

## Chapter 2 Appropriation Accounts

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

Budget is an instrument of Parliamentary Financial Control. 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 Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and also whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

### 2.1 Summary of Appropriation Accounts

IR is authorized for expenditure through operation of 16 Grants comprising of 15 Revenue Grants<sup>24</sup> (Grants number 1 to 15) and one Capital Grant<sup>25</sup> (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 Fund<sup>26</sup> (CRF).

Appropriation Accounts (Railways) for the sums expended during the year ended 31 March 2016, compared with the sums authorized in the Original and Supplementary Demands for Grants for expenditure and passed under Article 114 and 115 of the Constitution of India are summarized in Table 2.1.

<sup>24</sup> Grants detailing working expenses and other revenue expenditure as voted by Parliament.

<sup>25</sup> Grant detailing expenditure on Assets Acquisition, Construction and Replacement voted by Parliament.

<sup>26</sup> 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.

Table 2.1- Summary of Appropriation Accounts 2015-16

(₹ in crore)

	Original Grant/ Appropriation	Supplementary Grant	Total Sanctioned Grant	Actual Expenditure	Saving (-) / Excess (+)
<b>Voted</b>					
Revenue	223506.50	nil	223506.50	201190.01	(-) 22316.49
Capital	113502.45#	1015.59	114518.04	99821.17@	(-) 14696.87
Total Voted	337008.95	1015.59	338024.54	301011.18	(-) 37013.36
<b>Charged</b>					
Revenue	116.60	18.89	135.49	128.79	(-) 6.70
Capital	112.37	96.40	208.77	176.22	(-) 32.55
Total Charged	228.97	115.29	344.26	305.01	(-) 39.25
Grand Total	337237.92	1130.88	338368.80	301316.19	(-) 37052.61

# This excludes an amount of ₹ 40000.00 crore given by the Ministry of Finance out of National Investment Fund (NIF) as part of General Budgetary Support.

@ This includes an amount of ₹ 23997.91 crore shown as expenditure met out of NIF.

The above Table lists out the total expenditure of IR as ₹ 3,01,316.19 crore during the financial year 2015-16, of which nearly 66.81 per cent was spent on revenue grants which include working expenses on administrative, operational and maintenance activities while 33.19 per cent was spent on capital grant dealing with creation and augmentation of infrastructure facilities through Assets Acquisition, Construction and their Replacement/Renewal. The above Table also indicates savings of 9.98 per cent (₹ 22,323.19 crore) under revenue grants and a savings of 12.84 per cent (₹ 14,729.42 crore) under capital grant against the sanctioned provisions available in 2015-16.

An analysis of grant-wise expenditure revealed that the net saving of ₹ 37,052.61 crore was a result of savings of ₹ 37,128.48 crore under fourteen revenue grants, four segments of capital grant, five revenue appropriation<sup>27</sup> and three segments of capital appropriation, adjusted by an excess of ₹ 75.87 crore in one revenue grant, five revenue appropriations 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:-

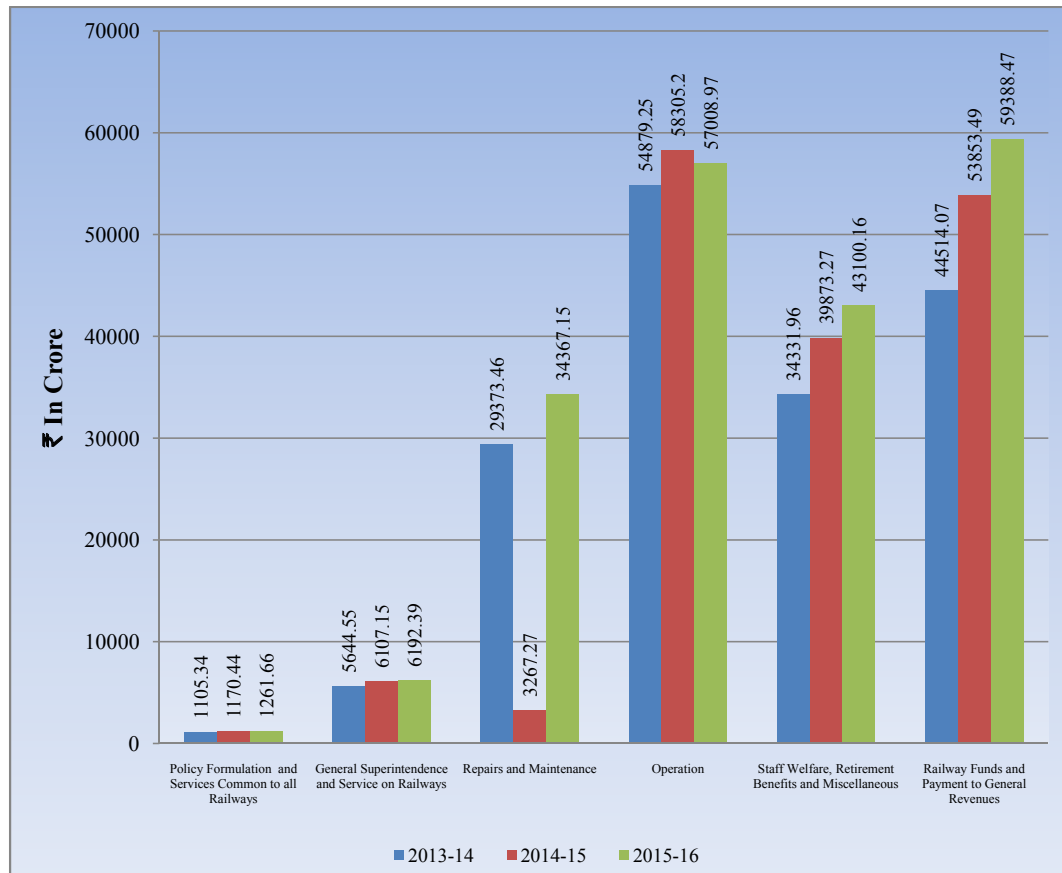
<sup>27</sup> Appropriation refers to expenditure charged on Consolidated Fund of India.

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	

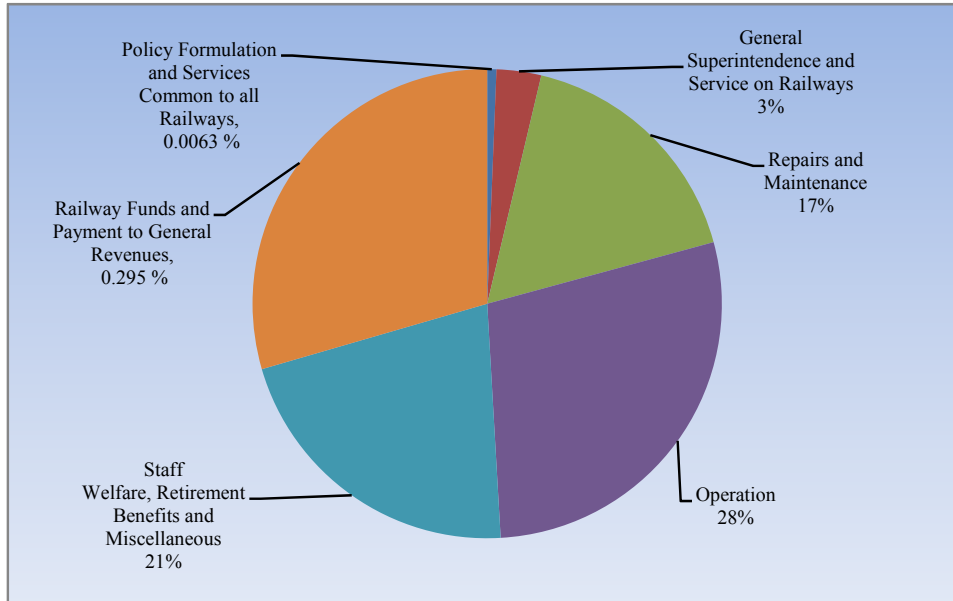
The following diagram depicts group-wise expenditure for last three years which shows an increasing trend in expenditure of Indian Railways:

Diagram 2.1 Trend of Revenue Expenditure-Group-wise during 2013-14 to 2015-16



The following Pie diagram depicts the group-wise expenditure in 2015-16:

**Diagram-2.2 Group wise Revenue Expenditure (2015-16)**



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 (2015-16)**

(₹ in crore)

Particulars	Original Grant/ Appropriation	Supplementary Provision	Total Sanctioned Grant	Actual Expenditure	Variation w.r.t. Sanctioned Grant (-) Saving/ (+) Excess	Percentage variation
<b>Policy Formulation and Services Common to all Railways</b>	1210.26	0.00	1210.26	1261.66	(+) 51.40	(+) 4.24
<b>General Superintendence and Service on Railways</b>	6993.96	1.44	6995.40	6192.39	(-) 803.01	(-) 11.48
<b>Repairs and Maintenance</b>	36909.59	0.70	36910.29	34367.15	(-) 2543.14	(-) 6.89
<b>Operation</b>	63809.11	0.24	63809.35	57008.97	(-) 6800.38	(-) 10.66
<b>Staff Welfare, Retirement Benefits and Miscellaneous</b>	46767.49	16.52	46784.01	43100.15	(-) 3683.86	(-) 7.87
<b>Railway Funds and Payment to General Revenues</b>	67936.45	0.00	67936.45	59388.47	(-) 8547.98	(-) 12.58

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 and low consumption of electricity during the year.

- **Repairs and Maintenance**

Reduction in expenditure towards salary and wages, staff cost including Modified Assured Career Progression Scheme (MACP), materialization of less contractual payments, less expenditure on procurement of non-stock items, less drawal of stores from stock, less expenses on repair work, decrease in Periodical Overhaul (POH), less adjustment of workshop debits, less expenditure on power transmission and distribution services during the year 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 Passenger Reservation System (PRS), less expenditure towards direct purchases and less consumption of coal, less expenses towards freight and handling charges, sales tax/excise duty reduction in cost of High Speed Diesel (HSD) oil, less consumption of HSD oil due to less activity of diesel locos, less expenditure towards consumption of electric energy for traction services, less adjustment of debits and less adjustment for payment of leasing charges other than Indian Railway Finance Corporation (IRFC) than anticipated.

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

Reduction in expenditure due to less receipt of claims for reimbursement of tuition fees, less expenditure towards purchase of medicines and repair of medical equipments, less expenditure on sports and staff canteen, less direct purchases, less expenditure towards staff cost, less drawl of stores from stock, less materialisation of contractual obligations, 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 and finalisation of less number of death-cum-retirement gratuity cases during the year, than anticipated.

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

Reduction in expenditure due to deterioration of net resource position by end of the year and less payment of dividend to General Revenue during the year.

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 succeeding paras and Para 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 2015-16.

**Table 2.4 Excess Expenditure (2015-16)**

						(₹ in crore)	
S. No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Excess		
Revenue-Voted							
1	Grant No. 2-Miscellaneous expenditure (General)	905.310	0.000	980.940	75.630		
Revenue-Charged							
1	Appropriation No.3 – Working Expenses – General Superintendence and Services	1.160	1.440	2.710	0.110		
2	Appropriation No. 4- Working Expenses- Repairs and Maintenance of Permanent Way and Works	0.386	0.668	1.058	0.004		
3	Appropriation No.13- Working Expenses – Provident Fund, Pension and Other Retirement Benefits	0.516	0.152	0.801	0.133		
	Total- Revenue- Charged	2.062	2.260	4.569	0.247		
	Grand Total	907.372	2.260	985.509	75.877		

*Note: There are one revenue grant and five revenue appropriations. In two revenue appropriations, the excess expenditure was minor as explained in following para.*

For the above mentioned grants and appropriations where excess expenditure occurred, supplementary provisions were obtained in charged appropriations of Grant No.3 Working Expenses- General Superintendence and Service on Railways, Grant No. 4 Working Expenses- Repairs and Maintenance of Permanent Way and Works and Grant No.13- Working Expenses – Provident Fund, Pension and Other Retirement Benefits. Besides, in appropriations of Grant No. 6- Repairs and Maintenance of Carriages and Wagons and Grant No. 11- Staff Welfare and Amenities there were excess expenditure of ₹ 200 each where supplementary provisions were obtained and Original provision in these grants were not made. In Grant No.2 no supplementary Budget Allotment was obtained.

**Excess in Revenue Grants and Appropriations**

The reasons for excess expenditure during 2015-16 were attributed to more expenditure towards staff cost and retirement benefits, more expenditure under

Mumbai Urban Transport Project (MUTP) surcharge and materialization of more decretal payments, than anticipated.

Public Accounts Committee (PAC) in its Nineteenth Report (16<sup>th</sup> 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 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 ensure that the excess expenditure could be avoided as far as possible. In reply to the PAC's recommendation Ministry of Railways stated, "In 2014-15 a Virtual Private Network (VPN) enabled Rail Budget System connecting all Zonal Railways and Production units across Indian Railways. This connectivity has reduced the excess expenditure (₹ 490.36 crore) in 2014-15. The observation of the committee is noted for being more careful in future."

Railways have complied the above assurance given by the Ministry of Railways to the PAC on their concern over excess expenditure and incurred excess expenditure of ₹ 75.87 crore in the year 2015-16. It can be seen in Table 2.5, the amount of excess expenditure has been declined in comparison to the excess expenditure incurred during the year 2013-14 and 2014-15. Ministry of Railways has applied the mechanism of budgetary control during 2015-16, to the greater extent by integrating Indian Railways Accounting Units with the Railway Board through Integrated Pay roll and Accounting System (IPAS) except in Metro Railway, Kolkata. MoR is yet to integrate the field accounting units with the Railway Board in a common format through IT Modules (IPAS). This may prevent deviation of data and arrest the practices of booking of excess expenditure.

Ministry of Railways 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**

*(₹ in crore)*

Year	No of Voted Grant	No. of Charged Appropriation	Original Provision	Supplementary Provision	Actual Expenditure	Excess	Growth rate in percent
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
2015-16	1	5	907.37	2.26	985.50	75.87	-546.33

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

### 2.2.2 Savings

There were aggregate savings (revenue and capital grants) of ₹ 37,128.48 crore during the year 2015-16. In 15 cases, as detailed in Table 2.6, the savings exceeded ₹ 100 crore.

Table 2.6: Savings over ₹100 crore

(₹ in crore)

S. No.	Particulars	Original Provision	Supplementary provision	Actual Expenditure	Saving
1	Grant No. 3 - Working Expenses - General Superintendence and Services	6992.79	0	6189.68	-803.11
2	Grant No. 4- Working Expenses - Repairs and Maintenance of Permanent Way and Works	11657.55	0	10887.13	-770.42
3	Grant No. 5 - Working Expenses - Repairs and Maintenance of Motive Power	5464.56	0	5273.00	-191.56
4	Grant No. 6- Working Expenses - Repairs and Maintenance of Carriages and Wagons	12545.12	0	11951.97	-593.15
5	Grant No. 7 - Working Expenses - Repairs and Maintenance of Plant and Equipment	7238.18	0	6253.96	-984.22
6	Grant No. 8 - Working Expenses - Operating Expenses-Rolling Stock and Equipment	11387.93	0	10400.67	-987.26
7	Grant No. 9 - Working Expenses- Operating Expenses-Traffic	22124.02	0	20540.44	-1583.58
8	Grant No. 10 - Working Expenses - Operating Expenses-Fuel	30295.84	0	26066.60	-4229.24
9	Grant No. 11 - Working Expenses - Staff Welfare and Amenities	5861.45	0	5316.67	-544.78
10	Grant No. 12 - Working Expenses - Miscellaneous Working Expenses	6220.07	0	5734.04	-486.03
11	Grant No. 13 - Working Expenses - Provident Fund, Pension and Other Retirement Benefits	34574.38	0	31927.84	-2646.54
12	Grant No. 14 - Appropriation to Funds	57125.71	0	50665.97	-6459.74
13	Grant No. 15 - Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of over Capitalization	10810.74	0	8722.51	-2088.23
14	Grant No. 16-Capital	91561.86	0.0001	78841.64	-12720.22
15	Grant No. 16- Railway Funds	20294.80	0	18377.08	-1917.72
	<b>Total</b>	<b>334155.00</b>	<b>0.0001</b>	<b>297149.20</b>	<b>-37005.80</b>



From the above it can be seen that the total savings more than ₹ 100 crore is ₹ 37005.80 crore which is 99.87 per cent of the total savings (₹ 37052.61 crore).

Reasons for savings were attributed to less expenditure towards staff cost including Modified Assured Career Progression Scheme (MACP), 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, materialization of less contractual payments, less expenditure on procurement of non-stock items, less drawl of stock lubricants from store, less expenditure towards wages and material on Periodical Overhaul (POH), less adjustments of workshop debits, less expenditure on Annual Maintenance Contract (AMC) pertaining to Passenger Reservation System, less consumption of High Speed Diesel (HSD) oil, decrease in average rate of oil purchased, less consumption of HSD oil due to less activity of diesel locos, less expenditure towards consumption of electric energy for traction services, less expenditure on repair of medical equipments, non-filling up of vacancies, less payment of leasing charges other than Indian Railway Finance Corporation (IRFC), less receipt of claims for reimbursement of tuition fees, less expenditure on purchase of medicines, less direct purchases, less expenditure towards sports and staff canteen, less adjustment relating to Security work, less adjustment of debits pertaining to territorial army, deterioration of net resource position by end of the year, less payment of dividend to General Revenues and less miscellaneous expenses during the year than anticipated.

**Grant No. 16 - Capital** – Reasons for savings are mainly due to less contractual payments, non/delay in finalisation of the tenders in time, change of source of fund from capital to Extra Budgetary Resource-Institutional Fund (EBR-IF) in various projects over Zonal Railways, nonpayment of cost of land due to delay in acquisition of land, slow progress of work due to law and order problem, less debits received for the work executing by Rail Vikas Nigam Limited (RVNL), less payment for the cost of stores and Permanent Way material, delay in sanction of Estimates, less receipt of final bills for passing than anticipated, non/delay in finalisation of yard plan, adjustment of less debits, less investment under Government Commercial Undertakings during the year than anticipated, decrease in prices of material and decrease in consumption of fuel and more receipt of credits.

**Grant No. 16 - Railway Funds** - Savings occurred in Railway Funds were due to slow progress of works, delay in finalisation of tenders, non-sanction of detailed estimates, non-materialisation of contractual obligations, non execution of works during the year, decrease in activities under construction/acquisition of rolling stocks than anticipated, less/non receipt of material and less receipt of stores debits than anticipated, non adjustment of debits and more receipt of credits during the year.

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

Reasons for savings under Grant No. 16-Railway Safety Fund attributed to less expenditure due to slow progress of Road Safety Works over various Zonal Railways, materialisation of less contractual payments, slow finalisation of tenders and adjustment of less stores debits.

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From the above, it may be seen that there has been continuous savings in Grant No.16- Railway Funds from the years 2009-10 to 2015-16. There was continuous savings in Grant No. 14-Appropriation to Funds and Grant No. 16-Railway Safety Fund from 2009-10 to 2015-16 except during 2014-15.

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

### **2.3 Supplementary Provisions**

#### **2.3.1 Revenue Grants and Appropriations**

Supplementary provisions amounting to ₹ 18.89 crore were taken during 2015-16 in eight revenue charged appropriations (Appropriation Nos. 3,4,5,6,8,11,12 & 13). These were obtained on account of more payments in satisfaction of court decrees.

#### **2.3.2 Capital Grant and Appropriation**

The supplementary provision (V) of ₹ 1,111.99 crore was taken during 2015-16 in Grant No.16-Capital. Under 'Voted', supplementary provision of ₹ 1,015.59 crore was obtained to meet additional requirements for safety works.

The supplementary provisions of ₹ 96.40 crore was obtained under charged appropriations (Grant No.16-Capital & RSF) during 2015-16 for payment in satisfaction of court decrees and arbitration awards, which were made into rule of the court, not anticipated earlier. However, the assessment of supplementary provisions under voted and charged appropriations were not realistic as there were savings in expenditure of ₹ 14,696.87 crore and ₹ 32.54 crore in voted and charged appropriations, 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 2.7:

Table 2.7 : Surrenders under various Grants

(*₹ in crore*)

Grant No.	Voted/ Charged (V/C)	Original	Supplementary	Actual expenditure	Net variation Excess (+)/ (Savings) <sup>28</sup> (-)	Surrender <sup>29</sup>
1	V	302.84	0	278.61	-24.23	12.83
2	V	905.31	0	980.94	+75.63	75.42
3	V	6992.79	0	6189.68	-803.11	707.79
4	V	11657.55	0	10887.13	-770.42	653.90
5	V	5464.56	0	5273.00	-191.56	120.72
6	V	12545.12	0	11951.97	-593.15	467.98
7	V	7238.18	0	6253.96	-984.22	797.08
8	V	11387.93	0	10400.67	-987.26	854.27
9	V	22124.02	0	20540.44	-1583.58	1379.51
10	V	30295.84	0	26066.60	-4229.24	4162.47
11	V	5861.45	0	5316.67	-544.78	465.45
12	V	6220.07	0	5734.04	-486.03	354.01
13	V	34574.38	0	31927.84	-2646.54	65.73
14	V	57125.71	0	50665.97	-6459.74	5663.31
15	V	10810.74	0	8722.51	-2088.23	2315.30
16 (Capital)	V	91561.86	0.0001	78841.64	-12720.22	13985.18
16 (Railway Funds)	V	20294.80	0	18377.08	-1917.72	1710.08
16(RSF)	V	1645.78	1015.59	2602.44	-58.92	0.0018

It is evident from the above table; in Grant No. 15 and 16-Capital the amount surrendered exceeded the savings. In grant Grant No. 2 the amount was surrendered despite the excess expenditure incurred 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 analysed and moderated Re-appropriation of funds is done through Final Modification Statement<sup>30</sup> (FMS). Rule 519 of Finance Code, Volume-I provides that control of expenditure should be done through preparation in advance of estimates of the expenditure to be incurred, the allotment of fund through budget grants for the year on the basis of these estimates and continuous and concurrent review of the expenditure as incurred against the details of the estimates and against the sanctioned grants, so that revisions of estimates or re-appropriations of funds are arranged for at the earliest possible point of time.

Rules<sup>31</sup> 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

<sup>28</sup> 'Savings' represent the difference between the sanctioned grant and actual expenditure.

<sup>29</sup> 'Surrender' represents the difference between 'Sanctioned Grant' and 'Final Grant'.

<sup>30</sup> Final Modification Statement referred to final re-appropriation of fund from one unit to other or from one work to other within the frame work of rules. It is usually done at the fag end of the year.

<sup>31</sup> Paras 385 and 386 of Finance Code-Volume-I

statements received from the zonal railways, Railway Board 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 54 cases, the actual expenditure exceeded the final grant.
- In 37 cases, the actual expenditure even exceeded the sanctioned grants implying that surrender was not required in those cases.
- In 16 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.

**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 three segments and draws its funding from three distinct sources:

- **Capital-budgetary** support advanced by general budget of Government of India,
- **Railway Funds**-internal resources kept under three different reserves<sup>32</sup>, and
- **Railway Safety Fund**-financed by Railways' share of diesel cess from Central Road Fund.

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

Segment wise allocation and expenditure is given in table 2.8 below:

**Table 2.8 Segment wise Expenditure under Grant No. 16**

<i>(₹ in crore)</i>					
Particulars	Original Provision	Supplementary provision	Total sanctioned provisions	Actual Expenditure	Saving (-)/ Excess (+)
<b>Voted</b>					
Capital	91,561.86	0.0001	91,561.86	78,841.64	-12,720.22
Railway Funds	20,294.81	0.00	20,294.81	18,377.08	-1,917.73
Railway Safety Fund	1,645.78	1,015.59	2,661.37	2,602.45	-58.92
<b>Total Voted</b>	<b>113,502.45</b>	<b>1,015.59</b>	<b>114,518.04</b>	<b>99,821.17</b>	<b>-14,696.87</b>
<b>Charged</b>					
Capital	107.31	96.36	203.67	172.46	-31.21
Railway Funds	4.92	0.00	4.92	3.63	-1.29
Railway Safety Fund	0.13	0.04	0.17	0.14	-0.03
<b>Total Charged</b>	<b>112.36</b>	<b>96.40</b>	<b>208.76</b>	<b>176.23</b>	<b>-32.53</b>

<sup>32</sup> Reserve Funds were Depreciation Reserve Fund (DRF), Development Fund (DF) and Capital Fund (CF).

### ➤ Capital

In 2015-16, provision of ₹ 91,765.53 crore was made for acquisition and construction of assets/rolling stocks etc. There was a net saving of ₹ 12,751.43 crore, against the sanctioned provision, in this segment of the grant. Reasons for savings are discussed in Para 2.2.2- Savings against budget provision.

### ➤ Railway Funds

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

- DRF-for replacement/renewal of existing assets (fund financed from internal resources by charging to working expenses).
- DF-for all passenger and other users, works including addition and replacement, labour welfare works not exceeding ₹ 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 2.9.

**Table-2.9 - Component of Railway Funds**

(₹ in crore)

Particulars	Original Provision	Supplementary provision	Total sanctioned provisions	Actual Expenditure	Saving (-)/ Excess (+)
<b>Voted</b>					
Depreciation Reserve Fund	10,002.10	0.00	10,002.10	9,120.96	(-) 881.14
Development Fund	3,999.70	0.00	3,999.70	2,931.39	(-) 1,068.31
Capital Fund	6,293.00	0.00	6,293.00	6,324.74	(+) 31.74
<b>Total Voted</b>	<b>20,294.80</b>	<b>0.00</b>	<b>20,294.80</b>	<b>18,377.08</b>	<b>(-) 1,917.72</b>
<b>Charged</b>					
Depreciation Reserve Fund	1.63	0.00	1.63	1.85	(+) 0.22
Development Fund	3.29	0.00	3.29	1.77	(-) 1.52
Capital Fund	0.00	0.00	0.00	0.00	0.00
<b>Total Charged</b>	<b>4.92</b>	<b>0.00</b>	<b>4.92</b>	<b>3.62</b>	<b>(-) 1.30</b>
<b>Grand Total -Voted and Charged</b>	<b>20,299.72</b>	<b>0.00</b>	<b>20,299.72</b>	<b>18,380.70</b>	<b>(-) 1,919.02</b>

Analysis of this segment of grant revealed that there were net savings of ₹ 1,919.02 crore (9.45 per cent of the sanctioned grant).

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

- **DRF**-There was net savings of ₹ 881.14 crore constituting 8.81 *per cent* of the sanctioned provisions.
- **DF**- There were savings of ₹ 1,608.31 crore constituting 26.71 *per cent* of the sanctioned provisions.
- **CF**-There were excess expenditure (Voted grant) of ₹ 31.74 crore constituting 0.50 *per cent* of the sanctioned provision.

- **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 were savings of ₹ 58.92 crore against sanctioned grant of ₹ 2,661.37 crore constituting 2.21 *per cent* during 2015-16.

### 2.6.1 Withdrawal/Utilization of Funds

The Table 2.10 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 2.10-Appropriation to Railway Funds and withdrawal there from during the last three years ended 31 March 2016**

*(₹ in crore)*

Fund	Particulars	2013-14	2014-15	2015-16
<b>DRF</b>	Appropriation to Fund(BE)	7,700.00	7,050.00	8,100.00
	Appropriation to Fund(Actual)	8,100.00	7,975.00	5,800.00
	Excess (+)/Short (-) appropriation	400.00	925.00	(-)2,300.00
	Expenditure/withdrawal from fund	7,119.91	7,286.93	7,588.95
<b>DF</b>	Appropriation to Fund(BE)	3,550.00	300.00	5,750.00
	Appropriation to Fund(Actual)	3,075.00	1,374.94	1,219.74
	Excess (+)/Short (-) appropriation	(-) 475.00	1,074.94	(-) 4,530.26
	Expenditure/withdrawal from fund	2,561.43	2,611.07	2,931.62
<b>CF</b>	Appropriation to Fund (BE)	5,433.80	5,662.74	7,615.71
	Appropriation to Fund (Actual)	500.00	6,233.36	5,798.24
	Excess (+)/Short (-) appropriation	(-) 4,933.80	570.62	(-)1,817.47
	Expenditure/withdrawal from fund	0	5,449.24	6,324.74
<b>Total (Railway Funds)</b>	Appropriation to Fund (BE)	16,683.80	13,012.74	21,465.71
	Appropriation to Fund (Actual)	11,675.00	15,583.30	12,817.98
	Excess (+)/Short (-) appropriation	(-) 5,008.80	2,570.56	(-) 8,647.73
	Expenditure/withdrawal from fund	9,681.34	15,347.24	16,845.31

From the above, it can be seen that the appropriation to the funds was not made under DF as per budget provision. During 2015-16, there was a short appropriation under this segment of capital expenditure by 78.79 *per cent* of Budget Provision.

DRF, which is created to meet the requirement of funds, needed for renewal/replacement of existing over aged assets, is not being appropriated as per the life of the assets but the appropriation in the fund was made to the extent the working expenses could bear. During 2015-16, the appropriation of fund under DRF, however, decreased by 28.40 *per cent* of Budget provision.

In CF, which was created to meet the expenditure on leased assets there was short provision by 23.86 per cent of Budget provision.

### 2.7 Excess /savings beyond the prescribed limit

A large number of instances of excess/savings beyond the prescribed limits<sup>33</sup> were noticed. Central Railway (05 cases), Eastern Railway (14 cases), East Central Railway (14 cases), East Coast Railway (04 cases), North Central (07 cases), Northeast Frontier Railway (26 cases), Northern Railway (68 cases), North Western Railway (26 cases), Southern (25 cases), South Eastern (11 cases), South Central Railway (27 cases) South East Central Railway (10 cases), South Western Railway (51 cases), Western (09 cases), West Central (25 cases), Rail Wheel Factory (07 cases), CORE/ALD (02 cases), Integral Coach Factory (08 cases), CLW (07 cases) and Metro Rail Project/Chennai (01 case) were the railways/units having cases with significant excess/savings beyond the prescribed limits. A few such instances are given in Table 2.11.

**Table 2.11 - Cases of Excess/Savings beyond the prescribed limits**

Zonal Railway	Grant No./Name (Voted )	Minor Head/Plan Head	Excess/ Short Provision	₹ in crore	Percentage w.r.t Final Grant
NCR	12-Miscellaneous Working Expenses	100-Security	Excess	19.44	8.08
NCR	13-Provident Fund, Pension and other Retirement Benefits	100-Superannuation and Retiring Pension	Excess	552.88	18.12
NCR	13-Provident Fund, Pension and other Retirement Benefits	400-Family Pension	Excess	134.54	13.24
NCR	16-DF	4200-Workshop including production unit	Excess	8.32	30.62
NWR	12-Miscellaneous Working Expenses	100-Security	Excess	19.66	16.25
NWR	16-Capital	1500-Doubling	Short	68.39	63.81
SEC	16-Capital	1500-Doubling	Short	271.68	26123
SWR	03- Working Expenses – General Superintendence and Services	300-Personnel Management	Short	6.66	18.41
SWR	05- Working Expenses – Repairs and Maintenance of Motive Power	300-Diesel Locomotive	Short	17.59	10.36
SWR	07- Working Expenses – Repairs and Maintenance of Plant and Equipment	800-Other Plant and Equipment-general and Traffic Deptt.	Short	8.79	60.30
SWR	10- Working Expenses – Operating Expenses-Fuel	200-Diesel Traction	Short	195.46	14.60
WR	13- Provident Fund, Pension and other Retirement Benefits	800-Contribution to PF	Excess	9.77	10.07
WR	16-DRF	5300-Passenger amenities	Excess	1.95	25.53
WCR	02-Mioscellaneous Expenditure (General)	Survey	Excess	0.74	71.84

<sup>33</sup>Paragraph 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.

WCR	05-Repair and Maintenance-Motive Power	300-Diesel Locomotives	Excess	11.32	5.71
WCR	11- Working Expenses – Staff Welfare and Amenities	500-Residential and Welfare Buildings- Repair and Maintenance	Excess	8.84	11.90
WCR	16-Capital	2100-Rolling Stock	Short	23.22	443.21
WCR	16-DRF	2100- Rolling Stock	Short	128.25	4971.22

IR need to fine tune its projections.

### **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 2015-16-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.

MoR has not taken corrective action on the cases of misclassification and mistakes in accounts pointed out during the year 2014-15. Audit conducted an analytical review on the cases of the Misclassification and mistakes occurred during the year 2010-11 to 2014-15 (five years) and the corrective action taken thereupon by the MoR. The detailed report on the Misclassification and mistakes in Railways accounts and action taken by MoR is elaborated in **Chapter 3** of this Report.

Some instances of misclassification of expenditure and receipts in the Accounts of the Zonal Railways during 2015-16 are mentioned below:

- **Mis-classification between Revenue expenditure and Capital expenditure**
  - (i) In NR, an expenditure amounting to ₹ 1.17 crore towards freight charges of ballast was debited to Revenue Grant No. 4- Working Expenses (Repair and Maintenance of Permanent Way and Works) instead of Capital Grant No. 16-Capital.
  - (ii) In NR, an expenditure of ₹ 0.66 crore towards expenditure on Close Users Group (CUG) phone bills of Railway Officers was debited to Grants 16-DRF instead of Revenue Grant No. 7 - Working Expenses-Repair and Maintenance of Plant and Equipment.
  - (iii) In NCR, an expenditure of ₹ 17.87 crore towards payment of interest and refund of lease cost of land to Developer was debited to Capital (Plan Head 1100) instead of Revenue Grant No. 12 (Misc. Working Expenses).



- (iv) In SR, an expenditure of ₹ 1.96 crore towards (salary and allowances of work charged post ₹ 1.31 crore and cost of ballast - ₹ 0.65 crore for improvement and strengthening of Bridges) was debited to the Revenue Grant No. 04-Repair and Maintenance instead of Capital Grant No. 16.
- (v) In SCR, an amount of ₹ 0.46 crore towards cost of replacement of copper cadmium catenary wire with new one was debited to the Revenue Grant No. 07-Repair and Maintenance of Plant and Equipment instead of Capital Grant No. 16-DRF.
- (vi) In SCR, an expenditure of ₹ 0.35 crore towards cost of completion of un-finished quarters was debited to the Revenue Grant No. 11-Staff Welfare and Amenities instead of Capital Grant No. 16-DRF.

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

- (i) In CR, an expenditure of ₹ 1.92 crore towards ex-gratia compensation paid in respect of deceased railway employees was debited to the Revenue Grant No. 12-Miscellaneous Working Expenses instead of Revenue Grants No. 13-Provident Fund, Pension and other Retirement Benefits.
- (ii) In ER, an expenditure of ₹ 1.94 crore towards pay and allowances was debited to Revenue Grant No. 07- Repair and Maintenance of Plant and Equipment instead of Revenue Grant No. 11- Staff Welfare and Amenities.
- (iii) In ECR, an expenditure of ₹ 0.34 crore towards mechanical coach cleaning work at carriage and wagon depot at Saharsa was debited to Revenue Grant No. 06-Repair and Maintenance of Carriage and Wagons instead of Revenue Grant No. 08-Operating Expenses-Rolling Stock and Equipment.
- (iv) In NR, an expenditure of ₹ 4.79 crore towards pay and allowances of gate keepers was debited to the Revenue Grant No. 04-Repair and Maintenance of Permanent Way and Works instead of Revenue Grant No. 09-Operating Expenses -Traffic.
- (v) In NR, an expenditure of ₹ 4.78 crore towards mechanical coach cleaning work was debited to the Revenue Grant No. 06-Repair and Maintenance of Carriage and Wagon instead of Revenue Grant No. 08-Operating Expenses-Rolling Stock and Equipment.
- (vi) In NR, an expenditure of ₹ 2.46 crore towards HSD Oil used in Generator Cars was debited to the Revenue Grant No. 10-Operating Expenses –Fuel instead of Revenue Grant No. 08-Operating Expenses-Rolling Stock and Equipment.
- (vii) In NCR, an amount of ₹ 0.46 crore towards salary and allowances of training staff was debited to Revenue Grant No. 12-Miscellaneous Working Expenses instead of Revenue Grants No.03-General Superintendence and Services.

- (viii) In SCR, an amount of ₹ 0.07 crore towards Pay and allowances of Medical Officer was debited to Revenue Grant No. 06-Repair and Maintenance of Carriage and Wagon instead of Revenue Grants No. 11- Staff Welfare and Amenities.
- (ix) In SECR, an amount of ₹ 1.29 crore towards Pay and allowances of Trainees and Trade Apprentices of all department except medical was debited to Revenue Grant No. 08- Operating Expenses-Rolling Stock and Equipment instead of Revenue Grants No. 12- Miscellaneous Working Expenses.
- (x) In WR, an amount of ₹ 2.20 crore towards wages of gate keepers in Ratlam Division was debited to Revenue Grant No. 04- Repair and Maintenance of Permanent Way and Works instead of Revenue Grant No. 09-Operating Expenses -Traffic.

• **Mis-classification of expenditure under Capital Grant**

- (i) In CR, an expenditure of ₹ 8.16 crore towards capital cost of accident damaged electric loco was debited to Capital Grant No. 16-DRF instead of Capital Grant No. 16 - Capital.
- (ii) In NR, an expenditure of ₹ 0.77 crore towards setting up of Departmental Mechanised Laundry for washing Linen at Varanasi was debited to Capital Grant No. 16-DRF instead of 16-DF.
- (iii) In SR, an expenditure of ₹ 1.84 crore towards cost of ballast procured and utilised in gauge conversion work was debited to the Grant No.16-Capital instead of Grant No. 16-DRF.
- (iv) In SR, an expenditure of ₹ 23.23 crore towards cost of land was debited to Capital Grant No. 16-DRF and DF instead of 16-Capital.
- (v) In SCR, an expenditure of ₹ 0.76 crore towards three-Phase Power Supply and Flood light arrangement for track machine siding was debited to the Capital Grant No. 16-DRF (Track Renewal) instead of 16-DF (other electrical works 3600).
- (vi) In SCR, an expenditure of ₹ 0.98 crore towards up-gradation of running rooms was debited to the Capital Grant No. 16-DRF (other specified works 6400) instead of 16-DF (other specified works 6400).
- (vii) In SER, an expenditure of ₹ 0.56 crore towards cost of new quarters was debited to the Capital Grant No. 16-DRF instead of 16-Capital.
- (viii) In WR, an expenditure of ₹ 96.73 crore towards cost of new B.G. Line between Patan and Bhildi was debited to the Capital Grant No. 16-Capital-Gauge Conversion (1400) instead of 16-Capital-New Lines (1100).

- **Mis-classification of receipts**

- (i) In WCR, an amount of ₹ 0.59 crore relating to commission charges was debited to the Earnings Abstract X-Coaching instead of Revenue Grant No. 09-Operating Expenses-Traffic.

The PAC in its Nineteenth Report (16<sup>th</sup> 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”.

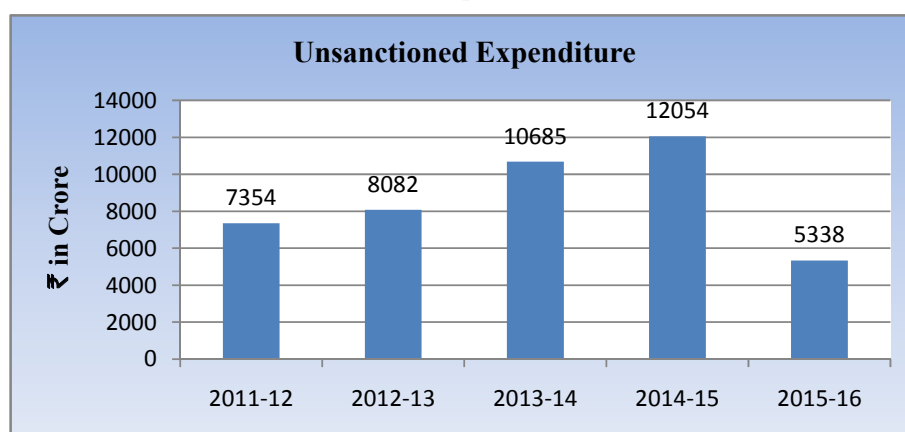
MoR in its reply stated that the PAC’s recommendations are noted for strict compliance. Apart from fixing responsibility for lapses at suitable levels MoR is committed for computerisation at various accounting activities to bring about efficiency and expediency in its functioning. It shall always remain the endeavour of MoR to avoid misclassification/mistakes altogether. Despite PAC’s remarks on misclassification, the instances of misclassification were noticed during 2015-16, too. 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.

Despite issue of repeated instructions by the MoR, instances of misclassification have been continuing. 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)



The unsanctioned expenditure, number of the items involved and percentage against total expenditure during the year from 2011-12 to 2015-16 are given in table 2.12

Table 2.12-Cases of Unsanctioned Expenditure

(₹ in crore)

Year	Total Expenditure	Unsanctioned Expenditure		Percentage of total expenditure
		No. of Items involved	Amount involved	
2011-12	191997	3243	7354	3.87
2012-13	226339	3324	8082	3.57
2013-14	253939	3078	10685	4.21
2014-15	285133	3744	12054	4.23
2015-16	301316	3567	5338	1.77

A review of such expenditure held under objection disclosed an increasing trend from 2011-12 to 2014-15 with increase in number of items. However, in comparison to the previous year, during 2015-16 the number of items has been reduced by 177 items and amount reduced by 55.71 per cent. Unsanctioned expenditure as of 31 March 2016, included ₹ 395 crore (7.40 per cent of total unsanctioned expenditure) related to 1941 items which were more than two years old.

### 2.10 Conclusions

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

During 2015-16, Ministry of Railways against the sanctioned grant<sup>34</sup> of ₹ 3,38,368.80 crore in respect of 15 Revenue Grants and one Capital Grant, incurred an expenditure of ₹ 3,01,316.19 crore thereby registering a net savings of ₹ 37,052.61 crore. An analysis of grant-wise expenditure revealed that the net saving of ₹ 37,052.61 crore was a result of savings of ₹ 37,128.48 crore under fourteen revenue grants, three segments of capital grant, five revenue appropriation and three segments of capital appropriation, adjusted by an excess of ₹ 75.87 crore in one revenue grant and five revenue appropriations.

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 was incurred.

Instances of excess expenditure, surrender of funds, misclassification of expenditure from Revenue Grant to Capital Grant and *vice versa*, charged expenditure to voted expenditure, one revenue grant to another, unsanctioned expenditure etc. have regularly been pointed out by Audit.

The Public Accounts Committee (PAC) expressed their displeasure over consistent and unauthorised excess expenditure by the Ministry of Railways. PAC also recommended the Ministry of Railways to review and overhaul their existing mechanism for estimation of budgetary requirements. MoR has taken initiatives on repeated recommendations of the PAC. The excess expenditure has been decreased to a great extent during 2015-16 as compared to the excess expenditure incurred in last two years by the Ministry of Railways.

The cases of misclassification of expenditure have been a regular feature in the accounts of IR (details are reviewed for the last five years in Chapter 3). 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, the instances of misclassification of expenditure by the spending units were still being noticed.

### 2.11 Recommendations

- ***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.***

<sup>34</sup> *Sum of Original and Supplementary Grants*

- *Ministry of Railways may adopt effective measures for integrating the field accounting units with the Railway Board Accounts in a common format through IT Modules (IPAS) as the same has not been fully implemented.*
- *The unsanctioned expenditure should be controlled; administration should ensure all unsanctioned expenditure is regularised on priority.*