

Chapter 2 Appropriation Accounts

This Chapter outlines IR financial accountability and budgetary practices through audit of Appropriation Accounts.

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

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

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

2.1 Summary of Appropriation Accounts

IR is authorized for expenditure through operation of 16 Grants comprising of 15 Revenue Grants²² (Grants number 1 to 15) and one Capital Grant²³ (Grant No.16). Revenue grants were financed through the internal resources generated by IR through its earnings during the year. The Capital grant was funded mainly through the General budget, internal resources and share of diesel cess from Central Road Fund²⁴.

²² Grants detailing working expenses and other revenue expenditure as voted by Parliament.

²³ Grant detailing expenditure on Assets Acquisition, Construction and Replacement voted by Parliament.

²⁴ A dedicated Central Road Fund was created by the Central Government from collection of cess from petrol and diesel. A share of collection is provided to Railways for construction of road over/under bridges and safety works at unmanned railway crossings.

2.1- Summary of Appropriation Accounts 2014-15

(*₹ in crore*)

	Original Grant/ Appropriation	Supplementary Grant	Total Sanctioned Grant	Actual Expenditure	Saving (-) / Excess (+)
Voted					
Revenue	194901.56	5342.27	200243.83	191555.67	(-) 8688.16
Capital	98565.36#	467.55	99032.91	93308.62	(-)5724.29
Total Voted	293466.92	5809.82	299276.74	284864.29	(-) 14412.45
Charged					
Revenue	142.27	4.43	146.70	121.16	(-) 25.54
Capital	119.35	57.23	176.58	147.76	(-) 28.82
Total Charged	261.62	61.66	323.28	268.92	(-) 54.36
Grand Total	293728.54	5871.48	299600.02	285133.21	(-) 14466.81

#This excludes an amount of ₹30,100 crore given by the Ministry of Finance out of National Investment Fund (NIF) as part of General Budgetary Support at Budget Estimate stage and ₹28,185.12 crore at Final Modification stage.

The Table 2.1 lists out the total expenditure of IR as ₹ 2, 85,133.21 crore during 2014-15, of which nearly 67.22 per cent was spent on revenue grants which include working expenses on administrative, operational and maintenance activities while 32.78 per cent was spent on capital grant dealing with creation and augmentation of infrastructure facilities through Assets Acquisition, Construction and their Replacement/Renewal. This Table also indicates savings of 4.35 per cent (₹ 8,713.70 crore) under revenue grants and savings of 5.80 per cent (₹ 5,753.11 crore) under capital grant against the sanctioned provisions available in 2014-15.

An analysis of grant-wise expenditure revealed that the net saving of ₹ 14,466.81 crore was a result of savings of ₹ 14,957.18 crore under 13 revenue grants, two segments of capital grant, eight revenue appropriation²⁵ and three segments of capital appropriation, adjusted by an excess of ₹ 490.37 crore in two revenue grants, three revenue appropriations, one segment of capital grant as are shown in *Appendix-2.1*.

2.1.1 Revenue Grants

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

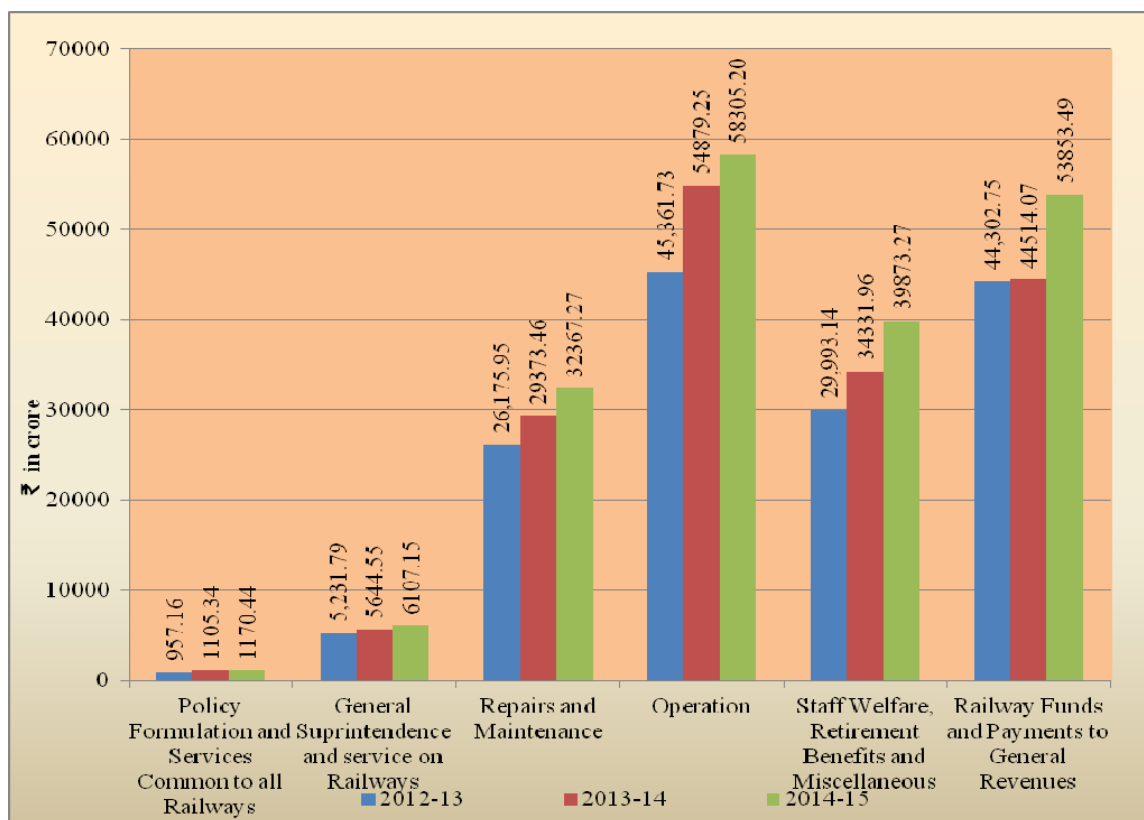
²⁵ Appropriation refers to expenditure charged on Consolidated Fund of India.

Table 2.2- Grants operated by Railways

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

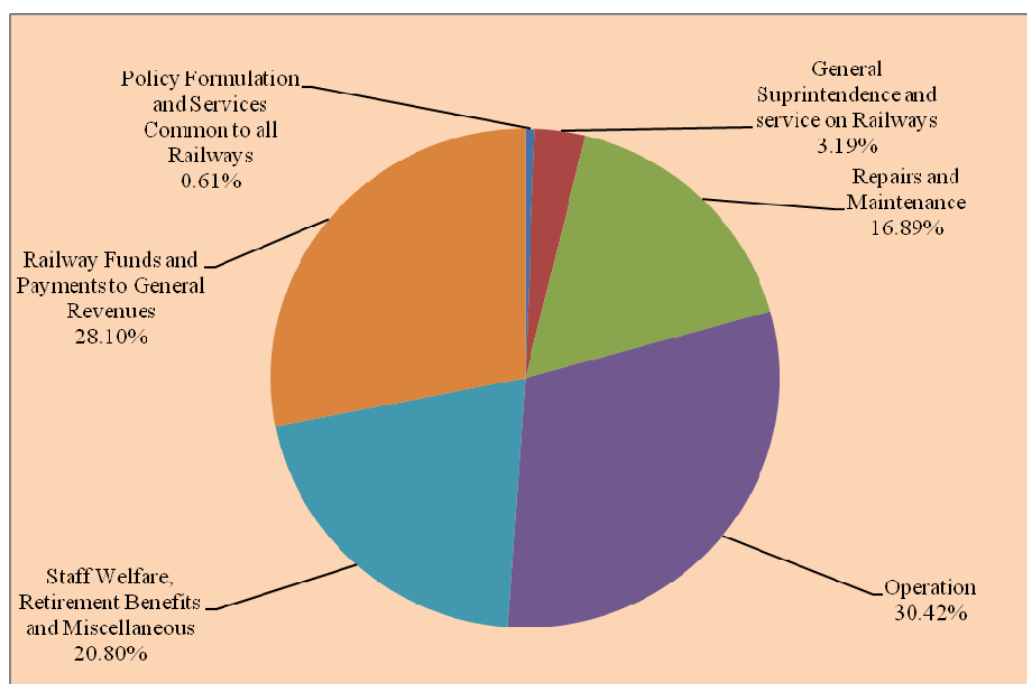
The following diagram depicts group-wise expenditure for last three years which shows an increasing trend in expenditure of Indian Railways:

Diagram 2.1 Trend of Revenue Expenditure-Group-wise during 2012-13 to 2014-15



The following Pie diagram depicts the group-wise expenditure in 2014-15:

Diagram-2.2 Group wise Revenue Expenditure (2014-15)



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

Table- 2.3 Group wise Estimates, Expenditure and Variation (2014-15)

(₹ in crore)

Particulars	Original Grant/ Appropriation	Supplementary Provision	Total Sanctioned Grant	Actual Expenditure	Variation w.r.t. Sanctioned Grant (-) Saving/ (+) Excess	Percentage variation
Policy Formulation and Services Common to all Railways	1111.57	00.00	1,111.57	1,170.44	(+) 58.87	(+) 5.30
General Superintendence and Service on Railways	6472.70	1.37	6474.07	6107.15	(-) 366.92	(-) 5.67
Repairs and Maintenance	32105.96	918.80	33024.76	32367.27	(-) 657.49	(-) 1.99
Operation	64357.73	840.85	65198.58	58305.20	(-) 6893.38	(-) 10.57
Staff Welfare, Retirement Benefits and Miscellaneous	40382.13	731.83	41113.96	39873.27	(-) 1240.69	(-) 3.02
Railway Funds and Payment to General Revenues	50613.74	2853.85	53467.59	53853.49	(+) 385.90	(+) 0.72

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

- **Indian Railways Policy Formulation**

Increase in expenditure towards staff cost and retirement benefits, more expenditure under Mumbai Urban Transport Project (MUTP) surcharge during the year.

- **General Superintendence and Service on Railways**

Reduction in expenditure towards staff cost, contingencies, leave encashment, computer stationary, advertisement and publicity and other expenses, less legal expenses, less drawl of stock from store and low consumption of electricity during the year.

- **Repairs and Maintenance**

Reduction in expenditure towards salary and wages, staff cost, materialization of less contractual payments, less expenditure on procurement of non-stock items, less drawl of stores from stock, less expenses on repair/contingent expenses/conservancy work, decrease in Periodical Overhaul (POH), less adjustment of workshop debits, less Passenger Reservation System (PRS) channels bills and miscellaneous expenses than anticipated.

- **Operation**

Reduction in expenditure towards staff cost, less materialization of contractual obligations, less drawl of lubricants and consumable stores from stock, less expenses on Annual Maintenance Contract (AMC) pertaining to Freight Operating Information System (FOIS) and Parcel Management System, less expenses towards freight and handling charges, sales tax/excise duty and value added tax (VAT) and decrease in average rate of oil purchased during the year, than anticipated.

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

Reduction in expenditure due to less receipt of claims for reimbursement of tuition fees, less receipt of bills for medicines, less direct purchases, less expenditure towards staff cost, less drawl of stores from stock, less materialisation of contractual obligations, less purchase of medicines, less adjustment relating to Railway Protection Force, Railway Protection Special Force, Government Railway Police less adjustment of debits pertaining to territorial army, less receipt of debits from pension disbursing authorities, less expenses towards commutation of pension and ex-gratia pension, finalisation of less number of death cum retirement gratuity cases and less expenses towards deposit linked insurance scheme during the year, than anticipated.

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

Excess in expenditure under appropriation of funds due to availability of higher surplus by end of the year than anticipated.

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

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

2.2 Financial Accountability and Budget Management

2.2.1 Excess over Budget Provision

Table 2.4 gives the grants and appropriations wherein expenditure was incurred in excess of authorized expenditure during 2014-15.

Table 2.4 Excess Expenditure (2014-15)

(₹ in crore)

Grant No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Excess
Revenue-Voted					
2	Miscellaneous Expenditure (General)	831.45	0.00	901.52	70.07
14	Appropriation to Funds- Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund, Debt Service Fund	41478.74	2814.72	44679.94	386.48
Capital-Voted					
16	Railway Safety Fund	2198.00	1.90	2233.03	33.13
	Total-Voted-Revenue and Capital	44508.19	2816.62	47814.49	489.68
Revenue-Charged					
3	Working Expenses – General Superintendence and Services	0.00	1.3733	1.3757	0.0024
7	Working Expenses – Repairs and Maintenance of Plant and Equipment	0.00	0.0315	0.4962	0.4647
13	Working Expenses – Provident Fund, Pension and Other Retirement Benefits	0.555	0.1013	0.8665	0.2102
	Total- Revenue-Charged	0.555	1.5061	2.7384	0.6773
	Grand Total	44508.7450	2818.1261	47817.2284	490.3573

For the above mentioned grants and appropriations where excess expenditure occurred, supplementary provisions were obtained in all except in one grant and Grant No. 2- Miscellaneous expenditure -General. In Appropriation No.3- Working Expenses- General Superintendence and Services and Appropriation

No.7-Working Expenses-Repair and Maintenance of Plant and Equipment, expenditure was incurred without obtaining original provision which indicated poor budgetary forecasting.

- **Excess in Revenue Grants and Appropriations**

The reason for excess expenditure during 2014-15 were attributed to more expenditure towards staff cost and retirement benefits, more expenditure under MUTP surcharge, more expenditure in appropriations of funds due to availability of higher surplus and materialization of more decretal payments, than anticipated.

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

The main reason of excess expenditure in Railway Safety Fund (RSF) expenditure was due to more progress of work, materialisation of more contractual payments and adjustment of more store bills etc.

Public Accounts Committee (PAC) in its Nineteenth Report (16th Lok Sabha) on 'Excess over Voted Grants and Charged Appropriations (2012-13) had expressed their concern that excess expenditure has become a recurring phenomena and recommended that the MoR should evolve a mechanism to assess and project realistic requirement of funds both at Budgetary and Supplementary stages so that timely action is taken to ensure that the excess expenditure could be avoided as far as possible. In reply to the PAC's recommendation, MoR stated, in 2014-15 a Virtual Private Network (VPN) enabled Rail Budget System connecting all Zonal Railways and Production Units across IR would be implemented. This connectivity has reduced the excess expenditure in 2014-15. The observation of the Committee is noted for being more careful in future.

In spite of the above assurance given by the MoR to the PAC on their concern over excess expenditure, MoR incurred excess expenditure of ₹ 490.37 crore in the year 2014-15. It can be seen in Table 2.5, the expenditure has been decreased in comparison to the excess expenditure incurred during the year 2012-13 and 2013-14. MoR has applied the mechanism of budgetary control during 2014-15 and succeeded to some extent. However, MoR may adopt more effective budgetary control mechanism to arrest the practise of booking of expenditure beyond authorisation given by the Parliament. Table 2.5 shows the number of instances and amount involved in excess expenditure for the last three years:

Table 2.5 Excess Expenditure during the last three years

Year	No. of Voted Grant	No. of Charged Appropriation	Original Provision	Supplementary Provision	Actual Expenditure	(<i>₹ in crore</i>)	
						Excess	Growth rate in percent
2012-13	3	7	47,829.04	2,338.95	51,838.23	1,670.24	59.35
2013-14	7	12	1,47,178.58	7,148.26	1,57,046.59	2,719.75	62.84
2014-15	3	3	44,508.75	2,818.12	47,817.24	490.37	(-)81.97

MoR in their Action Taken Note (ATN) on Chapter 2 of the Audit Report No. 19 of 2014 mentioned that all the Zonal Railways have been cautioned to

assess their requirement scrupulously on a realistic basis at all budgetary stages so as to control the expenditure within the sanctioned grants. MoR needs to ensure implementation of its instructions by all the Zonal Railways.

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

2.2.2 Persistent Excess Expenditure

There were persistent excess during 2010-11 to 2014-15 in the Appropriation No. 3 (Charged) - Working Expenses-General Superintendence and Services as shown in the Table 2.6.

Table 2.6 Persistent Excess Expenditure

(₹ in crore)

Name and Grant No.	Financial Year	Original Provision	Supplementary provision	Actual Expenditure	Excess
Appropriation No. 3 (Charged) - Working Expenses-General Superintendence and Services	2010-11	0.05	0.10	0.36	0.21
	2011-12	0.00	0.03	0.30	0.27
	2012-13	0.00	0.01	0.43	0.42
	2013-14	0.00	0.50	0.88	0.38
	2014-15	0.00	1.373	1.376	0.003

Reasons for excess were mainly attributed to materialization of more decretal payments, than anticipated.

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

2.2.3 Savings

There were aggregate savings (revenue and capital grants) of ₹ 14,412.45 crore during the year 2014-15. In 11 cases, as detailed in Table 2.7, the savings exceeded ₹ 100 crore.

Table 2.7: Savings over ₹100 crore

(₹ in crore)

Grant No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Saving
3	Working Expenses – General Superintendence and Services	6472.70	0.00	6105.78	(-) 366.92
4	Working Expenses – Repairs and Maintenance of Permanent Way and Works	10267.93	136.06	10280.52	(-)123.47
5	Working Expenses – Repairs and Maintenance of Motive Power	4665.64	255.07	4782.70	(-) 138.01
7	Working Expenses –	6228.19	112.77	6026.01	(-) 314.95

	Repairs and Maintenance of Plant and Equipment				
9	Operating Expenses-Traffic	19713.11	0.00	19074.47	(-) 638.64
10	Operating Expenses-Fuel	35181.17	0.00	29025.32	(-) 6155.85
11	Staff Welfare and Amenities	5111.38	65.83	5016.46	(-) 160.75
12	Miscellaneous Working Expenses	5338.77	315.82	5106.28	(-) 548.31
13	Provident Fund, Pension and Other Retirement Benefits	29792.70	350.00	29635.76	(-)506.94
16	Capital	79272.06	0.00	73684.47	(-) 5587.59
16	Railway Funds	17095.30	465.65	17391.12	(-)169.83

Reasons for savings were attributed to less expenditure towards staff cost, salary and wages, contingencies, leave encashment, computer stationary, advertisement and publicity, less legal expenses, less debits from pension disbursing authorities, less expenditure towards commutation of pension, ex-gratia pension, finalization of less number of death cum retirement gratuity cases, less expenditure towards Deposit Linked Insurance Scheme, materialization of less contractual payments, less expenditure on procurement of non-stock items, less drawl of stock from store, decrease in Periodical Overhaul (POH) activity, less adjustments of workshop debits, less Passenger Reservation System (PRS) channels bills, less expenditure on Annual Maintenance Contract (AMC) pertaining to Freight Operating Information System (FOIS) and Parcel Management System (PMS), less consumption of High Speed Diesel (HSD) OIL, decrease in average rate of oil purchased, less requirement of fund under diesel traction, decrease in rate of energy purchased from outside source, less expenditure on repair of medical equipments, non-filling up of vacancies, less payment of leasing charges other than IRFC, less receipt of claims for reimbursement of tuition fees, less receipt of bills for medicines, less direct purchases, less adjustment relating to Railway Protection Force, Railway Protection Special Force, Government Railway Police, less adjustment of debits pertaining to territorial army and less miscellaneous expenses during the year than anticipated.

Grant No. 16 – Capital and Railway Funds – Reasons for savings under this grant are given in succeeding para.

2.2.4 Persistent Savings

There were persistent savings of over ₹ 100 crore in following grant for the last seven years ending 2014-15 as shown in the Table 2.8.

Table 2.8 Persistent Savings

Particulars/Year	(₹ in crore)						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Grant No. 16- Railway Funds	1,723.38	2,815.59	861.94	3,565.24	8,217.50	4,788.64	169.83

Reasons for savings in Capital Grant No.16-Railway Funds are as under:

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

Savings due to slow progress of works and less debits of stores, less contractual payments, decrease in activities under construction/acquisition of Rolling Stock and due to less materialisation of decretal payments than anticipated.

- **Savings in Grant No. 16 – Capital**

Savings due to delay in land acquisition, delay in execution of work, slow progress/nil progress of work and receipt of less debit, less/non finalisation of tenders, less payments towards contractual liability, less booking of expenditure and pending approval of work after sanction at RB's level and due to less materialisation of decretal payments than anticipated.

From the above, it may be seen that there has been continuous savings in Grant No.16-Railway Funds from the years 2008-09 to 2014-15 and Grant No. 16 – Capital from 2007-08 to 2012-13²⁶ and in 2014-15.

MoR needs to assess the funds requirements accurately and monitor the progress of the works closely so that the allotted funds could be utilised properly.

2.3 Supplementary Provisions

2.3.1 Revenue Grants and Appropriations

Supplementary provisions amounting to ₹ 5342.28 crore were taken during 2014-15 in ten revenue voted grants (Grant nos. 4,5,6,7,8,11,12,13,14 and 15). These were obtained on account of higher payment of Dearness Allowance, Kilometerage Allowance, Transport Allowance, Electric Traction, for meeting the increased pensionery charges. Similarly, the supplementary provisions under charged appropriation amounting to ₹ 4.43 crore were obtained during 2014-15 in eight appropriations (Appropriation number 3,4,5,7,8,9,11 and 13) on account of more payments in satisfaction of court decrees and additional requirement on account of revision of the establishment charges of audit.

2.3.2 Capital Grant and Appropriation

The Supplementary provision of ₹ 467.55 crore was taken during 2014-15 in Grant No. 16 (Railway Safety Fund and Railway Funds) under 'Voted' to meet additional requirements for the works.

²⁶ Para 2.2.4 of Report No. 19 of 2014- Union Government (Railways) – Railways Finances.

The Supplementary provisions of ₹ 57.23 crore was obtained under charged appropriations (Grant No.16-Capital) during 2014-15 for payment in satisfaction of court decrees and arbitration awards not anticipated earlier. However, the assessment of supplementary provisions under voted and charged appropriations were not realistic as there were savings of ₹ 5,724.29 crore and ₹ 28.82 crore respectively.

2.4 Surrenders

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

Table 2.9 : Surrenders under various Grants

(₹ in crore)

Grant No.	Voted/ Charged (V/C)	Original	Supplementary	Actual expenditure	Net variation (Savings) ²⁷	Surrender ²⁸
1	V	278.01	0	266.81	(-)11.20	4.08
2	V	831.45	0	901.53	(+) 70.08	717.64
3	V	6472.70	0	6105.78	(-) 366.92	253.38
9	V	19713.11	0	19074.47	(-) 638.64	405.47
10	V	35181.17	0	29025.32	(-) 6155.85	5491.06
10	C	0.14	0	0	(-) 0.14	0.14
12	C	138.72	0	113.87	(-) 24.85	720.00
16 (Capital)	C	111.95	57.23	143.91	(-) 25.27	1.14
16 (Railway Funds)	V	17095.30	465.65	17391.12	(-) 169.83	145.04
16 (Railway Funds)	C	5.40	0	3.23	(-) 2.17	1.26
16(RSF)	C	2.00	0	0.63	(-) 1.37	1.78

It is evident from the above table; in one grant (Grant No. 12), the amount surrendered exceeded the savings. In another one grant (Grant No. 2), the amount was surrendered despite the excess expenditure under this grant.

2.5 Budgetary Control by Spending Units

Budget Estimates are usually calculated by IR after taking into account zonal railways requirements which are analyzed and moderated Re-appropriation of funds is done through Final Modification Statement²⁹ (FMS). Rule 519 of Indian Railway Financial Code (Volume-I) provides that control of expenditure should be done through preparation in advance of estimates of the expenditure to be incurred, the allotment of fund through budget grants for the

²⁷ 'Savings' represent the difference between the sanctioned grant and actual expenditure.

²⁸ 'Surrender' represents the difference between 'Sanctioned Grant' and 'Final Grant'.

²⁹ Final Modification Statement referred to final re-appropriation of fund from one unit to other or from one work to other within the framework of rules. It is usually done at the fag end of the year.

year on the basis of these estimates and continuous and concurrent review of the expenditure as incurred against the details of the estimates and against the sanctioned grants, so that revisions of estimates or re-appropriations of funds are arranged for at the earliest.

Rules³⁰ provide that Zonal Railways should furnish the statements showing the additional allotments required (both voted and charged) or surrenders to be made, during the current financial year under each head of appropriation, as prescribed in the budget orders, and requiring the sanction of the President. Based on the statements received from the zonal railways, RB prepares a Final Modification Statement.

Audit reviewed all the 196 cases of re-appropriations relating to Grant Accounts Nos. 3 to 13 of zonal railways. Summary of railway-wise grant accounts is given in *Appendix-2.2*.

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

- It was seen that in 46 cases, the actual expenditure exceeded the final grant.
- In eight cases, the actual expenditure even exceeded the sanctioned grants implying that surrender was not required in those cases.
- In 24 cases, zonal railways received additional funds through re-appropriation at the fag end of the year though the actual expenditure was less than the sanctioned grant.

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

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

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

- **Capital**-budgetary support advanced by General Budget of Government of India (GoI),
- **Railway Funds**-internal resources kept under three different reserves³¹,
- **Railway Safety Fund**-financed by Railways' share of diesel cess from Central Road Fund, and

³⁰ Para 385 and Para 386 of Indian Railway Financial Code-Volume-I

³¹ Reserves-Depreciation Reserve Fund (DRF), Development Fund (DF) and Capital Fund (CF).

- **Open Line Works (Revenue)**-new or additional improvement/replacement works costing less than ₹ one lakh financed from revenue.

Re-appropriation of funds from one segment to another is not permissible.

Segment wise allocation and expenditure is given below:

Table 2.10 Segment wise Expenditure under Grant No. 16

(₹ in crore)

Particulars	Original Provision	Supplementary provision	Total sanctioned provisions	Actual Expenditure	Saving (-)/ Excess (+)
Voted Portion					
Capital	79,272.06	0.00	79,272.06	73,684.47	(-) 5,587.59
Railway Funds	17,095.30	465.65	17,560.95	17,391.12	(-) 169.83
Railway Safety Fund	2,198.00	1.90	2,199.90	2,233.03	(+) 33.13
Open Line Works – Revenue	0.00	0.00	0.00	0.00	0.00
Total Voted	98,565.36	467.55	99,032.91	93,308.62	(-) 5724.29
Charged Portion					
Capital	111.96	57.23	169.19	143.91	(-) 25.28
Railway Funds	5.40	0.00	5.40	3.23	(-) 2.17
Railway Safety Fund	2.00	0.00	2.00	0.63	(-) 1.37
Open Line Works – Revenue	0.00	0.00	0.00	0.00	0.00
Total Charged	119.36	57.23	176.59	147.77	(-) 28.82

➤ Capital

In 2014-15, provision of ₹ 79,272.06 crore was made for acquisition and construction of assets/rolling stocks etc. There was a net saving of ₹ 5,587.59 crore, against the sanctioned provision, in this segment of the grant. Reasons for savings are discussed in Para 2.2.4.

➤ Railway Funds

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

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

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

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

Table-2.11-Component of Railway Funds

(*₹ in crore*)

Particulars	Original Provision	Supplementary provision	Total sanctioned provisions	Actual Expenditure	Saving (-)/ Excess (+)
A - Voted Portion					
DRF	8771.80	426.72	9,198.52	9,328.18	(+) 129.66
DF	2,861.50	38.93	2,900.43	2,613.70	(-) 286.73
CF	5,462.00	0.00	5,462.00	5,449.24	(-) 12.76
Total Voted	17,095.30	465.65	17,560.95	17,391.12	(-) 169.83
B - Charged Portion					
DRF	4.20	0.00	4.20	2.14	(-) 2.06
DF	1.20	0.00	1.20	1.08	(-) 0.12
CF	0.00	0.00	0.00	0.00	0.00
Total Charged	5.40	0.00	5.40	3.22	(-) 2.18
Grand Total – (A+B)	17100.70	465.65	17566.35	17394.34	(-) 172.01

Analysis of this segment of grant revealed that there were net savings (under voted) of ₹ 169.83 crore (0.96 per cent of the sanctioned grant).

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

- There was an excess of ₹ 129.66 crore constituting 1.41 per cent of the sanctioned provisions under DRF.
- There were savings of ₹ 286.73 crore constituting 9.89 per cent of the sanctioned provisions under DF.
- There were savings of ₹ 12.76 crore constituting 0.23 per cent of the sanctioned provision under CF.

- **Railway Safety Fund**

This source of capital expenditure is funded by IR's share of diesel cess in Central Road Fund. Available fund is utilized for road safety works like manning of un-manned railway crossing and construction of road over/under bridges. There was an excess expenditure of ₹ 33.13 crore against sanctioned grant of ₹ 2,199.90 crore constituting 1.51 per cent during 2014-15.

- **Open Line Works (Revenue)**

This segment of the grant was financed from the revenue of IR. Cost of all works (other than passenger amenities works) whether new or additional improvement/replacement, where cost is less than ₹ one lakh, is chargeable to this segment of grant. During 2014-15, no fund was allocated under this segment of the grant.

2.6.1 Withdrawal/Utilization of Funds

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

Table 2.12-Appropriation to Railway Funds and withdrawal there from during the last three years ended 31 March 2015

(₹ in crore)

Fund	Particulars	2012-13	2013-14	2014-15
DRF	Appropriation to Fund (BE)	9,700.00	7,700.00	7,050.00
	Appropriation to Fund (Actual)	7,050.00	8,100.00	7,975.00
	Excess (+)/Short (-) Appropriation	(-)2,650.00	400.00	925.00
	Expenditure/withdrawal from fund	7,045.47	7,119.91	7,286.93
DF	Appropriation to Fund (BE)	10,557.00	3,550.00	300.00
	Appropriation to Fund (Actual)	7,815.00	3,075.00	1,374.93
	Excess (+)/Short (-) Appropriation	(-)2,742.00	(-) 475.00	1,074.93
	Expenditure/withdrawal from fund	2,457.82	2,561.43	2,644.07
CF	Appropriation to Fund (BE)	5,000.00	5,433.80	5,662.74
	Appropriation to Fund (Actual)	451.25	500.00	6,233.36
	Excess (+)/Short (-) Appropriation	(-)4,548.75	(-) 4,933.80	570.62
	Expenditure/withdrawal from fund	0	0	5,449.24
Total (Railway Funds)	Appropriation to Fund (BE)	25,257.00	16,683.80	13,012.74
	Appropriation to Fund (Actual)	15,316.25	11,675.00	15,583.29
	Excess (+)/Short (-) Appropriation	(-) 9,940.75	(-) 5,008.80	2,570.55
	Expenditure/withdrawal from fund	9,503.29	9,681.34	15,347.24

From the above, it is seen that the appropriations under DF and CF was made in excess of the budget estimate due to availability to net revenue surplus. Appropriation of fund under DRF exceeded by 13.12 per cent of the Budget estimate.

2.6.2 Re-appropriation within Grant No. 16

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

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

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

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

Source of Fund	Plan Head No. and Name	(+) Re-appropriation through additional fund/ (-) Re-appropriation through non-utilization/surrender of fund (₹ in crore)
Capital	1500 (Voted) – Doubling	(+) 670.82 (19.77)
Capital	1100 (Voted) - New Line Construction	(-)88.34 (1.24)
Capital	1400 (Voted) – Gauge Conversion	(+) 1,238.71 (51.46)
Capital	1400 (Charged) – Gauge Conversion	(-) 9.10 (59.51)
Capital	4200 (Voted) – Workshop including production unit	(-) 53.21 (3.93)
Capital	1700 (Voted) – Computerization	(-) 28.99 (19.20)
Capital	2100 (Voted) – Rolling Stock	(+) 2649.97 (147.88)
Capital	2100 (Charged)- Rolling Stock	(-)8.00 (100)
Railway Funds	1500 (Voted) – Doubling	(-)18.54 (74.16)
Railway Funds	1600 (Voted) – Traffic Facilities – yard remodeling and others	(-) 29.79 (5.64)
Railway Funds	1700 (Voted) – Computerization	(-)20.46 (10.87)
Railway Funds	2100- (Voted)- Rolling Stock	(-) 139.30 (6.89)
Railway Funds	5300 (Voted) – Passenger Amenities and Other Railway user's Amenities	(-)87.57 (8.54)
Railway Fund Safety Fund	2900 (Voted) – Road Safety Work – Level Crossings	(+) 16.96 (4.10)

Note-Figures in bracket represent percentage to the sanctioned grant

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

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

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

2.7 Defects in Budgeting

A large number of instances of defective budgeting resulting in excess/savings beyond the prescribed limits³² were noticed. North Central (49 cases), West Central (27 cases), Southern (23 cases), South Eastern (16 cases), North Western and South Western (12 cases each) and Western (10 cases) were the railways with most number of cases on defective budgeting. A few instances of defects in budgeting are given in the Table 2.14.

³²Paragraph 409 and 410 of Indian Railway Financial Code (Volume-I) prescribed limit for permissible variations which is 5 per cent or ₹50 lakh whichever is less and for Grant No.16 it is 10 per cent or ₹100 lakh whichever is less.

Revised copy of the Annexure K, containing cases of defects in budgeting was not furnished by MoR.

Table 2.14-Cases of Defects in Budgeting

Zonal Railway	Grant No./Name (Voted)	Minor Head/Plan Head	Excess/ Short Provision	₹ in crore	Percentage w.r.t Final Grant
NCR	08-Operating Expenses- Rolling Stock and Equipment	300-Electric Loco	Short	21.23	6.85
NCR	11-Staff Welfare and Amenities	600-Residential and welfare Buildings-Repair and Maintenance	Short	6.02	14.68
NCR	12-Miscellaneous Working Expenses	100-Security	Excess	24.22	11.33
NCR	12-Miscellaneous Working Expenses	Suspense-Miscellaneous Advance Revenue	Short	6.03	82.89
NWR	13-Provident Fund, Pension and other Retirement Benefits	690-Exgratia payments to families of CPF retirees	Excess	2.14	25.16
WR	07-Revenue-Repair and Maintenance of Plant and Equipment	800-Other Plant and Equipment	Excess	15.63	54.80
WR	12-Revenue-Miscellaneous Working Expenses	Miscellaneous Advance (Revenue)	Short	8.24	22.02
WCR	02-Miscellaneous Expenditure (General)	Railway Recruitment Board-Bhopal	Short	1.64	98.71
WCR	05-Repair and Maintenance- Motive Power	300-Diesel Locomotives	Excess	20.28	9.93
NCR	16-Capital	1500-Doubling	Excess	3.57	18.40
NCR	16-Capital	6400-Other Specified Works	Excess	6.56	79.20
NWR	16-Capital	5100-Staff Quarters	Excess	1.62	33.31
NWR	16-DRF	3200-Bridge Works	Excess	2.05	15.69
WR	16-DF	3300-Signalling and Telecommunication	Excess	5.84	16.49
WCR	16-Capital	1600-Traffic Facilities	Excess	2.78	15.67
WCR	16-Capital	4200-Workshop and Production Units	Excess	1.71	24.65
ICF	16-Capital	7100-Stores Suspense	Excess	4.43	16.41
ICF	16-DRF	4100-Machinery and Plant	Short	3.12	13.71

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

2.8 Misclassification of Expenditure

Instances of misclassification of expenditure and other accounting mistakes had been noticed while verifying the Accounts of the Zonal Railways. Cases

of misclassification of expenditure and important accounting mistakes have been listed in the “Appropriation Accounts of IR 2014-15-Detailed Accounts-Part II. These cases included misclassification of expenditure from one revenue grant to another and also from revenue to capital grant and vice-versa. Cases on misclassification of expenditure from capital to deposit heads of accounts were also identified in audit. Misclassification of expenditure from revenue to capital head of accounts or capital to deposit heads understated the revenue and capital expenditure in the accounts.

The revised Annexure-J, containing cases of such misclassifications was not furnished by the MoR.

Some instances of misclassification of expenditure and receipts by the Zonal Railways during 2014-15 are mentioned below:

- **Mis-classification between Revenue expenditure and Capital expenditure**
 - (i) In SR, an expenditure amounting to ₹ 6.86 crore was debited to Revenue Grant No. 12-Miscellaneous Working Expenses instead of Capital Grant No. 16-Capital (₹ 4.39 crore) and Store Suspense (₹ 2.47 crore).
 - (ii) In SR, an expenditure of ₹ 0.16 crore pertaining to the engine hire charges and Establishment Charges (Work charged Post) was debited partly to Revenue Grants 03-General Superintendence and Services on Railways and Grant No. 04-Repair and Maintenance of Permanent Way and Works instead of Capital Grant No. 16-DRF.
 - (iii) In NCR, an expenditure of ₹ 1.21 crore towards cost of equipments was debited to the Revenue Grant No. 07-Repair and Maintenance of Plant and Machinery instead of Capital Grant No. 16-Capital.
 - (iv) In SWR, an expenditure of ₹ 1.07 crore towards improvement and strengthening of Bridges was debited to the Revenue Grant No. 04-Repair and Maintenance instead of Capital Grant No. 16-DF-3.
 - (v) In NR, an amount of ₹ 0.67 crore towards cost of Permanent Way Material was debited to the Revenue Grant No. 04-Repair and Maintenance of Permanent Way and Works instead of Capital Grant No. 16-DRF-Track Renewal.
 - (vi) In NR, an expenditure of ₹ 0.29 crore towards Closed User Groups (CUG) bills was debited to the Capital Grant No. 16-DRF instead of Revenue Grant No. 07-Repair and Maintenance of Plants and Equipments.
- **Mis-classification of expenditure under Revenue Grants**
 - (i) In NWR, an expenditure of ₹ 2.15 crore towards water supply charges was debited to the Revenue Grant No. 12-Miscellaneous Working Expenses instead of Revenue Grants No. 04-Repair and Maintenance of Permanent Way

- and Works (₹ 0.86 crore) and Grant No.11-Staff Welfare and Amenities (₹ 1.29 crore).
- (ii) In SWR, an expenditure of ₹ 0.64 crore towards Ex-gratia compensation paid to deceased railway employee was debited to Revenue Grant No. 12-Miscellaneous Working Expenses instead of Revenue Grant No. 13-Provident Fund, Pension and other retirement benefits.
 - (iii) In NR, an expenditure of ₹ 0.24 crore towards cost of staff was debited to the Revenue Grant No. 03-General Superintendence and Services on Railways instead of Revenue Grant No. 07-Repairs and Maintenance of Plants and equipments.
 - (iv) In NR, an expenditure of ₹ 1.15 crore towards cost of maintenance staff of Permanent Way works was debited to Revenue Grant No. 09-Operating expenses-Traffic instead of Revenue Grant No. 04-Repair and Maintenance of Permanent Way and works.
 - (v) In NR, an expenditure of ₹ 0.30 crore towards pay and allowances during training of Non-gazetted staff was debited to the Revenue Grant No. 04-Repair and Maintenance of Permanent Way and Works instead of Revenue Grant No. 12-Miscellaneous working expenses.
 - (vi) In NR, an expenditure of ₹ 0.02 crore towards stipend paid to the apprentices was debited to the Revenue Grant No. 06-Repair and Maintenance of Carriage and Wagon instead of Revenue Grant No.12-Miscellaneous Working Expenses.
 - (vii) In SER, an expenditure of ₹ 2.59 crore towards Pay and Allowances of the Gate Keepers was debited to the Revenue Grant No. 4-Repair and Maintenance of Permanent Way and Works instead of Revenue Grant No. 9-Operating expenses-Traffic.
- **Mis-classification of expenditure under Capital Grant**
 - (i) In SR, an expenditure of ₹ 2.83 crore towards improvement of Running room and extension of Platform was debited to Capital Grant No. 16-DRF instead of 16-DF.
 - (ii) In NCR, an expenditure of ₹ 0.74 crore towards cost of Diesel Generator Set was debited to Capital Grant No. 16-DRF instead of 16-DF.
 - (iii) In SWR, an expenditure of ₹ 281.48 crore towards works pertaining to the State Governments was debited to the Capital Grant No.16-Capital instead of Deposit Miscellaneous.
 - (iv) In WR, an expenditure of ₹ 0.11 crore towards Construction of multilevel Road Over Bridge (ROB) in lieu of Level crossings was debited to Capital Grant No. 16-DF instead of 16-RSF.

- (v) In NR, an expenditure of ₹ 47.82 crore towards cost of Permanent Way material received from Track Depot was directly debited to the Capital Grant No. 16-DRF instead of Store Suspense.
- **Mis-classification of receipts**
 - (i) In ECoR, an amount of ₹ 1.71 crore relating to halt commission was debited to the Station earnings instead of Grant No. 09-Operating Expenses-Traffic.
 - (ii) In NCR, an amount of ₹ 0.19 crore towards penalties recovered from passengers was debited to Earnings Abstract Z-Sundry Earnings instead of Abstract X-Coaching.
 - (iii) In SWR, an amount of ₹ 29.08 crore towards Service Tax collected from passengers was credited to the Earning Abstract Z-650-Sundry Earnings instead of CENVAT Credit 044-Service Tax.

The PAC in its Nineteenth Report (16th Lok Sabha) observed that “The Committee are distressed to find despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in their future accounts.” Committee further stated that “It seems that no tangible action has been taken by the Ministry of Railways either to fix the responsibility against the responsible officers for such glaring mistakes or to revamp their existing accounting system as had been repeatedly recommended by the PAC. The Committee took a serious view of such callous approach on the part of the Ministry of Railways for not timely detecting such mistakes which led to derail the budgetary exercise. As major function of Accounts Department of Ministry of Railways are stated to be computerised with several applications to strengthen the various accounting activities, the Committee hope that the Ministry would now be able to overcome systemic lacunae/loopholes and progressive elimination of the misclassification syndrome in future”.

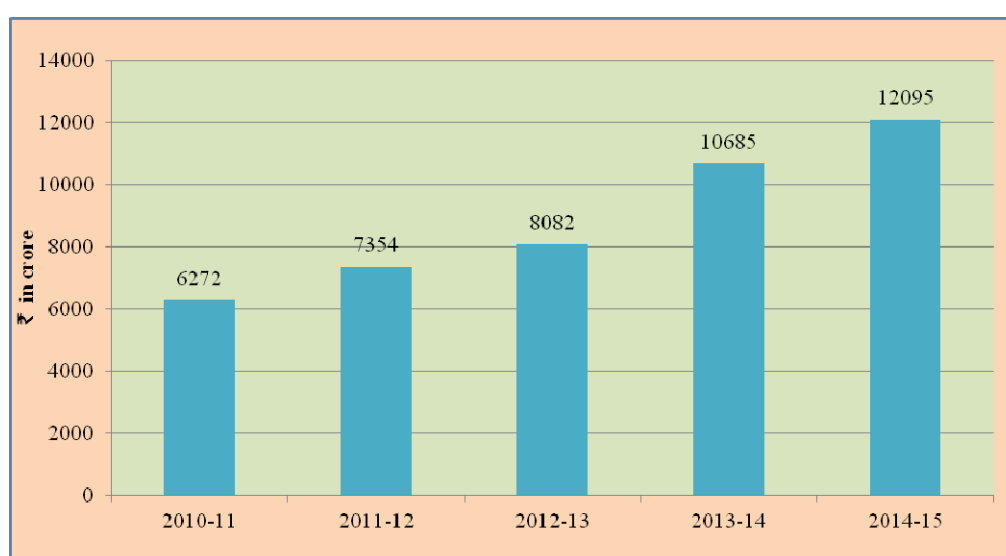
MoR in its reply stated that the PAC’s recommendations are noted for strict compliance. Apart from fixing responsibility for lapses at suitable levels MoR is committed for computerisation at various accounting activities to bring about efficiency and expediency in its functioning. It shall always remain the endeavour of MoR to avoid misclassification/mistakes altogether. Despite PAC’s remarks on misclassification, the instances of misclassification were noticed during 2014-15 also. Further, MoR in its ATN on Chapter 2 of the Audit Report No. 19 of 2014 mentioned that instructions have been reiterated to the Zonal Railways for strengthening/tightening the system and sensitize the staff to avoid misclassifications while booking expenditure, besides enforcing accountability for correctness of allocation of expenditure by taking up defaulting staff appropriately.

Despite issue of repeated instructions by the MoR, instances of misclassification have again been noticed in 2014-15. Implementation of the instructions needs to be ensured by MoR.

2.9 Unsanctioned Expenditure

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

Diagram-2.3 Unsanctioned Expenditure (cumulative figures)



A review of such expenditure held under objection disclosed an increasing trend ₹ 6,272 crore (March 2011), ₹ 7,354 crore (March 2012), ₹ 8,082 crore (March 2013), ₹ 10,685 crore (March 2014) and ₹ 12,095 crore (March 2015). Unsanctioned expenditure as of 31 March 2015, included ₹ 6,240 crore (51.59 per cent of total unsanctioned expenditure) related to items which were more than two years old. MoR needs to strengthen the control mechanism and ensure that all the unsanctioned expenditure is regularised on priority basis.

2.10 Conclusions

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

after obtaining a supplementary grant or an advance from the Contingency Fund.

During 2014-15, Ministry of Railways against the sanctioned grant (Original and Supplementary Grant) of ₹ 2,99,600.02 crore in respect of 15 Revenue Grants and one Capital Grant, incurred an expenditure of ₹ 2,85,133.21 crore thereby registering a net savings of ₹ 14,466.81 crore. An analysis of grant-wise expenditure revealed that the net saving of ₹ 14,466.81 crore was a result of savings of ₹ 14,957.18 crore under 13 revenue grants, two segments of capital grant, eight revenue appropriation and three segments of capital appropriation, adjusted by an excess of ₹ 490.37 crore in two revenue grants, three revenue appropriations and one segment of capital grant.

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

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

The PAC, time and again expressed their strong displeasure on budgeting and recommended that the Ministry of Railways should evolve a mechanism to assess and project realistic requirement of funds both at Budgetary and Supplementary stages so that timely action is taken to avoid the excess expenditure as far as possible. However, despite recommendations of the PAC, the realistic Budget projection could not be made by the Ministry of Railways.

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

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

2.11 Recommendations

- *Ministry of Railways needs to strengthen the process of budgetary estimation so that the supplementary demands for grants do not remain unutilised or become short of the requirement. Cases of defects in budgeting need to be analysed and measures taken to avoid recurrence in future.*
- *Ministry of Railways should impress upon the budget controlling authorities for regular monitoring of the flow of expenditure and budget allotment and take prompt action for seeking additional funds/surrender of funds allotted could be judiciously utilized for the intended purposes.*
- *Internal control mechanism should be strengthened to reduce the instances of misclassification of expenditure. Deterrent sanctions should be put in place to foster greater responsibility and accountability at the level of key controlling officers.*
- *The unsanctioned expenditure should be controlled; administration should ensure all unsanctioned expenditure is regularised on priority.*