. Workshops Manufacture Suspense iv. Miscellaneous Advances- Capital
For Adjustment of Remittance Transactions:	
	i. Reserve Bank Suspense, ii. Remittances into Bank

⁴² Para 602 of Indian Railways Code for Accounts Department Volume I

⁴³ Para 601 to 620 of Indian Railways Code for Accounts Department Volume I

	iii. Cheques and Bills etc
For settlement of inter governmental transactions:	
	i. PAO Suspense

The Major and Minor Heads appearing in the accounts of Railways are shown in *Appendix 3.1*.

3.3 Audit Findings

3.3.1 Revenue Receipts

For recording the revenue receipts, two suspense heads namely Traffic Account and Demands Recoverable are operated.

3.3.1.1 Traffic Account

Traffic Account⁴⁴ is a Suspense account operated for the purpose of recording the revenue earnings on accrual basis in a month's account to which they pertain and also for watching the progress of their realization. The outstanding balance represents unrealized earnings and is exhibited on the Asset Side in the Balance Sheet of IR. The origin of transactions, main components of Traffic Account is depicted in the flow chart in *Appendix 3.2*.

Review of Traffic Account broadly revealed the following:

- i. The balance in the Traffic Account at the end of March 2014 based on the data maintained in the Zonal Railways, exhibited an amount of ₹ 1,779.62 crore. However, the same appeared in the accounts of IR as ₹ 1,590.33 crore⁴⁵ at the end of March, 2014. Thus there was a difference of ₹ 189.29 crore which needs reconciliation.
- ii. However, as per IR's figure, the balance under Traffic Account in accounts of IR increased from ₹ 1,149.06 crore as of March 2010 to ₹ 1,590.33 crore as of March 2014. The balance under Traffic Account showed an increasing trend over this period. During 2013-14, the balances increased by 17.78 per cent over the previous year. The age wise break up of this amount was not maintained by the Zonal Railways.
- iii. In six Zonal Railways, the balances under Traffic Account drastically increased from March 2010 to March 2014 as indicated in the table below:

Sl. No.	Name of the Zonal Railways	Balance as on 31 st March 2010 (₹ in crore)	Balance as on 31 st March 2014 (₹ in crore)
1.	CR	17.47	122.48
2.	ECR	- 8.44	78.28

⁴⁴ Para 222 of Indian Railways Code for Accounts Department Volume I

⁴⁵ In respect of Commercial Lines only.

3.	ECoR	17.31	96.11
4.	NFR	3.45	52.13
5.	SR	32.60	65.13
6.	SECR	14.39	64.55

The overall increase/decrease across Zonal Railways is shown in **Appendix 3.3 and 3.4**.

Traffic Account consists of Station Outstanding and Traffic Account Office (TAO) Outstanding. Since Station Outstanding contributes the major share of Traffic Accounts, Audit reviewed the balances under Station Outstanding. The origin of transactions and main components of Station Outstanding is depicted in a Flow Chart in **Appendix 3.2 (a)**. It increased from ₹ 1,143.06 crore to ₹ 1,554.82 crore over a period of five years. It was drastically increased in CR (869 per cent), ECR (457 per cent), ECoR (364 per cent), NFR (1362 per cent), SR (110 per cent) and SECR (287 per cent) **Appendix 3.5**. The main components of Station Outstanding are (i) Freight Outstanding, (ii) Admitted Debits, (iii) Objected Debits and (iv) Wharfage and Demurrage.

3.3.1.2 Freight Outstanding

Indian Railway Commercial Manual Volume I defines⁴⁶ “Freight” as the charge levied for the carriage of goods including transshipment charges. Freight Outstanding will arise when the way-bills / invoices have been accounted for in the books of Railways (Station Balance Sheet), but freight charges have not been realized.

- i. Nearly 47.73 per cent of unrealized earnings (Traffic Account (₹ 1,590.33 crore) were on account of outstanding freight (₹ 759.10 crore). NR topped the list with maximum outstanding amount of unrecovered freight of ₹ 573.86 crore, followed by CR (₹ 43.55 crore), ECoR (₹ 61.24 crore), NWR (₹37.51crore) and SER (₹ 7.79 crore). (**Appendix 3.6**)
- ii. Freight outstanding⁴⁷ was mainly attributable to increase in outstanding freight dues from State Electricity Boards (SEBs) and Power Houses (PHs). The major freight dues of ₹ 10.00 crore and above as on 31.03.2014 were ₹ 676.76 crore⁴⁸. The reasons attributed for freight outstanding were on account of diversion of coal wagons to stations other than those originally mentioned in invoices (ECoR), Court Cases related to 2002-03 (NR), Non-payment of freight by parties due to disputes (15 per cent rebate on coal wagons disallowed) (NWR).

⁴⁶ Para-103(22) of Indian Railways Commercial Manual Volume I

⁴⁷ Para 2736 to 2738 of Indian Railways Commercial Manual Volume II

⁴⁸ NR-NDLS (DESU)- ₹ 114.28 crore, RTTP/RPAR- ₹ 294.32 crore, GNDTPP/BTI- ₹ 34.28 crore, GHTL/LHM - ₹ 117.46 crore, CR- Paras- ₹ 21.39 crore, ECoR- NTPC/Simhadri- ₹ 58.15 crore, NWR- STPB/BDWL- ₹ 36.88 crore.

The Railway Administration's inaction to follow the extant procedures⁴⁹ resulted in ineffective management of freight collection from PHs/SEBs. Further, Railways had not been adjusting the dues outstanding against these PHs to the extent possible from the Traction Power purchased from them.

3.3.1.3 Admitted Debts

Every debit raised by the Traffic Accounts office on the station on account of error in charging fare or freight, short remittance of cash etc. accepted by the station is known as Admitted Debts⁵⁰. They should be cleared immediately by effecting recoveries or writing off the outstanding amount if irrecoverable. Review of the balances under Admitted Debts revealed that the outstanding on account of Admitted Debts of Indian Railways showed a downward trend from ₹103.94 crore to ₹ 57.56 crore. However, it was observed that in eight Zonal Railways the outstanding admitted debts to end of 2013-14 as compared to 2009-10 have shown increasing trend as shown in the table below:

Sl. No.	Name of the Zonal Railways	Balance as on 31 st March 2010 (₹ in crore)	Balance as on 31 st March 2014 (₹ in crore)
1.	CR	1.26 ⁵¹	2.05
2.	ER	0.83	1.75
3.	ECR	3.31	6.07
4.	ECoR	0.61	4.91
5.	NFR	0.29	1.83
6.	SR	1.29	2.09
7.	SER	21.75	27.50
8.	WCR	2.35	3.15

The overall increase or decrease across Zonal Railways is shown in **Appendix 3.6**.

Thus, in contrary to the extant rules, the outstanding balances under Admitted debts were allowed to accumulate. Necessary steps were not taken by the Zonal Railways to clear the outstanding balances even though half yearly reviews were conducted and results reported to Railway Board.

3.3.1.4 Objected Debts

Every debit raised by the Traffic Accounts office on the station on account of error in charging fare or freight, short remittance of cash etc. but not accepted by the station and kept pending for want of clearance through withdrawal is known as

⁴⁹ Para 2752 of Indian Railways Code for Accounts Department Volume II and Para 612 of Indian Railways Code for Accounts Department Volume I

⁵⁰ Para 2719 to 2723 and 2732, 2734 and 2752 of Indian Railways Code for Accounts Department Volume I

⁵¹ As on 31st March 2011

'Objected Debit'. Commercial Manual of Indian Railways⁵² stipulates that in case of disputed debits matter should be pursued with the Traffic Accounts Branch. Objected debits subsequently found to be correct to be transferred to Admitted debits. The Commercial Department pursues the matter with Traffic Accounts office in clearing the Objected Debts either by withdrawal or transferring to Admitted Debts.

Review of balances under objected debits revealed the following:

- i. Objected Debts due to errors in weight, rate, distance etc, non-receipt of vouchers and shortage of cash against the station staff was ₹ 164.66 crore at the end of March 2014. The outstanding balance increased by 206 per cent over a period of five years. It increased from ₹ 53.84 crore in 2009-10 to ₹ 164.66 crore in 2013-14.
- ii. In eight Zonal Railways the outstanding objected debits during 2009-14 had shown increasing trend as shown in the table below:

Sl.No.	Name of the Zonal Railways	Balance as on 31 st March 2010 (₹ in crore)	Balance as on 31 st March 2014 (₹ in crore)
1.	NR	12.78	96.02
2.	ECR	2.38	10.58
3.	SER	3.69	8.16
4.	NFR	1.32	7.99
5.	CR	2.72	6.89
6.	ER	1.56	3.26
7.	NWR	0.46	2.32
8.	SCR	0.50	1.66

The overall increase or decrease across Zonal Railways is shown in *Appendix 3.6*.

Thus, no concerted efforts were made by the Commercial department or the Traffic Accounts department of the railways to initiate necessary action as per codal provisions⁵³ to realize the old outstanding amounts.

3.3.1.5 Wharfage and Demurrage

Indian Railways Commercial Manual⁵⁴ defines "Wharfage" as the charge levied on goods for not removing them from the railway after the expiry of the free time for such removal. "Demurrage" means the charge levied for the detention of any rolling stock after the expiry of free time, if any, allowed for such detention.

⁵² Para 2745 of Indian Railways Commercial Manual Volume II

⁵³ 2745 of Indian Railways Commercial Manual Volume II

⁵⁴ Para 103 of Indian Railways Commercial Manual Volume I

Scrutiny of records revealed that the outstanding balance under Wharfage and Demurrage was ₹ 169.07 crore and ₹ 316.37 crore respectively as on March 2014. Out of total outstanding under Wharfage (₹ 169.07 crore) at the end of 2013-14, ₹ 159.52 crore pertained to SER, whereas out of total outstanding under Demurrage (₹ 316.37 crore) at the end of 2013-14, ₹ 73.56 crore, ₹ 62.98 crore and ₹ 36.08 crore pertained to ECR, CR and SR respectively. (*Appendix 3.7*)

Thus, Commercial and Accounts Departments failed in adhering to the extant provisions⁵⁵ in proving the balances under Traffic suspense. Half yearly reviews was not adequately effective in realization of unrecovered freight charges, admitted debits and objected debits resulting in accumulation of huge outstanding under Traffic Account.

3.3.1.6 Demands Recoverable

Demands Recoverable⁵⁶ is a suspense head operated to bring into the books of Accounts on accrual basis all the dues to the Railways within the same financial year which were not realized during the year. The closing balance under this head represent unrealized amount in the form of outstanding Demands Recoverable which will be exhibited on Assets side of the Balance Sheet of Indian Railways.

A review of the balances under this suspense head revealed the following:

- i. The balance in the Demand Recoverable as per the data maintained in the Zonal Railways was ₹ 244.25 crore at the end of March 2014 whereas it was ₹ 256.61 crore at the end of March 2014 in the accounts of IR. Thus there is a difference of ₹ 12.36 crore which needs reconciliation.
- ii. Though reviews were conducted half yearly by the Zonal Railways and report submitted to Railway Board there had been increase of outstanding under Demands Recoverable from ₹ 216.89 crore (2009-10) to ₹ 256.61 crore (2013-14). The accumulation of balances was mainly on account of less payment and non-payment due to disputes and litigations.
- iii. While in 12 Zonal Railways, increase in balances ranged between 2.38 per cent and 594 per cent, decrease in balances ranged between 7.69 per cent and 500 per cent in four Zonal Railways. The increase or decrease in balances across Zonal Railways during 2010-14 as compared to the balances over the previous year is shown in *Appendix 3.8 (a) and 3.8 (b)*.
- iv. Railway Board had issued instructions to all Zonal Railways in November 2006⁵⁷ that the bills receivable amounts⁵⁸ may also be reflected in the final

⁵⁵ Para 2751-2752 of Indian Railways Code for Accounts Department Volume II and Para 2743-2747 of Indian Railways Commercial Manual Volume II

⁵⁶ Para 1139 Indian Railways Code for Accounts Department Volume I

⁵⁷ Letter No.2006/B-200 dated 07.11.2006

accounts of the Railways on accrual basis in accordance with normal principles of Commercial accounting by operating Major Head 8660-Suspense Accounts (Railways) or Government Adjustment Account. The Balance outstanding represents the unrealized / unadjusted amounts. It was, however, observed that bills receivable amounts are still being accounted for and brought into account on actual realization and as a result, true picture of these outstanding are not reflected in the Final Accounts.

During the year 2013-14, out of ₹ 1,201.62 crore bills receivable claimed, ₹ 1,027.01 crore (85 per cent) was realized. The bills pertaining to old period raised during 2013-14 worked out to ₹ 156.79 crore and old bills realized during 2013-14 works out to ₹ 82.90 crore (51 per cent).

Audit observed that the bills receivable balance of ₹ 287.85 crore, was not reflected in the Books of the Railways as Demands Recoverable on the Asset side of the Balance Sheet as on 31st March 2014. 65 per cent (₹ 188.26 crore) of the balances were pertained to old periods. Three Zonal Railways (ECR, NWR and SECR) contributed significantly⁵⁹ to these balances.

(Appendix 3.9)

- v. A test check in SCR revealed that bills receivable which should have been taken as reduction in expenditure amounting to ₹ 2.82 crore relating to Cost of staff (₹ 2.61 crore) and water charges (₹ 0.21 crore) were not claimed at all. Bills worth ₹ 3.07 crore relating to the year 2013-14 were raised only in 2014-15. Belated raising of bills caused accumulation of debits and resulted in overstatement of revenue working expenditure. There is no mechanism to watch whether bills receivable, which will be taken as reduction in expenditure, are properly raised and realized during the year of incurrence of expenditure.
- vi. In SCR, bills towards reimbursement of expenditure on Railway Protection Force/Railway Protection Special Force deputed on election duties amounting to ₹ 8.55 crore and ₹ 0.63 crore relating to ECoR remained unrealized from the Ministry of Home Affairs. In addition, License Fee amounting to ₹ 4.57 crore due from Postal Department for the period 2002-2014 had not been brought into the books of Accounts due to non-raising of bills.
- vii. As per provisions contained in Para 1140 and 1141 of Indian Railways Code for the Accounts Department Volume I, the review of Demands/Bills Recoverable register is to be conducted monthly and submit the summary of

⁵⁸ Such as Cost of Staff due from Sidings/Level Crossing gates, Electricity and Water charges due from outsiders and vendors, Rent/License Fee for plots/Cycle stands/commercial publicity within railway premises etc.,

⁵⁹ ECR (₹ 67.78 crore), NWR (₹ 38.00 crore) and SECR (₹ 21.08 crore).

outstanding bills to Accounts Officer to ensure that all the bills are raised in time and realization is pursued vigorously. Delayed cases should be brought to the notice of the Executive Officer for expeditious recovery of outstanding dues or to discontinue the services rendered as may be deemed necessary. Non-adherence to the codal provisions by Railway Administration had resulted in increase of outstandings under Demands Recoverable from ₹ 216.89 crore (2009-10) to ₹ 256.61 crore (2013-14).

Thus, failure of Zonal Railways in implementation of Railway Board's instructions (November 2006) to follow accrual basis had resulted in lack of transparency in the books of accounts of the Railways and increase in outstanding dues from outsiders. The items adjustable to final heads remained unadjusted resulting in overstatement of Revenue Expenditure in the year of incurrence and understatement of Revenue Expenditure in the year of realization thus affecting the Operating Ratio of the Railways. Timely raising and pursuance of bills could have avoided the disputes and litigations. The Final Accounts of IR thus failed in depicting a true and fair picture as the bills for services rendered or material supplied relating to the year were not brought to accounts.

3.3.2 Revenue Expenditure

In respect of Revenue Expenditure, two suspense heads are operated (i) Demands Payable and (ii) Miscellaneous Advances Revenue (MAR).

3.3.2.1 Demands Payable

'Demands Payable'⁶⁰ is operated to bring to account all revenue liabilities of the Railway for a month which are not payable within the same month as working expenses for the month by taking credit to this Suspense Head. For this purpose necessary estimates of the probable charges for bills payable such as Electricity, Water, Telephone, Overtime bills of staff etc are prepared and accounted for in the Books of Railways by debit to the final head and credit to 'Demands Payable'. The total amount of Demands Payable of IR exhibited in the Balance Sheet as on 31 March 2014 was ₹ 3,224.17 crore. A review of the balances under this suspense head revealed the following:

- i. Demands Payable was being operated on yearly basis to bring to account the Pay and allowances of March, which are disbursed in the April month every year.
- ii. Liability Register was not being maintained on five Zonal Railways⁶¹.

⁶⁰ Para 220 of Indian Railways Code for Accounts Department Volume I. Demand Payable is operated under the Major Head 3002/3003.

⁶¹ NR, NER, SR, SCR and SWR

- iii. A test check of records revealed that bills payable by Railways which were not accounted for as Demands Payable worked out to ₹ 277.70 crore⁶².

(Appendix 3.10)

- iv. Claims of ₹ 21.98 crore raised but not paid by SCR and SECR in respect of cost of Government Railway Police deployed were not brought into books of accounts by operating Bills Payable Head. Similarly claims payable to the tune of ₹32.68 crore (SCR) relating to the years 2012-13 and 2013-14 were not received from Andhra Pradesh State Government and the same were not shown in the Balance Sheet as Outstanding Liabilities under Demands Payable.

Thus, the extant provisions were not followed in all the Zonal Railways and the objective of introducing the Suspense Head to fulfill the requirement of Commercial Accounting Principles was defeated. The expenditure adjustable to final heads in the particular year remained unadjusted resulting in understatement of Revenue Expenditure and depiction of incorrect picture of liabilities of Indian Railways.

3.3.2.2 Miscellaneous Advances - Revenue

Miscellaneous Advances-Revenue⁶³ (MAR) is operated to bring to account class of transactions pending adjustment to final head of account such as charges the allocation of which is not known, interdepartmental transactions awaiting acceptance, expenditure incurred in anticipation of receipt of deposits or pending realization of the amount expended, payments in advance for stores, payments made in advance to Railway Officials for Local Purchase of materials etc. Para 320 read with Para 602 and 603 of Indian Railways Accounts Code Volume I envisages that all entries in the registers should be posted in sufficient detail from the original document to ensure that no items should at any time become inefficient merely due to non availability of detailed particulars. No item should remain unadjusted longer than is absolutely necessary. Monthly reconciliation of debits /credits and balances of these accounts with General Books of the Railway should be regularly made. Registers should be reviewed frequently by an Accounts Officer and the early clearance of all items is insisted upon by shifting transactions into their appropriate accounts. Credit/Minus Debits clearly denotes that credits were posted without linking the corresponding debit particulars.

⁶² Contractor bills (₹ 81.53 crore), Stores Bills (₹ 148.59 crore), other bills like Water, Electricity, Travelling Allowance, Over Time, Misc. bills etc (₹47.58 crore)

⁶³ Para 223 of Indian Railways Code for Accounts Department (Volume I). MAR is operated under the Major Head 3002/5002.

A review of the balances under MAR revealed the following:

- i. In 10 out of 17 Zonal Railways, the outstanding balance at the end of year 2014 increased as compared to previous year 2013 and the same ranged between 0.14 per cent (WR) to 45.27 per cent (NER);
- ii. Five Zonal Railways accounted for 62.76 per cent (₹954.36 crore)⁶⁴ of the total outstanding balance of ₹1,520.54 crore to end of the year 2013-14, of which net balance of ₹ 710.18 crore (47 per cent) relates to the period prior to 2012-13⁶⁵. *(Appendix 3.11 and 3.12)*
- iii. The main contributory factors for outstanding were advances to staff, public and private parties (₹ 155.70 crore), Deposit with State Electricity Boards (₹ 224.71 crore) and Miscellaneous Items (₹ 487.09 crore), off-set by Minus balances against the reason 'for want of acceptance of parties, adequate particulars and correct allocation of vouchers and want of relevant vouchers (₹ 157.32 crore). *(Appendix 3.12)*
- iv. The balances under MAR relating to period prior to previous year (over two years old) shown in the Appropriation Accounts increased in 11 Zonal Railways⁶⁶ during 2009-10 to 2013-14. The main factors that contributed to the increase were:
 - a) Want of acceptance, adequate allocation and relevant Vouchers (ER-₹ 14.53 crore, ECR-₹ 27.90 crore);
 - b) Advances to Staff, Private Parties (NWR -₹ 12.68 crore, SR - ₹ 5.64 crore, WR - ₹ 31.87 crore);
 - c) Deposit with State Electricity Boards (SR - ₹ 28.37 crore, WCR - ₹ 63.81 crore); and
 - d) Miscellaneous items (CR - ₹ 52.09 crore, NCR -₹ 123.31 crore, NER - ₹ 8.34 crore, NFR - ₹ 26.23 crore, SR - ₹ 5.86 crore, SCR -₹ 17.61 crore, WR-₹ 41.58 crore). *(Appendix 3.13)*
 - e) Balances relating to the years upto 2000 remained static in six Zonal Railways⁶⁷. Out of total outstanding of ₹1,283.97 crore of all Railways (except NCR and SECR) shown as outstanding in the Half yearly Report on review of suspense balances sent to Railway Board, ₹ 740.75 crore (57 per cent) related to periods more than one year which

⁶⁴ WR (₹106.32 crore-7 per cent), ECoR (₹100.97 crore-7 per cent), NR (₹295.27 crore-19 per cent), SR (₹186.97 crore-12 per cent), SCR (₹264.83 crore-17 per cent)

⁶⁵ The outstanding dates back to the year 1950-51 (NER), 1957-58 (ER, NR), 1981-82 (ECR, WCR), 1985-86 (WR), 1988-89 (ECoR), 1989-90 (CR) and 1990-91 (SCR)

⁶⁶ CR, ER, ECR, NCR, NER, NFR, NWR, SR, SCR, WR and WCR

⁶⁷ CR, NER, SCR, SWR, WR and WCR

indicated that adequate action was not taken to clear the old outstanding debits.

- f) The subsidiary registers were not reconciled with the General Books in five Zonal Railways⁶⁸. The Summary of balances was not supported by documentary evidence.
- g) As per extant provision⁶⁹, recovery of mobilization advance should be completed when the value of the work reaches 85 per cent of the original value of contract. In two Zonal Railways (CR and SCR), the mobilization advance amounting to ₹ 0.44 crore and ₹ 1.10 crore respectively remained unrecovered for the last five years.
- h) In SER, an amount of ₹7.32 crore relating to Cost of staff from siding was erroneously booked to MAR without operation of Bills Receivable Account resulting in overstatement of MAR balances in Balance Sheet. The balance outstanding included excess deposit to the Insurance Company to the extent of ₹ 4.89 crore.
- i) In three Zonal Railways, expenditure to the tune of ₹ 71.44 crore⁷⁰ which could have been directly debited to final head or adjusted through transfers was booked to MAR.
- j) Rule 610 of Indian Railways Code for Accounts Department, Volume-I provides that there should not be any credit items in MAR. It was, however, observed that there were credit items of ₹ 135.08 crore outstanding in MAR in respect of three Zonal Railways⁷¹; and
- k) The year wise breakup of the outstanding balances was not furnished by the seven Zonal Railways⁷² to Audit.

Thus, the existing mechanism for review of balances under this Suspense Account was not adequately effective resulting in huge accumulations under MAR. This indicated that the half yearly review was conducted in a routine manner and amounts were allowed to remain in MAR for longer periods without being shifted to the appropriate final heads. Items adjustable to final heads remained unadjusted resulting in overstatement of expenditure under MAR/MAC and understatement of expenditure in the final heads. Old items had become inefficient as sufficient details of the original debits were not available in the Subsidiary registers. There were credit items outstanding as adverse balances resulting in understatement of expenditure under MAR.

⁶⁸ NR, NFR, SCR, SWR and WCR

⁶⁹ Para 1264 of Indian Railways Code for Engineering Department

⁷⁰ ER- ₹62.86 crore, ECoR- ₹ 6.18 crore and SCR- ₹2.40 crore

⁷¹ SR (₹ 49.91 crore), SER (₹84.00 crore) and SCR (₹1.17 crore)

⁷² NCR, SR, SWR, NWR, SER, NFR and SECR

3.3.3 Capital Expenditure

In respect of Capital Expenditure, four suspense heads are operated (i) Miscellaneous Advances Capital (MAC) (ii) Purchase Suspense, (iii) Stores Suspense and (iv) Workshop Manufacture Suspense.

3.3.3.1 Miscellaneous Advances -Capital

- i. Out of total outstanding balance of ₹ 3,881.03 crore to end of the year 2013-14 under MAC, net balance of ₹ 3,184.63 crore (82 *per cent*) related to the period prior to previous year 2012-13, and
- ii. Under MAC, the major item shown as outstanding for prior to previous year period pertained to 'Other Miscellaneous Items' which worked out to ₹ 3,140.48 crore. NR stated that ₹ 3,029.00 crore kept under MAC related to Loan disbursed to M/s Konkan Railway Corporation Ltd., which accounted for 96 *per cent* of the outstanding balance.

3.3.3.2 Purchase Suspense

Purchase Suspense Head⁷³ is operated under Capital to record transactions pertaining to purchases made by the Railways temporarily till they are taken to stock. Debit side of the Purchase Account will record expenditure on purchases both direct and through other agencies. Credit side of the Purchase Account is posted on receipt of Accounts copy of Receipt Note, indicating the quantity and other details. In principle 'Purchases' are made first and the 'Payments' follows, but occasionally the bills for Stores supplied are received supported by Railway Receipt in advance, as proof of dispatch, and advance payments to the extent of 90/95/98/100 *per cent* of the value of stores are to be made. In such cases, the value of stores is debited to 'Purchase Account' even though there is no credit is received. The entries should be posted in sufficient details indicating various elements of debit so that it may not become difficult to trace the details or transaction at later date. Normally in purchase account no debit balance except for advance payment made should continue. A review of the balances under this Suspense Head revealed the following:

A. Debit Balances

- i. The outstanding Debit balance to end of March 2014 was ₹ 13,092.95 crore. Of them, ₹ 6,309.73 crore related to the year 2013-14, ₹ 1,707.20 crore related to 2012-13 and ₹ 5,076.02 crore related to prior to 2012-13.

⁷³ Para-607 of Indian Railways Code for Accounts Department Volume I and Paras 2809, 2815 and 2816 of Indian Railways Code for Stores Department.

- ii. The Debit balances of more than two years old increased from ₹ 2,586.62 crore (2009-10) to ₹ 5,076.02 crore (2013-14). Three Zonal Railways⁷⁴ accounted for 97 per cent (₹ 4,925.99 crore) of the outstanding balances.
- iii. Major factors contributing to old outstanding Debit balance were:
- a) **Failure to link debits received (₹ 56.43 crore to end of March 2014):** One per cent of the old outstanding debit items (i.e. ₹ 56.43 crore out of ₹ 5,076.02 crore) were due to lack of proper linking of debits received. The main Railways contributing to the outstanding balance were SCR and RWF. This was due to want of dispatch particulars in Sale Issue Notes. This clearly indicated that debits were not posted in sufficient detail initially making the entries difficult to trace at this later date.
- b) **Non receipt of credit for material received (₹ 2,061.92 crore):** During the year 2013-14 the old outstanding debit (i.e. over two years old) under this head increased from ₹ 865.28 crore to ₹ 2,061.92 crore which worked out to 40 per cent of the total outstanding amount of over two years old i.e. ₹ 5,076.02 crore. ER accounted for ₹ 2,026.76 crore (98.29 per cent). The huge amount of debit appeared under Stores was stated to be on account of acceptance of debit from CAO/S/ECR excluding freight charges. SER, CLW, DMW and DLW were also having balances under this head. This indicated either non receipt of Accounts Copy of Receipt Notes from depot or non-linking of the entries in the Purchase Register with bill received from suppliers along with the pink copy of the Receipt Note.
- c) **Advance payments made to Suppliers and Contractors (₹ 6.61 crore):** The major outstanding balance were shown by ECR (₹ 3.03 crore- 46 per cent) followed by ICF and DMW.
- d) **Rejected Materials (₹ 1.82 crore):** RCF alone contributed for ₹ 0.87 crore followed by DMW for ₹ 0.58 crore.
- e) **Other Miscellaneous Items (₹ 2,949.24 crore):** The old outstanding balance increased from ₹ 1,113.95 crore (2009-10) to ₹ 2,949.24 crore (2013-14) i.e., 164 per cent under this head which was to the tune of 58 per cent of the total outstanding balance for over two years old (₹ 5,076.02 crore). The major share was NCR (₹ 2,790.40 crore – 95 per cent) and NWR (₹ 107.48 crore – 4 per cent).
- f) **Material issued on loan to Other Railways (₹ 8.08 crore):** WR (₹4.30 crore) and NER (₹ 3.78 crore) contributed for the outstanding balance during the year 2013-14. (Appendix 3.14)

⁷⁴ ER (₹2,028.11 crore), NCR (₹2,790.40 crore) and NWR (₹107.48 crore).

- g) The defaulter showing their outstanding as prevalent since 1986 to 2006 were DMW (1986), ICF (1990), SR (1991), NER and ER (2000), RWF (2003), ECR (2004) and WCR (2006).

B. Credit Balances

- i. The outstanding Credit balance of IR shown to end of March 2014 was ₹ 14,212.63 crore.
- ii. Out of the total Credit outstanding, ₹ 7,563.37 crore related to the year 2013-14, ₹ 1,622.57 crore related to 2012-13 and ₹ 5,026.69 crore related to prior to 2012-13.
- iii. The major portion of the Credit balances of ₹ 5,026.69 crore⁷⁵ pertained to the period prior to 2012-13.

(Appendix 3.15)

- iv. The Credit balances of prior to previous year period (i.e. over two year old) increased from ₹ 2,483.03 crore during 2009-10 to ₹ 5,026.69 crore during 2013-14.

Major factors contributing to old outstanding Credit balance were:

- a) **Failure to link corresponding debits for want of relevant vouchers, complete particulars and acceptances:** The outstanding balance on this account was ₹ 113.54 crore (2 per cent). The Zonal Railways which contributed for the outstanding balance were WCR-₹ 44.11 crore, DLW - ₹ 23.95 crore and SCR - ₹ 23.70 crore.
- b) **Non receipt of debits:** The outstanding balance was ₹ 98.42 crore (2 per cent) of which RWF accounted for ₹ 47.22 crore and WR for ₹ 33.63 crore.
- c) **Stores received but payments not made:** 40 per cent of the total outstanding balance of ₹ 5,026.69 crore was on this account (₹ 2,039.23 crore). ER accounted for ₹ 2,026.90 crore (99 per cent).
- d) **Other Miscellaneous Items:** The balance of ₹ 2,779.29 crore represented 55 per cent of total old outstanding balance of ₹ 5,026.69 crore. NCR accounted for nearly 97 per cent (i.e. ₹ 2,706.84 crore).

The debit balance and Credit balances of previous years (over two years old) had shown a drastic increase under Purchase Suspense. It was observed that about 58 per cent of Debits and 55 per cent of Credits related to old period were under 'Other Miscellaneous Items'. Zonal Railways contributing for Debit Balance items under 'Other Miscellaneous Items' were NCR (₹ 2,790.40 crore), NFR

⁷⁵ Over two years old items related to ER - ₹ 2,029.56 crore (40 per cent) and NCR - ₹ 2,706.84 crore (54 per cent).

(₹35.60 crore) and NWR (₹ 107.48 crore). The main Railways contributing for Credit Balance items under 'Other Miscellaneous Items' was NCR (₹ 2,706.84 crore - 97 per cent) of the total balance under this head. This indicated that Debit / Credit details were recorded insufficiently making it difficult to trace the original transaction at a distant date and no proper mechanism was in place to link Debits / Credits.

3.3.3.3 Other Issues

- i. In SWR, the reconciliation of Purchase Suspense was in arrears since its formation. In WCR, the figures were not tallying with the Zonal Ledger and the anomaly existed for several years. In SCR, it was noticed that there were some minus entries in the Debit side of the Purchase Suspense which tantamount to inefficient balances. In NFR the balance pertaining to the period prior to 2012-13 as per Appropriation Accounts was ₹ 35.60 crore, which was wrongly shown under 'Other Miscellaneous Items' whereas as per the Books (Review Report) the debits were due to failure to link debits received (₹ 35.60 crore) and non receipt of credits for material received (₹ 3.71 crore). Items on Debit side were outstanding due to failure of matching in the system due to minor mismatch of data (SECR), non-availability of dispatch details in Sale Issue Note (RWF), material rejected and the firms were closed (DMW) and advance payments made but material rejected (RCF/Kapurthala).
- ii. Stores Code stipulates that the register should be inspected monthly by Stores Accounts Officer⁷⁶. In addition, as per Accounts Code, the Suspense Registers should be reconciled with General Books monthly. Contrary to these provisions, the certificate of reconciliation with General Books over the signature of Gazetted Officer was not available in the Subsidiary Register in four Zonal Railways (NER, NFR, SCR and SWR).

3.3.3.4 Stores Suspense

The transactions affecting this Suspense Head operated under Capital are in respect of value of stores received or issued from a Stores Depot. All Purchases made are debited to this head by credit to 'Purchases' or 'Cash' as the case may be. In principle the Computerized Stores Ledger or the Transaction Statement should tally with the amount at debit of Stores in the General Books of Accounts. Para 2543 read with Para 2561 of Indian Railways Code for the Stores Department, Volume II specify that Computer section should print a statement giving particulars of variation in Book rate by 10 per cent or more, Credit Balance either in quantity or value, Quantity without value or values without quantities. The ledger should be reviewed once in every six months to remove irregular

⁷⁶ Para 2816 of Stores Code, Volume II

balances. The computer center should also ensure that suitable machinery has been provided for in the system to arrest the irregularities. Scrutiny revealed the following:

- i. There was difference in figures of Computerized Stores Ledger and Stores in General Books in CR (₹ 0.89 crore), ECoR (₹ 11.20 crore), NR (₹ 25.00 crore), SER (₹ 17.56 crore) and WCR (₹ 21.80 crore).
- ii. The maintenance of Priced Ledger was not efficient as there exists irregular items i.e. quantities without values (SR and ICF).
- iii. The rates as priced on computer were not in accordance with Para 210 Store Code (NER).
- iv. The existing mechanism to record the results of review of various 'Exception Reports' generated on the computer in respect of overstock and inactive items etc. was ineffective in the zonal railways resulting in accumulation of inactive/over stock.

A further review of the 'Stores Transaction' and 'Stock Adjustment Account' of the Indian Railways revealed the following:

- i. The deficiency due to revaluation of stores showed an increasing trend in NR - ₹ 4.53 crore (2009-10) to ₹ 14.11 crore (2013-14) and ICF - ₹ 0.01 crore (2009-10) to ₹ 2.34 crore (2013-14). In ICF the loss due to classification of new stores as second hand materials had increased from ₹ 0.17 crore (2009-10) to ₹ 0.92 crore (441 per cent) during 2013-14.
- ii. The deficiencies due to Stock Verification of the Indian Railways were to the tune of ₹ 12.08 crore. SCR had topped the list with ₹ 4.07 crore followed by NR with ₹ 2.49 crore, DLW with ₹ 1.63 crore and WR with ₹ 1.02 crore.
- iii. Indian Railways exhibited an amount of ₹ 528.19 crore as deficiencies due to miscellaneous reasons. A test check revealed that the deficiency showed an increasing trend as shown below:

Sl. No.	Name of the Zonal Railways	Balance as on 31 st March 2010 (₹ in crore)	Balance as on 31 st March 2014 (₹ in crore)
1.	ER	10.49	17.85
2.	NR	58.83	102.00
3.	NWR	2.00	14.04
4.	SR	27.12	30.60
5.	SER	10.10	30.70
6.	CLW	5.97	208.84

- iv. A test check revealed that out of the total 'Dead Surplus Stock' of ₹ 23.67 crore (2013-14) WR alone had accounted for 87 per cent (₹ 20.66 crore) followed by WCR for 11 per cent (₹ 2.76 crore).

- v. Closing Stores Balance of ₹ 4,213.14 crore included Scrap Stores worth ₹ 198.21 crore (5 per cent) (2013-14).
- vi. The certificate of reconciliation with General Books over the signature of Gazetted Officer was not available in the Subsidiary Stores Ledger or the Transaction Statement (NFR and SWR).
- vii. It was observed that in the Zonal Railways, the mechanism existing to record the results of review of various 'Exception Reports' generated on the computer in respect of overstock and inactive items etc. was ineffective resulting in accumulation of inactive/over stock.

The debit balance and Credit balances of more than two years old had shown a drastic increase under Purchase suspense. Debit/Credit details are recorded insufficiently making it difficult to trace the original transaction at a later date and no proper mechanism exists to link Debits/Credits.

3.3.3.5 Workshop Manufacture Suspense

The 'Workshop Manufacture Suspense Account'⁷⁷ is operated to book expenses on labour, material and over head charges for a job work undertaken in Railway Workshops for other Departments and Railways. The Debit side of this account shows all expenses incurred on a job in Railway Workshops viz Labour, Stores, Freight charges, Proforma On Cost and Workshop Transfers. The Credit side shows the cost of job transferred to Final Heads of concerned Department for whom job was undertaken. The balance represents the outlay on Works in progress and Completed works which are awaiting acceptance of the parties ordered for manufacture. Review of the balances under this head revealed the following:

- i. In IR the net debit balance outstanding under WMS Account as on 31 March 2014 was ₹ 1,380.05 crore.
- ii. In Five Zonal Railways there are long pending items awaiting clearance. The outstanding dated back to 1967 (NR), 1995 (NER), 2005 (CLW), 2008 (NWR), 2009 (DLW) and 2011 (NFR and RCF).
- iii. The amount of outstanding dues for jobs undertaken in workshops for outsiders without sufficient deposits worked out to ₹ 24.35 crore (ER), ₹ 4.51 crore (NER), ₹ 4.44 crore (NWR) and ₹ 59.33 crore (ICF). In ICF, an amount of ₹ 57.91 crore out of ₹ 59.33 crore was shown as due from Mumbai Rail Vikas Corporation Limited for over two year.
- iv. In SCR, the net debit balance of ₹ 9.27 crore outstanding under WMS Account was (31.03.2014) stated to be relating to period less than one year

⁷⁷ Para 1217, 1221, 1223 and 1224 of Indian Railways Code for Mechanical Department

old, whereas a review of records of sub workshop revealed that pending items relating to 2012-13 were still awaiting clearance but not shown as outstanding in the WMS Account.

- v. The mechanism to watch that the outstanding balances within the prescribed limits fixed by Railway Board in ECR, SER, SWR, and SR (Engineering Workshop) was not adequately effective. In SCR no limits were fixed by the Railway Board.
- vi. There were delays in conducting the periodical review of on cost. Retrospective revision of prices for manufactures and repair work orders was not acceptable to the parties which resulted in either accumulation of outstanding recoverable balance or stock under the Suspense head. Balance outstanding on this account in three Zonal Railways was ₹ 17.27 crore⁷⁸.
- vii. Para 1224 of Indian Railways Code for Mechanical Department stipulates that details under WMS consist of nothing else except cost of labour, material and on cost charges expended on unfinished or completed jobs awaiting adjustments. ECR and NWR stated that no item-wise details were available for outstanding balances. SR stated that ferrous scrap was shown as outstanding. SWR admitted the absence of proper mechanism. The mechanism to ensure that only the cost of labour, material and on cost expended on unfinished jobs or completed jobs were shown as closing balance awaiting adjustment put in place by Zonal Railways was not efficient.

(Appendix 3.16)

3.3.4 Remittance Transactions

Transactions between the Ministry of Railways and Other Ministries or States for which the accounts are not maintained by themselves are 'Remittance Transactions'. Two suspense heads (i) Remittance into Bank and (ii) Cheques and Bills are maintained.

3.3.4.1 Remittances into Bank

This is a Suspense Head operated to record the remittance of earnings into the Banks. This Suspense head is debited with amount of all Remittance Notes by crediting the Appropriate Revenue Service head. Each Bank with which the railway has transactions sends daily statement showing the amounts deposited by the various departmental officers on behalf of Railways. The Credit Scrolls should be checked immediately on receipt of the counterfoils of cheques and Cash Remittance Notes. At the end of the month the total amount of the remittance acknowledged by the Bank will be debited to the Head 'Reserve Bank Deposits

⁷⁸ NWR- ₹5.73 crore, SECR - ₹4.79 crore and WR - ₹6.75 crore.

(Railways)' by contra credit to 'Remittance into Bank'. The balance under this suspense head, therefore, represents the amount deposited into bank but not acknowledged by them. The balance under this head i.e. Remittances into Bank should always be a Debit Balance. Para 444 of Indian Railways Code for Accounts Department Volume I envisages that reconciliation is to be done every month by FA&CAO. A review of the balances under this Suspense Head revealed that:

- i. Though the Balance under 'Remittances into Bank' is always a debit balance, as per the Indian Railway Balance Sheet, the balance shown was always a Credit Balance (i.e. remittances acknowledged by Reserve Bank in excess of Cash Remittance Notes actually accounted in the Books termed as 'adverse balance'). During 2009-14, balances shown on the Liabilities Side of the Balance Sheet were ₹ 972.18 crore (2009-10), ₹ 610.68 crore (2010-11), ₹ 546.13 crore (2011-12), ₹ 988.25 crore (2012-13) and ₹ 703.34 crore (2013-14).
- ii. The adverse balances under this head were mainly due to unidentified and unlinked credits (ER), non reconciliation of balances (SWR) and receipt of credit towards freight charges through e-payments before accrual of debit (SER and WCR). In SCR, in seven out of 10 accounting units, there were adverse balances as on 31.03.2014 due to non receipt of supporting vouchers.
- iii. There were delays in receipt of Memo of Clearance from the Bank in ECR, NR, NCR and SCR due to inaction of the Railways to correspond with Banks instantaneously.
- iv. No Prompt action was taken to dispose the discrepancies noticed during the reconciliation of credit scrolls with the counterfoils of Cheques and Cash Remittance Notes by corresponding with the banks which resulted in long outstanding balances under this Suspense Head as was observed in four Zonal Railways⁷⁹.
- v. The General Books are closed every month for compilation of Monthly Account Current. For this purpose various subsidiary registers are to be totalled up and reconciled with the General Books. Certificate of reconciliation is to be recorded in the subsidiary register under the signature of Accounts Officer⁸⁰. It was pointed out by NR, NFR, SCR and SWR that the certificate of reconciliation with General Books over the signature of Gazetted Officer was not available in the Subsidiary Registers.

(Appendix 3.17)

⁷⁹ ECR, SR, SCR and WR

⁸⁰ Para 322 of Indian Railways Code for Accounts Department Volume I

The outstanding balance under this Suspense Head indicated failure to reconcile the remittances with Banks, poor co-ordination between the Zonal Railways and the designated banks and inadequate monitoring of timely receipt of Bank Scrolls by them. The present internal control mechanism requires to be fortified to ensure that there are no negative balances as per Para 444 of Indian Railways Code for Accounts Department, Volume I.

3.3.4.2 Cheques and Bills

The system of Railway Accounts provides for operation of a Suspense Head 'Cheques and Bills' operated under Major Head 'L-Suspense and Miscellaneous Suspense Accounts'. When Cheques are issued the head 'Cheques and Bills' is credited with the amount of cheques issued and the appropriate Revenue Service head is debited. At the end of the month when the total amount of the Cheques paid (i.e. cashed at the Banks) are available from the Reserve Bank and reconciled the head 'Cheques and Bills' is debited and 'Reserve Bank Deposit (Railways)' is credited. The balance under this suspense head, therefore, represents mainly total value of uncashed cheques. The balances under this Suspense Head should always be a 'Credit Balance'. Para 437(b) of Indian Railways Code for Accounts Department, Volume I envisages the procedure to be followed in regard to review and reconciliation of 'Cheques and Bills' half-yearly. Para 444 of Indian Railways Accounts Code, Volume I states that the amounts relating to uncashed cheques remaining for more than six months after the date of issue should be cleared from this Suspense head treating them as 'Railway Earnings' and credited to Abstract-Z 'Sundry Earnings'.

A review of the balances under this Suspense Head revealed the following:

- i. The balance under 'Cheques and Bills' as shown in the Balance Sheet and the balances shown in the Debt Head Report⁸¹ should tally. It was, however, observed that the balance under 'Cheques and Bills' appearing in the Liability side of the Balance Sheet of IR as on 31 March 2014 was ₹ 2,882.98 crore, whereas the balance as per the Debt Head Report for 2013-14 was ₹ 3,044.14 crore.
- ii. The Balance under 'Cheques and Bills' (amount of cheques issued) should always be a Credit balance. However, in NWR (-) ₹ 92.43 crore and DLW (-) ₹ 12.31 crore under suspense head was maintained inefficiently resulting in adverse balance (i.e. Cheques encashed were more than cheques issued-Debit Balance) to end of March 2014.

⁸¹ *The Debt Head Report is a part of Union Government Finance Account. It includes balances in respect of (i) Small Savings and Provident Fund (ii) Reserve Fund (iii) Deposits and Advances (iv) Suspense Account (v) Loans and Advances (vi) Inter Government Adjustment Accounts (Para 748-752 of Indian Railways Code for Accounts Department Volume I).*

- iii. The outstanding at the end of March 2014-₹ 2,882.98 crore included substantial balance which pertained to earlier years 2004-05 (SCR and SWR), 2006-07 (SECR), 2008-09 (ECoR), 2010-11 (RCF).
- iv. Reconciliation procedures were not followed in NR and NCR and mechanism to ensure that there were no delays in receipt of Memo of Clearance from the Bank in NR, NCR, SWR and WCR proved to be inadequate.
- v. The Balance shown as outstanding under this Suspense Head related to periods more than six months which clearly indicated that discrepancies noticed during the reconciliation of credit scrolls with the date wise monthly summaries of bank were not intimated to Banks promptly under this Suspense Head. In contravention of extant provisions⁸², the balances were allowed to remain in this head instead of transferring to the Earnings to the tune of ₹ 63.30 crore. *(Appendix 3.17)*
- vi. Year-wise break up of outstanding balances were not furnished by ECR, SR, SWR and WCR.
- vii. The certificate of reconciliation with General Books over the signature of Gazetted Officer was not available in the Subsidiary Register.

Thus the extant provisions were not strictly followed and no concrete steps were taken to initiate action to get the approval of FA&CAO for transfer of the amount of cheques remaining un-cashed for more than six months after the date of issue to earning-Abstract Z-650-Other unclassified receipts or works concerned according to the transaction for which it related even though half yearly review of the balance under the head 'Cheques and Bills' was done and report sent to Railway Board routinely.

3.3.5 Inter - Governmental Transactions

For the settlement of inter departmental and inter governmental transactions arising in the books of Railway Accounts Offices, PAO suspense head⁸³ is operated. Outstanding Debit balance under this Suspense Head would mean that payments made on behalf of other Accounts Offices are yet to be recovered. Outstanding Credit balance under this Suspense Head would mean that payments have been received by the PAO on behalf of other PAOs which are yet to be paid. The balance under this head is exhibited on the Liabilities Side of the Balance Sheet of Indian Railways.

A review of the balances under this Suspense Head revealed the following:

- i. The outstanding debit balance under 'PAO Suspense' as compared to 2009-10 (₹ 210.49 crore) increased in 2013-14 (₹ 240.51 crore). The major Zonal

⁸² Para 444 of Indian Railways Code for the Accounts Department Volume I

⁸³ Para 457 to 467 of Indian Railways Code for Accounts Department Volume I

Railways which contributed for the increase in the balance were ER, NWR, SR, SCR, WR and WCR.

- ii. Credit Balance of ₹ 3.06 crore was shown by CR which implied that payments had been received on behalf of other PAO but were not paid.
- iii. The heavy and continuous growth in the 'PAO Suspense' indicated lack of proper interaction with different PAOs for clearing these balances.

(Appendix 3.18)

3.4 Conclusion

The growth of suspense balances was due to the following reasons:

- Importance of clearance of suspense balances was not fully realized by the Executive/Accounts Departments.
- Expenditure was allocated indiscriminately to suspense heads without making efforts to allocate the same to the final heads of account.
- The year wise break up of balances under various suspense heads were not maintained as envisaged in the Code⁸⁴.
- No proper action was taken to adjust them as early as possible either by debit to the relevant final head or by transfer to other accounting units to which they pertained.
- Incomplete or incorrect postings in the suspense register without sufficient particulars/details etc. resulted in difficulties in linking the items at the time of clearance.
- Continued and effective review was not done to clear the items resulting in items becoming old and difficult to clear.

3.5 Recommendations

The following measures are suggested to be implemented by IR through Financial Commissioner (Railways) and Financial Advisor and Chief Accounts Officer of Zonal Railways for clearance of the balances under Suspense Accounts:

- The suspense balances under 'Traffic Account' on account of freight outstanding, admitted debits, objected debits, wharfage/demurrage and demand recoverable need to be kept at minimal as it has an impact on earnings of the Railways.

⁸⁴ Para 620 of Indian Railways Code for Accounts Department Volume I

- Monitoring mechanism for clearance of old outstanding suspense balances needs to be strengthened at Zonal Railway level. Corrective steps need to be taken for clearance of excessive old items.
- Correct posting with sufficient details should be made in the Suspense Registers. Items should be placed under “Suspense” or written off with the sanction of the competent authority.



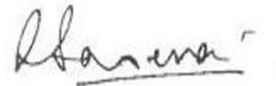
(SUMAN SAXENA)

Deputy Comptroller and Auditor General

New Delhi

Dated:

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi

Dated: