



OFFICE MANUAL

(VOLUME – II)

**OFFICE OF PRINCIPAL DIRECTOR OF AUDIT
RAILWAY PRODUCTION UNITS AND METRO RAILWAY
KOLKATA**

2008

(For Official Use in the IA & AD Only)

PREFACE TO THE SECOND EDITION OF O.M

This second diglot edition of the Office Manual of the Pr. D.A, RPU & M. Rly. has been prepared to facilitate the progressive use of Hindi in office work. While bringing out this edition opportunity has been taken to update, revise and enlarge the existing Office Manual to incorporate changes and developments that have taken place since the bringing out of its first edition in 1982.

The Manual has been issued for the guidance of the staff in accordance with Paragraph 79 of the Railway Audit Manual, Fourth Edition, 1981 and the instructions for audit contained therein are supplemental to those in the Audit Code, Audit Manual, Railway Audit Manual and other codes and regulations. The Manual should not be quoted as an authority in any correspondence outside the office.

For convenience of indexing and of reference, the Paragraph have been numbered according to a Code in which a dot has been placed in the figures, the figures on the left hand side of the dot representing the number of the chapter and those in the right hand side of the dot representing the number of the paragraph. Thus paragraph 7.1 is paragraph 1 of chapter 7 and paragraph 11.25 is paragraph 25 of chapter 11.

The omissions or inaccuracies noticed in this Manual may kindly be brought to our notice so that necessary corrective action could be taken for future. Any suggestions for improvement of the Manual are also welcome.

KOLKATA

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CHAPTER-7

General Instructions regarding Procedure of Audit and method of work.

7.1. Programme of Audit

The extent of audit to be applied to different classes of Railway transactions is indicated in M.O.I. In addition to the items of work mentioned in MOI, special items of work peculiar to this office have to be undertaken for audit according to the orders issued by the Director of Audit from time to time. All the items of work including the special items, mentioned above, should be recorded in the selection register showing authority etc., to be maintained by each auditing section. In this connection, the instructions laid down in Chapter VIII to XI of Railway Audit Manual may also be seen.

7.2 Selection of Documents for Audit.

7.2.1. See instructions contained in Chapter X of Railway Audit Manual and Chapter III of MOI.

The audit of vouchers is done to the extent of the percentages laid down for the various types of vouchers.

7.2.2 In regard to selection of salary bills, muster rolls and labour pay sheets (wherever done) the following procedure should be adopted:

10 units should be formed and the audit of each unit taken up and completed once in 4 months so that the entire work in units is

completed in the prescribed period to satisfy the percentage laid down. The selection of employees for audit pertaining to this unit should be made in all the four months to ensure the audit of salary bills pertaining to all the months in a year and also to satisfy the provision regarding the audit of vouchers in the fourth following month. All the bills pertaining to the unit selected should be listed in the selection register for each month separately. At the commencement of each financial year, the record maintained in the bill passing section of the accounts department should be verified and necessary changes in the units (addition/deletion etc.) if any, be carried out wherever necessary so that the list is maintained up-to-date and there is no omission whatsoever in the prescribed percentage of audit.

- 7.2.3** In respect of other vouchers, which are subjected to percentage check, the first step should be to list out all the vouchers received by the accounts department for internal check in the month for which audit is to be conducted noting AB numbers and amounts. Then a memorandum should be prepared indicating the total number of vouchers, the percentage to be applied for audit and the number of vouchers to be selected for audit. This memorandum should be put up to the Branch Officer for selection of the required number of vouchers from those listed out. In order, however, to avoid the clerical work involved in listing out such vouchers, the selection may, wherever possible be obtained directly from the "Register of bills received for internal check" (Form 'A' 204) maintained by the accounts department. For that purpose a memorandum should be prepared indicating the number of bills received for internal check in the month for which audit is to be conducted, the percentage to be applied and the number of vouchers required to be selected for audit. This memorandum together with the register of bills received for internal check of the Accounts Department should be submitted to the Branch Officer. The Branch Officer will select the bills directly from this register of bills indicating in the memorandum A. B. Numbers of the bill, so selected.
- 7.2.4** The contractor's final bills should be checked according to the prescribed percentage. All relevant on account bills also should be checked along-with the check of final bills. The details of all such on account bills should be noted in the selection register.
- 7.2.5** In selecting the bills, the fraction appearing on application of the percentage to the total number of bills in resultant figures should be rounded off to the next higher number.
- 7.2.6** The selection of pension cases should be made from the register of sanction to pensions maintained by the accounts departments. The selection of paid vouchers of Death-cum-Retirement Gratuity should be made from the register maintained for the purpose by the accounts department.
- 7.2.7** The selection of cases of final withdrawal from SRPF, GPF etc. and of Special Contribution of PF or Gratuity under State Railway Provident Fund rules should be made from the refund register maintained by the PF Section of the accounts department. The selection of pension

payments through the treasuries, post offices and public sector banks should be done separately for each type of payment from the vouchers, debit schedules, scrolls etc. as the case may be on the basis of acceptance/accounting made by the accounts departments monthly.

- 7.2.8** The selection of Journal vouchers of the value of Rs.50,000/- and above should be done after classifying them according to the prescribed category for the purpose of applying the percentages laid down.
- 7.2.9** In respect of pay orders paid out of station earning, the selection should be made from the list received from Traffic Audit Section.
- 7.2.10** In respect of monthly items of audit, the audit should ordinarily be conducted in the fourth following month. Wherever it is possible to have the vouchers for audit in the third following month, there is no objection if audit is undertaken accordingly in the third following month. This should, however, be done on obtaining specific orders of the Pr. Director of Audit. In respect of Journal vouchers, the Pr. Director of Audit has decided that the audit should be done in the 3rd following month.
- 7.2.11** The selection of vouchers should be completed by 20th of the month preceding that in which the audit is taken up so that all the vouchers and documents may be collected from the accounts office in time to commence audit as far as possible on the first of the month of Audit.
- 7.2.12** In the selection register, besides recording the number of the bills given by the accounts department, particulars of number of employees in the case of labour pay sheets and salary bills, number of items in the case of T.A. bills, number of items in the case of contractor's bills and estimates, number of adjustment memo in respect of the Journal Vouchers etc., or such other particulars as are required for purposes of job analysis of the work conducted in July each year, should also be recorded.
- 7.2.13** The instructions regarding the rounding off of fraction in case of selection of vouchers and documents for initial audit should also be observed in case of selection for current review and post review by Section Officers and Gazetted Officers.
- 7.2.14** In making selection of contractor's bills and miscellaneous bills, the selecting officers should ensure that bills of all important contracts and important purchases come under our scrutiny some time or the other and that the same kind of bills relating to the same work or contract of same type or purchases do not come up for audit month after month. Particular attention should be paid in selecting bills for audit from category "Miscellaneous bills and pay orders" in such a manner that vouchers of various transactions come under audit, as otherwise it is likely that the bills for payments to municipalities and local bodies etc., which are made yearly or half yearly may remain unchecked for a long time. It should, therefore, be ensured that such bills are invariably selected for audit.

- 7.2.15** In order to ensure that selection of the requisite number of vouchers under each category is properly done, the Director of Audit has decided that all listing done by the Auditors should be routed through and checked by the Section Officers for the purposes mentioned in Para 39 of MOI (Para 148 of Railway Audit Manual) before they are put up to the Audit Officers for the purpose of selection. In view of this changed procedure, no further surprise check will be necessary.
- 7.2.16** The grouping of units for the purpose of all establishment bills should be reviewed yearly in order to ensure that no categories of charges are omitted from the purview of Audit.
- 7.2.17** On completion of Audit, the Auditor concerned should record his dated initials against each item of Audit in the selection register in token of having completed in audit of that item.
- 7.2.18** The vouchers and documents not made available till the end of the month and, therefore, remaining in arrears for audit should be indicated separately in respect of each item of audit under the list of selected vouchers recorded in the selection register.

7.3 Requisition of vouchers for Audit

- 7.3.1** All section should ensure that requisition for vouchers are treated like other letters issuing from the office and are issued under a running serial number for each year. The serial number should indicate clearly the originating section. It should be noted that whenever the lists of outstanding vouchers are furnished to the Accounts Officer, reference to the connected requisition numbers are invariably quoted therein. The Section Officers should see before signing the requisitions that a proper serial number is given and that copies of all the requisitions are also filed serially. The Branch Officers may also occasionally see that the procedure outlined above is properly followed.
- 7.3.2** When requisitions are addressed to the Executive officers for supplying tenders, other documents, sanction cases etc., it should be ensured that copies of such requisitions are sent to the concerned accounts officers also.

7.4 Collection of documents for Audit

- 7.4.1** As soon as documents to be audited are selected, they should be collected from the accounts office expeditiously. In the case of items for which an official requisition is necessary, such as review of compensation claims, the relevant files or documents should be called for officially. A record should be kept of the documents made available and still due and attempts made to obtain the latter as early as possible. Difficulty, if any, in getting the documents should be brought to the notice of the Section Officer of the Section for necessary action. Cases of inordinate delays in receipt of the documents should be brought to the notice of the Branch Officer.
- 7.4.2** If the documents due for audit in a month are not made available by the accounts office by 15th of the month, an official requisition or reminder should be issued to the Accounts Officer concerned. If this has no

effect, a demi official letter should be issued to that officer by the 25th of the month.

7.4.3 Any loss or destruction of vouchers and documents in the administrative offices rendering the prescribed audit impossible have to be reported to the Additional Deputy Comptroller & Auditor General of India (Railways) promptly for necessary action at the appropriate level. Sections should report all such cases to Co-ordination section without delay.

7.4.4 A review should be made by sections in June every year of all the vouchers which have not been supplied by the accounts office for a year or more, prior to that month, to see whether these vouchers are likely to become available later or whether they have been destroyed. A report regarding this review should be submitted to the Branch Officer. This item of work should be noted in the calendar of returns of the sections.

7.5 Distribution of work

See Para 139 of RAM

In each section, duty lists should be drawn out showing the items of work allotted to various members of the section. These should be submitted for approval of the Director of Audit and entered in the sectional register. The duty lists should be kept up-to-date by reviewing them from time to time to see whether the items of work of the section have been distributed completely and evenly. It should be ensured that complete responsibility for each item off audit is fixed on individuals and that shared responsibility is avoided as far as possible. The Auditors should be given changes of duties periodically in terms of provisions of Para 61 of RAM.

7.6 Raising and pursuit of objections

The instructions contained in chapter XXII of RAM should generally be followed.

7.6.1 Pursuant to certain changes which have taken place in the set up of the audit offices and with a view to minimize delays that occur in the settlement of audit objections and save on correspondence and to ensure speedy settlement of objections, the following instructions are issued for raising and pursuit of objections through audit notes and special letters.

(i) Objections of a routine nature or calling for certificate, wanting documents etc. noticed during the course of audit should be embodied in formal notes (Rough Audit Notes) which, duly signed by the Section Officer (Audit) will be issued to the Section Officer (Accounts) concerned. These rough audit notes will be examined on receipt by the Section Officer (Accounts). Periodical meetings will be held between Section Officer (Audit) and the corresponding section officer to discuss rough audit notes. A record of discussions will be drawn up. As far as possible, irregularities pointed out in the rough audit notes will be settled in these discussions. If the matter is satisfactorily settled, no formal audit note will be issued but the matter should be included in the

minutes of discussion and further action to enforce recovery etc. will be taken up by Section Officer (Accounts).

(ii) The discussion on the rough audit notes should ordinarily take place within a week and in any case not later than a fortnight. Whenever for practical reasons, it is not possible to have periodical discussion, the Section Officer (Accounts) should, within a week of receipt of rough audit notes and not in any case later than a fortnight, issue a formal reply to the Section Officer (Audit) indicating action taken on the various points raised in the rough audit note. The reply on receipt should be examined in audit and on points treated as settled, no formal audit note will be issued.

(iii) After action has been taken as above, a few points that may still remain, will be included in a formal note by the Branch Officer and issued to the Accounts Officer for further action.

(iv) Rough audit notes mentioned above will not be treated as official objections and will not figure in the statistics of objections outstanding.

The above procedure does not, however, restrict the discretion of the Branch Officers to issue formal objection straightway where considered necessary.

7.6.2 In Headquarter Office all audit objections should be addressed to the FA&CAO.

7.6.2.1 As soon as an audit objection has been accepted and necessary note made in the objection book or recovery register by the accounts office, it may be closed for statistical purposes and finalisation thereof by the accounts office watched through ordinary correspondence and the case closed when recovery of irregular payment has been made or sanction to write off of loss or waiver or recovery accorded by the competent authority. If the action taken by the Railway Administration on the audit objection is not considered correct and adequate, the case may be reopened and a fresh objection be issued if considered necessary in the form of a Part-II or a Part-I T. A. Note.

7.6.2.2 According to Para 918 of the Indian Railway Code for the Accounts Department (Part-I) the final disposal of Part-II Audit notes and Inspection reports whether on the accounts or executive side rests with the Accounts Officer and no formal reply to the audit is necessary but the disposal of such audit notes and Inspection Reports should be made available to the Director of Audit. The Accounts office is also required to keep a proper record of the specific reports, Audit Notes and Inspection Reports received from audit and review them periodically to ensure their speedy disposal. The connected records on which objections have been raised are also not to be destroyed by Accounts till objections are settled.

7.6.2.3 It has also been decided in consultation with the accounts office that as required under Para 918-AI, Part-II Audit notes and Inspection reports may be closed by the Accounts Officer concerned at his discretion and the final disposal made available to

Audit. On receipt of such intimation, the closed cases by the Accounts Officer should be reviewed by audit and if for any reason, Audit feels the necessity for re-opening a case so closed by Accounts a fresh communication should be sent to the Accounts office, which will be treated as fresh objection.

7.6.2.4 According to Para 471 of the Railway Audit Manual, i.e. review of Part-II Inspection reports and Audit notes in general should be done half yearly and the review restricted to really important items. Para 471 also requires that the audit office should ensure that a machinery exists in the accounts office for the proper disposal of audit objections.

7.6.2.5 For speedy disposal of such objections Branch Officers should ensure that review of Inspection reports and Audit notes Part-II as contemplated in Para 471 of Railway Audit Manual is carried out 'half yearly'. The following further instructions are issued:

- (a) The review as contemplated in Para 471 of RAM should be carried out half yearly by 30th September and 31st March each year and the required entry regarding this item of the work should be made in the calendar of returns.
- (b) While conducting the review, it should also be ensured that the outstandings in the audit books are agreed/reconciled with those reflected in the Accounts office.
- (c) All Branch Officers of units should send a half yearly certificate by the 15th October/15th April to the Co-ordination section on the following lines: "Certified that the half yearly review in terms of Para 471 of RAM has been completed for the period ending September/March 20.... and that the number of outstanding have been reconciled with those of the accounts office".
- (d) This item of review should also be included in the progress report register of the sections and arrears if any exhibited in the monthly/quarterly arrear reports.

7.6.2.6 *Issue of Important objections*

(i) The important objections proposed to be issued as Special Letter or Part-I T. A. notes should be issued only after their approval by the Director of Audit. For this purpose, when a point is ripe enough for issue of a special letter or Part-I T. A. Note, draft objection together with all previous papers (like rough Audit Notes, Part-II objections and the Accounts Officer's reply) and supported by copies of all Railway Boards/Railway Administration's orders and relevant important correspondence etc., should be submitted to the Director of Audit through Co-ordination section. This is necessary to appreciate the proposed objection in its proper perspective.

(ii) As regards procedure for the issue of Part-I Inspection report, the instructions contained in Para 13.9 should be followed.

(iii) The objections proposed to be included in the Special Letters, Part-I T.A. notes or Part-I Inspection reports should be self contained and should be in the form of Factual Statement with all relevant data,

information etc., so that they can be issued straightaway as Draft Paras for inclusion in the Audit Report, when objections reach such a stage. The drafting of the objections should be the personal responsibility of the Branch Officers concerned.

(iv) Copies of special letters, Part-I T. A. Notes and Part-I Inspection Reports when finally issued after approval by the Pr. Director of Audit should invariably be endorsed to Co-ordination section.

(v) The approval of the Pr. Director of Audit should invariably be taken before Special Letters are closed by the unit officers. For this purpose, unit officers should send the special letter cases and proposal (in duplicate) for closure to the Audit Officer (Co-ordination). Such proposals should contain inter-alia, the main arguments given by the Railway administration which are considered satisfactory for the closure of the special letter. Audit Officer (Co-ordination) should scrutinize such proposals and after obtaining Pr. Director of Audit's orders thereon, he should return the cases to the concerned units communicating the Pr. Director of Audit's orders.

7.7 Draft Para for Railway Audit Report on outstanding Audit Objections and Inspection Report

An annual return for the purpose of preparation of a Draft Para for Railway Audit Report on outstanding audit objections and Inspection reports has to be sent to Additional Deputy Comptroller & Auditor General of India (Railways) so as to reach his office by 15th September every year duly vetted by the Railway administration. The return should show the position of outstanding objections issued upto to the end of March but outstanding upto the end of August. With a view to achieve this, the following procedure should be followed:

(i) The units should send the report to headquarter office duly vetted by the accounts in the 1st week of September positively.

(ii) In order to avoid delays in the final vetting again in the FA&CAO's office (as the FA&CAO's office again refers to respective Accounts officers for confirmation of their vetting in certain cases) it has been decided that the units should send the relevant statement in triplicate to the local Accounts Office so that the vetted figures could be simultaneously sent to FA&CAO's office. Thus when consolidated figures are sent to them for vetting, they can immediately confirm the figures and reference to Accounts units at that stage may not be necessary.

(iii) The return should be sent in the prescribed proforma as under:

Where money value is known

Year	Test Audit	Inspection
	Notes including	Reports
	Special Letters	Part-I
	No. Item Amt.	Not. Item Amt.

Where money value is not known

Test Audit	Inspection
Notes including	Reports
Special Letters	Part-I
No. Item	No. Item

7.8 Original Audit by Section Officers and GOs

See Para 140 to 143 – RAM

- 7.8.1** The connected documents and vouchers for original audit should be submitted to them by concerned auditing sections before the 15th of the month.
- 7.8.2** The remarks recorded by GOs as result of original audit should be attended to expeditiously and irregularities, if any, taken up with the Accounts Department.
- 7.8.3** The results of the objection should be entered in the original audit register.

7.9 Current Review by Section Officers and Gazetted Officers.

See Paras 151, 152 & 153 of Railway Audit Manual.

- 7.9.1** As soon as possible after the audit of an item has been completed by the Senior Auditor, he should initial the items in the selection register in token of his having done the work. When the audit of an item for the month is completed, selection should be obtained by him, wherever necessary, from the branch Officer as early as possible for the current review of that item of work by the Assistant Audit Officer. Soon after the completion of audit and review done in a particular month, but before the last day of the month, a certificate in the following form should be recorded in each of the selection registers under the dated initials of the Senior Auditor and the Assistant Audit Officers. A few pages in the selection register may be earmarked for recording this certificate monthly.

“Certified that the audit and review of all vouchers and documents selected for audit and review has been completed and those required to be submitted to the Branch Officer/Assistant Audit Officer for review have been submitted”.

Dated Initials/Auditor/Sr. Auditor/S.O./AAUO.

- 7.9.2** A separate register for selection of documents for current review and recording the results of current review should be maintained in the form prescribed in Para 162 of the Railway Audit Manual. Only the vouchers required to be current reviewed by the Section Officer/Assistant Audit Officer will be indicated in the register by the Branch Officer with reference to the entries in the register of selection of audit. In addition to the documents selected specially for current review by the Section Officer/Assistant Audit Officer, the other documents audited by the Sr. Auditor should be submitted to the Asstt. Audit Officer for general review.
- 7.9.3** The Section Officer/Asstt. Audit Officer should also initial the register of results of current review in token of his having current reviewed the items and record his current review remarks briefly. During the current review, a test check should be made to see that the arithmetical check and other routine process for which the Auditor is primarily responsible have been correctly done. The irregularities pointed out by the Auditor

should be verified by the Section Officer and further action taken as indicated in Para 7.7 above.

(ADAI (Railways) letter No.1213-RAI/17-3/64 dated 24.4.1964 and 1216-RAI/17-3/64 dated 24.4.1964).

7.10 Post review of Audit

See Paras 154 to 161 of Railway Audit Manual

- 7.10.1** The selection of items for post review by GO/SO/AAuO will be obtained by each auditing section from the Branch Officer concerned.
- 7.10.2** As soon as items are selected for post review, selection should be obtained by the section concerned wherever necessary, of the documents to be specially taken up for scrutiny by the post reviewing officer. One half of the work by a Gazetted Officer should cover items current reviewed by the Section Officer/Assistant Audit Officer. These documents should be submitted to the Post-reviewing officer before the 15th of the month along-with the register intended for recording the results of the review and audit notes, if any issued by the section on these documents.
- 7.10.3** The GOs should see as far as possible, during their post review, that all vouchers due to be audited have been obtained and that the audit has been properly done and that no important checks have been omitted.
- 7.10.4** After results of review have been recorded in the register by the post reviewing officer the section concerned should offer its remarks, if any on the same and submit the register to the Branch Officer. This should be done through the post reviewing officer whenever necessary in order that he may enter his further remarks, if any. Action should be taken expeditiously on the order passed by the Pr. Director of Audit and suitable indication thereof made in the register. Further and final disposal of the points should also be entered in the register.
- 7.10.5** No documents received from the accounts office for audit should ordinarily be returned to that office until the selections for post reviews have been made and it is clear therefrom that the documents in question will not be required to be submitted to the post reviewing officer. If the audit of an item of work selected for post review has not been completed by the section, the document relating to that item audited in the previous month should be collected and submitted for review with approval of the Branch Officer.
- 7.10.6** The Post review by GOs and SOs should appear as items in the arrear reports of each section. The date of completion or if not completed at the time of submission of the arrear report to the Director of Audit, the reasons therefore, should be indicated therein.
- 7.10.7** In respect of items of audit done quarterly, half yearly and annually (periodical items) the documents after audit by the Auditor should be post reviewed by the SO/BO. These items should be grouped separately and their post review arranged for as and when audit of

each is completed. Thus quarterly items will be reviewed 4 times a year, half yearly twice a year and yearly once a year.

7.10.8 The register of results of Post Review by Gazetted officer and Section Officer should be submitted for the perusal of the Pr. Director of Audit by 5th of April and October every year. As this procedure has resulted in the loss in transit of the registers, it has been decided by the Pr. Director of Audit that the units at outstation need not send the above registers to headquarter for submission to Pr. Director of Audit. However, a complete extract of the original audit/post review remarks of the BO/SO/AAuO as the case may be should be sent to the Co-ordination section on the prescribed dates for submission to the Director of Audit. Units at headquarter including Division will, however, continue to submit the registers to Pr. Director of Audit as is being done now. The units at outstation should, however, ensure that the registers are submitted to the Director of Audit during his inspection/visit to the Units.

7.10.9 In terms of Para 156 of the Railway Audit Manual and the note, thereunder, the post review of an item under the charge of a Section Officer should be carried out by another Section Officer. The Branch Officers should ensure that this procedure is invariably followed wherever more than one section officers are headquartered at a place.

7.11 Register of Points to be looked into

A register should be maintained in each section for recording brief particulars of all important cases, where any points or developments of an important nature or implementation of any important orders are required to be watched, through a periodical review thereof. Separate pages should be allotted for each case and a brief remark given every month to show the latest developments in each case. The register should be submitted in the first week of every month to the Branch Officer.

7.12 Register of Potential Draft Para Cases

A register of important cases likely to find a place in the Railway Audit Report should also be maintained and reviewed by Branch Officer every month.

7.13 Register of recoveries effected at the instance of Audit

A register will be maintained for recording all recoveries effected at the instance Audit, either as a result of discussion of the rough audit notes or issue of formal inspection reports or special letters in the proforma given in Annexure-I.

A consolidated statement showing recoveries effected at the instance of audit for each year is required to be submitted to the Deputy Comptroller & Auditor General of India (Railways) in the prescribed pro-forma (Annexure-II at the end of this chapter) so as to reach him by September every year for inclusion in the Audit Report. Additional Deputy Comptroller & Auditor General of India (Railways) has also advised that the above statement should include brief details of individual items over Rs.1 lakh.

To enable the headquarter office to consolidate the items, units should send information pertaining to their units duly vetted by the local Accounts Officers so as to reach headquarters office by 15th of July every year.

7.14 Acceptance of orders of delegation of financial powers

Orders of delegation of financial powers or important circulars on financial matters or orders affecting the internal check procedure etc. issued by the FA&CAO/Railway Administration are required to be scrutinized in Audit by the concerned auditing sections and submitted to the Pr. Director of Audit.

7.15 Suggestion to the Railway administration for obtaining clarifications from Railway Board on cases of disagreement between the Railway administration and audit

7.15.1 All Branch Officers should, when they do not agree with Accounts Officer's view on the interpretation of a rule or order, in the first instance request the Accounts Officers to obtain the view of their Dy. CAO/DFA in regard to such interpretation. The opinion of the Dy. CAO/DFA, if at divergence with audit views, should be submitted to the Dy. DA concerned, who will explain to his accounts counterpart the correctness of the stand taken in Audit. In case the difference of opinion persists, the matter should be put up to the Director of Audit who, if he agrees with the stand taken by audit, will take up the matter with the FA&CAO.

7.15.2 These instructions do not however, apply to objections raised in audit to obtain the sanction of the Railway Board where such sanction is obviously necessary under any specific rule or delegation of authority.

7.16 Relations of audit with Accounts and Executive Officers

See Para 134 of Railway Audit Manual.

7.16.1 The FA&CAO who is responsible for the accountal and internal check of all financial transactions which come under audit is likely to have all the information that is normally required by audit. Even in cases where it is not available with him, the information furnished by the executive officers cannot be considered to be authentic and authoritative unless it is vetted by the FA&CAO. It is, therefore, necessary that copies of all communications (seeking information) when addressed to the Executive Officers direct should be sent to the concerned Accounts Officers also and the Executive Officers requested to route their replies through the accounts.

7.16.2 In rare occasions, the Railway administration may consult the Pr. Director of Audit before taking a final decision. If, in such cases Pr. Director of Audit gives any specific advice, a complete record of the points referred to and the opinion given should be kept in Co-ordination section so that when the case comes up in audit subsequently, consideration of the opinion already expressed by the Pr. Director of Audit could be ensured before taking up the matter with the Railway administration. These instructions should be included specifically in handing over note of the Pr. Director of Audit when he hands over the charge for the information of his successor.

7.17 Preparation of Paragraphs for Register of Audit Activity

See Para 484 of Railway Audit Manual

The paragraphs for the Register of Audit Activities should be proposed only where the subject matter is important enough to be kept as guide for the future. All paragraphs for approval should be put up to the Pr. Director of Audit through Co-ordination section.

Annexure-I

(Para 7.13)

Sl. No.	Particulars of the case	Amount pointed out by Audit for recovery			
		As a result of audit of transactions already checked by Accounts Office	Other than those mentioned in sub column 3(a)	3 (b)	
1	2	3			
Amount actually recovered or agreed to be recovered by the FA&CAO		Amount recovered as a result of further review by the Railway Administration	Reference to Audit Notes and acceptance of FA&CAO	Initials of the B.O.	
As a result of transaction already checked by Accounts office		Other than these mentioned in sub-column 4(a)			
4(a)	4(b)	5	6	7	

Annexure-II

(Para 7.13)

Statement showing recoveries at the instance of Audit for the year.....

Name of Railway	Amount pointed out by Audit for recovery		Amount actually recovered or agreed to be recovered by the FA&CAO		Amount recovered as a result of further review by the Administration
	As a result of Audit of transactions already checked by Accounts	Other than those mentioned in column 2(a)	As a result of Audit of transactions already checked by Accounts	Other than those mentioned column 3(a)	
1	2(a)	2(b)	3(a)	3(b)	4

CHAPTER 8

Establishment Audit

General

- 8.1.** In the audit of establishment charges, the relevant rules/instructions contained in the various codes, manuals, orders, rules and procedures issued from time to time by competent authorities such as President, Railway Board, GMs, HODs, DRMs, CAG, Pr. Director of Audit etc. should be borne In mind.

8.2 Scrutiny and acceptance in audit of sanctions, orders etc.

See Para 7, 132, 133, of RAM & Pars 804 to 809-AI

8.3 Audit of Salary Bills

See Para 210 of RAM and Para 1205 to 1212, 1303 to 1304, 1402 to 1405 of AI.

The extent of check of G. O's/NGO's pay bills is as given against item No. IV (1)/and (31 under central audit in M. O.I. as amended by Correction Slips orders issued separately by Comptroller and Auditor General of India from time to time. These should be referred to as frequently as possible to ensure that there is no failure in audit in selection, percentage etc.

8.3.1 Income tax deductions in pay, pension, etc.

See Para 1208 of A-I

8.3.2 Medical Attendance Bills of GO's

See Para 230 RAM.

8.3.3 Unpaid Wages Statements

See Para 386 of RAM

The check of the unpaid wages statements consists in the tracing of unpaid items from the bills audited into the unpaid wages statements.

8.3.4 Electricity charges

See Para 1208 of A-I

This is to be checked with reference to the instructions contained in Rly. Board's letter No. 63/AC-II/Dir (Spl.) 22 dt. 28.1.1966.

8.3.5 Diet charges

See Para 1208 AI

Statements of diet charges are received in the accounts office every month in respect of each pay sheet unit. It should be seen that the bills are serially numbered pay sheet unit wise and the missing numbers are called for by the accounts office. Recoveries actually made through the

pay bills as Indicated In the statement of diet charges attached to Pay bill should be compared with the recovery statement received in the accounts office in advance.

8.3.6 History of Service of officers of the Railway Department.
See Para 231 RAM.

Selection should be made separately for accounts department and other than accounts department.

8.3.7 Disallowance lists

These should be reviewed annually with reference to instructions contained in Para 218 of Railway Audit Manual.

8.3.8 Allocation
See Para 217-RAM

8.3.9 Revision of Pay
See Para 216-RAM

8.3.10 Additions to Pay
See Para 213-RAM.

8.3.11 Payment Authority

The payments to employees working elsewhere on Railways are made on the basis of payment authority Issued by the concerned Accounts Officers, who are responsible for detailed check of payments drawn and recoveries made In salary bill etc. In case any payment authority has been selected In audit, a reference may be made to the respective audit unit to verify Its correctness.

8.3.12 Provident Fund Account
See Para 237 -RAM.

The P.F. Accounts of all Gazetted Officers (Both Accounts and Executive) are maintained in the headquarters accounts office. The auditing units on completion of check of salary bills of GO's, should list out the deductions made in the bills for P.F., V.P.F. etc. and advise the same to Estt. Audit Section, head quarters for tracing them into P.F ledgers of the officers concerned.

8.4 Washing Allowance
See Para 1216 and 1416 of AI.

(a) This allowance Is granted at prescribed rates to certain class IV staff who are provided. with uniforms and are required to keep their dresses neat and clean.

(Rly. Boards No. F(E) 1/12/AL-29/1 of 31.3.1986 & Rly. Bd's No. F(E) 1/68/AL-3 of 8.9.198 1

(b) This allowance is also admissible to the RPF and RPSF staff at prescribed rates. (Rly. Bd's No. E(P&A) ii-82/HW-20/RPF of 2.8.1982)

(c) Uniforms and Laundry allowance & Nursing Allowance to Nursing staff.

The correctness of payment of these allowances should be checked with reference to the rates and instructions issued by the Rly. Board from time to time.

8.5 Night Duty Allowance

See Para 1416 of AI.

This should be checked with reference to the rates notified from time to time.

8.6 Children's educational assistance to Rly. employees & reimbursement of tuition for see Para 233 of RAM & Para 1418 to 1419 AI.

The correctness of these payments should be checked with reference to the rates notified by Railway Board from time to time.

8.7 Subsistence Allowance and admissibility of pay and allowances on reinstatement

See Para 234 of RAM, Para 2043 and 2044 R.II

8.8 Outturn allowance to telegraph signalers

(i) Outturn Allowance telegraph Signalers at various stations is paid by Divisional Accounts Officers under Para 431 –RI (1971 Edition) on the basis of authorities issued by the Superintendent Railway Telegraphs, During the check of salary bills in central audit, payments made on the basis of authorities issued by the STR can be accepted without verify of the correctness of the authorities ab-initio.

(ii) Dy. Director of Audit, will exercise necessary checks on the statements certified by the STR for one selected month and issue necessary advices to the Divisional Audit Officers concerned for tracing the amounts into pay bills.

(iii) Audit Officers(TA) and Divisional Audit Officers during their inspection of stations will also ensure by test check of the accounts of the selected month that the returns submitted by the station to STR indicating the number of messages sent or received by each signaller during the month are accurately compiled.

8.9 Audit of increments

See Para 211 RAM.

8.10 Grant of advance Increments to Stenographers

This should be checked with reference to the Instructions Issued by Rly. Board from time to time.

8.11 Qualification pay to Nurses

Nursing staff who possess at the time of recruitment or acquire subsequently a degree in nursing should be granted two advance increments, provided they are not required to possess it as a condition of their employment. The qualification pay is admissible only to regular nurses and not to substitute Nurses.

8.12 Special pay

See Para 278- RAM.

This should be checked with reference to the instructions issued by Rly. Board from time to time.

8.12.1 Non practicing allowance

The Railway Doctors including Dental surgeons drawing pay in revised pay scales 1956 will draw non practicing allowance, which is treated as pay for all purposes. (Rly. Boards letter No. PCIII/ 87 Imp./I7 of 6.10.1987)

8.13 Audit of leave entitlement and encashment of leave

See Para 228-RAM.

8.13.1 Earned Leave

From 1.1.1977, earned leave is credited at the rate of 15 days for half year on 1st January and 1st July subject to a ceiling of 300 days. (Prior to 1.7.1997, LAP could be accumulated up-to 240 days.) This is reduced by periods of LWP taken and periods of dies non at the rate of 1/10th. In case of new recruits and staff retiring from service death/removal/ resignation credit is to be given at 2.1/2 days per completed calendar month in that half year. Half pay leave is admissible to permanent and temporary railway servants at the rate of 10 days each on the first of January and July of every calendar year in advance with effect from 1.1.1986. which includes all kinds of leave including LWP but excluding periods of dies non. It is to be credited in two installments on 1st January and 1st July each year without ceiling. It can be sanctioned up-to a maximum of 24 months at a time. (Rly. Bd's letter No E(P&A) I 30.6.1986 &PC-IV/86/LR- 1 dt. 24.10.1986)

8.13.2 Commuted leave

It is granted only on medical certificate without any limit. However, for an approved course of study half pay leave up-to a maximum of 180 days is allowed to be commuted in entire service. Commuted leave up-to a maximum of 60 days can be granted in continuation of maternity leave without the production of medical certificate.

8.13.3 Maternity Leave

This may be granted to female Rly. employees on full pay (i.e. pay drawn before commencement of this leave) and also in the event of miscarriage or abortion. This can be granted for a period of 135 days

on full pay from the date of commencement. It can be combined with any other kind of leave including commuted leave up-to a maximum of 60 days without production of medical certificate. In case of miscarriage it is granted up-to a period of 45 days on medical certificate. Maternity leave is not debitable to employee's leave account.

8.13.4 Special Casual Leave

This is granted to railway servants on sports account and attending camps or rallies if they are Boy scouts or Rover scouts, it is limited to 30 days in a calendar year. G.M. may however, sanction special casual leave for such periods as considered necessary without any upper limit to railway employees sponsored by RSCB for participation in sporting events of national and International importance exclusively. This is not debitable to employees leave account. Special casual leave can be combined with regular leave as well.

(Rly. Boards No. E(W) 73 SP-4 of 24.1.1975 & E(W)81 SPI 3 of 19.8.1981)

8.13.5 Encashment of leave

Railway servants are paid cash equivalent of leave salary in respect of the period of leave on average pay at their credit at the time of retirement on superannuation subject to a limit of 300 days. The cash payment in one lump sum will be equal to leave salary as admissible for leave on average pay plus Dearness Allowance admissible on the leave salary at the rate in force on the date of retirement (including voluntary/premature retirement) and will be without any deduction of pension or pensionary equivalent of other retirement benefits. No city compensatory allowance and/or house rent allowance shall, however, be payable. (Rly. Bd's Letter Nos.

E(E) III/77/LEI/4 of 15.11.1977

F(E) 111178/LEI/6 of 18.7.1978

F(E) III/78/LEI/4 of 24.7.1978

F(E) III/82/LEI/2 of 28.10.1985

PC-IV/86/LEI/1 of 24.10.1966)

8.13.5 Leave salary certificates for leave out of India to gazetted and non gazetted officers

See Para 228-RAM.

8.14 Audit of Rent Rolls

See Para 221 RAM and Para 1417, 1602 to 1631 A-I

Rent Rolls for the month of March should be checked fully with reference to salary bills selected for Audit. In other cases variation statement should be referred to

8.14.1 Unauthorized occupation of residential buildings

The damage at the rate of Rs. 15/- per Sqm. of plinth area in respect of type A to D (I to IV) and Rs. 16/- per Sqm. of plinth area in respect of type E(V) & above is recoverable w.e.f. 1.4.1989 which is to be revised after every 2 years. (Rly. Board's No. F(X) 1-86/11/9 dt. 1.4.1989.)

8.15 Audit of Honoraria and Fees

See Para 213 of RAM

(i) The Railway servants are at times required to undertake duties for which no pay and allowances under the normal rules are admissible. For such additional duties, however, honorarium or fee is paid in accordance with the principles laid down in Para 2003 (10), 2035 and Appendix-XXX R-II.

(ii) This should be checked with reference to the orders Issued by the Railway Board from time to time.

8.16 Audit of Attendance Registers of the Accounts Department

A list of attendance registers of the various sections of the accounts office should be recorded in a separate page in the selection register and item got selected each month. The selected attendance register should be checked to see that the payments for absences have been correctly made in the salary bill for the month concerned or for subsequent months of the sections to which the attendance register pertains and all absences have been regularized by grant of necessary leave and the leave has been posted in leave accounts.

8.17 Audit of Emergent Pay Sheets

Section 5(2) of the Payment of Wages Act 1936 requires that when the employment of any person is terminated by the Railway Admn. the wages earned by him should be paid before the expiry of the second working day from the day on which his employment is terminated. To meet the requirements of this statutory provision, the Chief Account Officer has arranged that the wages of such persons should be paid through pay orders from station earnings. These pay orders (Form G-172-F) are received in the Accounts office after payment for post audit and adjustment. These pay orders fall under item IV (3) under Central Audit of program of audit in appendix in M.O.I. A separate page should be allotted to this item.

8.18 Audit of T.A. Bills

See Para 222 of RAM and Para 1213 to 1215 of AI

8.18.1 Transfer Allowance

Payment of transfer allowance (Transfer Grant) to gazetted and non-gazetted staff is regulated with effect from 1.5.1976 in accordance with the Railway Board's letter No. PC. III/73/TA/1 dt. 29.4.1976. The payment of transfer grant or allowance should be checked with reference to the instructions issued by the Rly. Board from time to time. (Rly. Board's No. PC. III/78/TA/1 dt. 26.1.1979, 23.1.1980 and PC. IV/86/Imp/ AL/ 7 dt. 4.12.1986 and 26.3.1987)

8.18.2 TA to Staff attending breakdown duties

'Break down' may be any accident which involves calling out of a break down train or engine with special staff or equipment from the nearest break down train depot shed etc. (through hooter also wherever provided). In this connection Para 430 of RI (1971 Edition) and Rly. Board's letter No. E (P&A)/II /78/ 12 DA dt. 21.11.1978 may be seen.

8.18.3 Conveyance allowance to Blind and orthopaedically handicapped

Blind employees and orthopaedically handicapped employees borne on regular establishments including work charged staff are granted conveyance allowance on fulfilling the conditions laid down In Railway Board's letter No. F(E) /78/AL-7/5 of 23.10.1978. The allowance will not be admissible during leave (except casual leave) Joining time or suspension.

(Rly. Bd's letter Nos. F(E)/78/AL/7/5 of 23.10.78, 15.1.80, 31.10.1981 and PC. IV/86/Imp/AL. 23/of 8.5.1987)

8.19 Audit of contingent charges

(1) See item IV 8 (b) under central Audit in M.O.I. for extent of check.

(2) In auditing these charges, the instructions contained in Para 227 of RAM Para 816 to 818 of AI and Chapter X of F.I. may be borne in mind.

8.20 Audit of overtime and running allowance bills

See Item IV (5) under Divisional Audit in M.O.I. for extent of check, Para 213 of RAM and Para 1416 of AI for general Instructions.

The checks should be exercised with reference to the rules contained in the booklets Rules for the payment of Running Allowance to running staff 'and 'Hours of Employment Regulations' issued by GM/CLW, DLW & M. Rly.

8.20.1 Running Allowance

The running allowance is treated as pay for certain purposes in case of running staff drawing pay in the revised scales of pay (RS/ 1973 & 1986) as given in Railway Board's letter No. E(P&A) II-72/FE-4(PS) of 3.11.1972 and PC. IV/86/IMP/24 of 24.4.1987.

8.21 Breach of Rest Allowance

See Para 1416 of AI

The Running staff are granted breach of rest allowance if they are detailed for running duty before completing prescribed rest at Headquarters provided it is immediately preceded by a full term of running duty.

8.22 Computerization of Railway Accounts

See Para 203 to 209 of RAM & Para 1234 to 1243 of AI

Pay rolls have been completely computerized in certain units of the Railways. The changes in audit checks prescribed in ADAI (Rlys)s letter No. 571/RAI/8-7/71-II dt. 22.6.1971 and No.571 -RAI/8-7/71-II dated 17.2.1972 are to be followed in auditing the computerized pay bills and Provident Fund Accounts.

8.23 Payment of Wages Act

It applies only to railway servants drawing pay below Ps. 1600/- maximum deduction admissible is up-to 50% of pay only.

8.24 Workmen's Compensation Act Payments

(1) The extent of check is as prescribed against item IV (12) under Central Audit' in M.O.I. The instructions for audit are contained In Para 232 of RAM. The substance of the main provisions of the W.C. Act and the various instructions issued there under are given in Chapter XXXIII of the Indian Railway Establishment Manual.

(2) The pay orders for lump sum and fortnightly payments under W. C. Act should be listed out separately each month from the 'Register of Bills received for internal check' maintained In the accounts department and selection obtained. This category of vouchers should be excluded from miscellaneous Pay Orders.

8.25 Audit of leave Accounts of Railway Staff

See Para 228 of RAM and P.O.O. No. 308 dt. 30.6.1955 amended from time to time. The extent of check is prescribed against item IV(9) and (13) under Central Audit In MOI.

8.25.1 Leave Accounts of Gazetted staff

See Para 228 RAM

The number of leave accounts to be checked should be fixed according to the percentage prescribed In the M.O.I.

8.25.2 Leave Accounts of Non Gazetted staff of the Account Department.

See Para 228 of RAM and P.O.O. No. 308 dt. 30.6.1955 amended from time to time.

8.26 Audit of Service Sheets

The checks prescribed in Para 23 of the MOI should be carried out monthly. Note:- The Director of Audit has decided that the service

books of pensionable railway employees which are verified during local inspections/central audit (in the case of accounts department) should be enfaced with an audit certificate as below:

Services From _____ to _____
verified from _____
Salary bills, office orders (Periods of E.O.L. during the period being from _____ to _____)

8.27 Railway Employees Insurance Scheme

See Para 242 A of RAM & Rly. Boards letter No. PCIII/76/INS/ of 29.7.1977.

The above scheme was introduced on Indian Railways w.e.f. 1.7.1977. Later on a new insurance scheme called Central Govt. Employees Group Insurance Scheme 1 980 was also introduced w.e.f. 1.1.1982 vide Ministry of Finance's letter No. F15 (3)/78-WIP dt. 31.10.80. The existing employees were allowed to choose either of these.

8.28 Foreign Service Contribution

See Appendix-XXXVI-RII, Para 1221 to 1223 of AI and Para 225 of RAM.

8.29 Grant of various Advances to Railway Employees

See Chapter XVI of Indian Rly. Establishment Manual and Para 220 of RAM.

This should be checked with reference to the instructions issued by Railway Board from time to time.

8.30 Tracing of Bills

The bills audited should be traced into allocation registers/works registers, suspense registers and relevant subsidiary registers.

8.31 Recovery of Government share of fee received by Railway Servants.

A register is maintained in the establishment section of the accounts office to record particulars of employees authorized to accept fee and of the payments made to them. While auditing the sanctions accorded for acceptance of fee it should be seen that the particulars of sanctions are duly recorded in this register. The register should be reviewed half yearly to see that the fee have been actually credited in full, and also that the Government's share has been worked out correctly before making the payment to the employees.

(Rule 2036 (FR-48) & Appendix-XXX of RII)

8.32 Productivity Linked Bonus Payments to Railway employees

See Para 243 of RAM.

The salient features of the scheme are contained in the Railway Board's letter No, E(P&A)II/79/PLB/1 dated 6.12.79, 15.3.80, 1.7.80 and D.O. No. E(P&A) 11/87/PLB-4 dt 29.9.1987.
(C&AG's letter No. 898-RAII/4-25/79 dt. 26.9.1981)

8.33 Review of Court cases finally settled In Various courts (Staff matters)

In pursuance of the instructions of the DAI (Ply) all divisions and auditing sections should review the court Judgments to see whether there is any material worth commenting in the Railway Audit Report. The important results of review of court cases should be reported to the Pre. Director of Audit through co-ordination section.

CHAPTER 9

Provident Fund and Pension Audit

9.1 Audit of Provident Fund Accounts

The audit of provident fund accounts should be conducted keeping in view the instructions contained in Para 237-Railway Audit Manual, Para 350 and chapter 10 of M.S.Q.(T) Vol. I and rules laid down in chapter 9 R-I, & A-I.

9.1.1 The simplified procedure for the preparation of deduction lists and the maintenance of PF accounts was introduced vide Railway Boards letter No. 63/ACII/Dir (Spl) 21 dt. 22/24.8.1964. Prior to the introduction of this procedure, the checks prescribed in respect of SRPF accounts are detailed in Para 210 (v) and 237 RAM.

9.1.2 When the simplified procedure was introduced, the above procedure for the check of P.F. Accounts was modified.

9.1.3 The Railway Administration have again reverted to the old procedure of preparing complete deduction statements for all 12 months.

9.1.4 In respect of the units covered by the system of preparation of complete deduction statements, the full checks as prescribed vide Para 210 (v) and 237 Railway Audit Manual will apply. In these cases also; in respect of the fund accounts of employees selected for audit, the latest half yearly balance should be extracted from the ledger and noted in the selection register against the concerned employees. For this purpose a separate column should be provided.

9.1.5 Amount of compulsory subscription
The rules for recovery of compulsory subscription are laid down in chapter IX R-I.

9.2 P.F Ledger Accounts

The audit of ledger Accounts should be conducted as per instructions contained in Para 237-RAM.

9.2.1 Contribution by Government
See Para 240-RAM and 1312-RI.

9.2.2 Interest
See Para 240 RAM.

Interest is credited on the balances at credit of the account at such rate as may be determined from year to year. The amount of interest shall be rounded off to the nearest rupee. Some important clarifications

made by the Railway Board in connection with grant of interest are given In Rly. Boards letter No. F(F) III 73 PF-1/13 dt. 17.11.1973 and F(F) III 77 PF- 1/10 dt. 31.8.1977.

9.3 Deposit linked Insurance Scheme

See Para 241-RAM

The extent of check of payment made under this scheme is as prescribed against Item Nos. IV (26). (27) (i) and (27) (ii) under central audit in MOI. as provided for final withdrawals from State Railway Provident Fund.

9.3.1 Railway Employees Insurance Scheme

See para 242 Railway Audit Manual.

9.4 Productivity linked Bonus

See Para 243 Railway Audit Manual.

9.5 Audit of Reconciliation of Provident Fund Ledgers with General Books

(i) The extent of check is as prescribed against Item IV (5) under Central Audit In MOI.

(ii) The instructions for audit contained in Para 244 of Railway Audit Manual and Para 916 A-I may be seen.

(iii) For monthly and annual reconciliation, the procedure as laid down in Paras 913, 916, 921, 922 A-I may also be seen.

9.6 Audit of Temporary withdrawals

(i) See item IV (24) under Central Audit in M.O.I. for extent of check.

(ii) Instructions contained in Para 238 Railway Audit Manual and Para 922 to 923 RI (1985-edition) may be kept in view.

(iii) No temporary advance shall be sanctioned during last 3 months of review as laid down in Rly. Bd's letter No. F(E), III/85/PF-1/13 dt. 7.7.86.

9.7 Audit of Final withdrawals

(i) The extent of check is as prescribed against items Nos. IV 25,26, 27 (i) & (ii) under central audit in M.O.I.

(ii) The check of final withdrawals of provident fund assets should be conducted with reference to the instructions contained in Para 239 of Railway Audit Manual and the provisions of Para 924 to 940 RI and 945 RI (1985 edition).

9.8 Audit of payment of special contribution to PF and Gratuity

(i) Sec items IV (9) and (11) under central audit In M.O.I. for extent of check.

(ii) The audit of special contribution to provident fund and gratuity should be conducted keeping In view the Instructions contained in Para 229 of Railway Audit Manual and Para 12 19 to 1220 and 9 29 of AI.

(iii) The rules governing the payment of special contribution to provident fund and gratuity are laid down In Para 902 (8). 915 to 919 and chapter 10 of RI (1986-Edition)

In the case of running staff, pay for SC to PF will include the element of running allowance to the extent of 50% of pay. (Rly. Board's letter No.PC-IV/86/IMP/24 dt. 24.4.1987).

9.9 Pension Payment Audit

9.9.1 Audit of pension including family pension etc. and paid vouchers of pension and gratuity payments:

(i) The extent of check is as prescribed against items IV (9) and (11) under central audit in M.O.I. and the instructions for audit are contained in Para 249 of Railway Audit Manual.

(ii) The rules governing pension, DCRG, family pension and gratuity are laid down In the Manual of Railway Pension Rules, 1 959, chapters XXIII to XXIV-RII and chapter X RI. (1985 edition). The modifications in the rules regulating pension, DCRG, and family pension under the provisions of the Manual of Rly. Pension Rules, 1 950 as laid down in Railway Board's letter No. PC IV/87/ Imp/ Pn/1 dt. 15.4.1987 circulated vide HO. No. SA/HQ/E/IX/4525 dt. 16.1.1989 may be kept in view.

(iii) The cases for audit should be selected from the register of pension payments maintained In the accounts office In terms of Para 1220-AI.

9.9.2 Verification of Pensionable Service

Para 1230 of 'Indian Railway Administration and Finance—An introduction' should be seen. Verification of pensionable service in respect of departments other than accounts should be done during local Inspections to the extent prescribed in Para 23 of Secret Memorandum. In respect of accounts offices, this should be done in central audit every month to the extent prescribed in Para 23 of Secret memorandum.

9.9.3 Qualifying Service

Qualifying service shall be determined with reference to the length of service.

9.9.4 Average emoluments shall be determined with reference to the emoluments drawn by a railway servant during the last 10 months of his service.

9.9.5 Amount of Pension

The amount of monthly pension whether it is compensation pension, invalid pension, superannuation pension or retiring pension will be calculated at 50% of average emoluments subject to a minimum of Rs. 1913/- PM and maximum will be 50% of highest pay +D.P.

The amount of pension arrived at on the above basis will be related to the maximum qualifying service of 33 years. If the qualifying service rendered is of ten years or more but less than 33 years, the amount of pension will be such proportion of the maximum admissible pension as the qualifying service rendered bears to the maximum qualifying service of 33 years.

9.9.6 Dearness allowance to pensioners

In addition to the pension calculated vide Para 8.9.5. above, the dearness allowance is also admissible on pension at the rates in excess of price Index of 608 points which is revised from time to time.

9.10 Extraordinary pension

Railway Service (Extraordinary pension) rules apply to all permanent or temporary railway servants other than those to whom the Workmen's Compensation Act 1923 applies or who entered railway service on or after 1.4.1937.

The rules regarding grant of extra ordinary pension are set forth in Railway Service (Extra ordinary pension) rules vide Appendix XLIII- RII Modifications have been made in the above rules under Railway Board's letters Nos. PC. II/78/EOP/ 3/Pt. III dt.18.8.1978, PC III/78/EOP/Pt.IV dated 19.8.1978 PC III/78/EOP/3 Pt. II dt. 21.8.1978, and PC II/78/8/EOP/3/Main dt. 22.8.1979. Detailed instructions and Govt. orders issued from time to time have been incorporated in Appendix-3 CCS (Extraordinary pension) Rules In Swamy's Pension Compilation which may also be seen.

9.11 Retirement Gratuity

This gratuity will be paid to the pensionable staff, on their retirement. The amount of Retirement Gratuity will be one fourth of the emoluments of a railway servant for each completed six-monthly period of qualifying service subject to a maximum of 16½ times of the emoluments. The amount of Gratuity shall not exceed Rs. 3.50 lakh.

9.12 Terminal/Death Gratuity

Any Railway servant (except the categories specifically mentioned in Para 707 of MOPR who quits service without being confirmed on account of

- (i) Retirement on Superannuation or permanent incapacity due to body or mental Infirmity
or
- (ii) Discharge from service arising directly or Indirectly from a reduction of establishment may be granted terminal gratuity. The family of such Railway servant, if he dies while in service may be granted a Death gratuity at the rates specified in Para 707 of MOPA.

9.13 Family Pension

Para 801 MOPR may be seen

The family pension will be admissible to the family of the employees who are appointed on or after 1.1.1964. This will also apply to those who opt or have opted to come under the pension scheme on or after 1.1.1964 and to staff who were on pensionable service before 1.1.1964, if they have not exercised their option to retain their existing family pension benefit on or before 30.6.1964. It is admissible to all regular employees irrespective of whether they are permanent or temporary.

Consequent upon implementation of the judgment of the Supreme Court, family pension has also been allowed to families of Govt. employees who retired or died before 1.1.64 or to those employees also who were not covered by the family pension scheme of 1964. (See Ministry of personnel & training OM NO. 1(11)/85-pension unit dt. 18.6.85)

9.14 Ex-gratia pension

The railway employees who retired on contributory provident fund system prior to 1.4.57 after completion of 20 years continuous service (except those who are dismissed/ removed from service or those who resigned from service with less than 30 years service) and are still alive will be granted ex-gratia pension with effect from 1.1.67 at the rates prescribed from time to time.

(Rly. Bd's letter NO. F(P) 59-PN-1/15 dt 23.1.67).

9.15 Commutation of Pension

The maximum amount of commutation of pension is restricted to 40% of the pension amount depending upon the discretion of the employee. Only ordinary pension may be commuted. Commutation of family pension is not admissible.

9.16 Audit of pension paid vouchers and pension cases

This item has to be audited to the extent as prescribed in the programme of Audit CA, IV(11) and according to Para 249 RAM. The PPOs issued by FA&CAO from time to time regarding the issue of Pension Payment Orders by the different Accounts Officers to the retired staff of the Railway may also be seen.

9.17 Accounts of staff Benefit Fund

See Para 247 RAM.

CHAPTER 10

Expenditure Audit

10.1 General

10.1.1 Scope of Audit

The general principles and rules of audit of expenditure laid down in paragraphs 16 to 55 and 582 to 590 of MSO (T) Vol. I and chapter XVI-RAM should be observed.

10.1.2 Distribution of Work

The audit of expenditure on works and of the working expenses (other than Establishment) is conducted by the Expenditure audit section in headquarters office, unit audit offices attached to CLW, DLW & ICF & M. Rly and etc. The Expenditure audit section at headquarters is also responsible for exercising necessary checks on the records maintained in the head quarters accounts office in connection with the investments of the Railway in the Road Transport Corporations, Railway consumers co-operative societies etc.

10.1.3 Audit Items

The works audit generally comprises of audit of (i) Sanctions (ii) Estimates (iii) Completion Reports (iv) Tenders and Contracts (v) Contractors' Bills (vi) Contractors' Ledgers (vii) Measurement Books (viii) Suppliers' Bills for supplies of materials (ix) Labor Pay Sheets (x) Journal Vouchers (xi) Works Registers (xii) Suspense Registers (xiii) Land Registers etc. Other important items of audit dealt with under 'Expenditure audit' are audit of (i) Law charges (ii) Accounts of private and assisted sidings (iii) Bills for rent of telegraph wires (iv) Payments to local bodies, etc.

10.1.4 Reviews

The Expenditure audit also includes certain reviews such as (i) review of tests to judge productivity of capital expenditure (Authority CAG's letter No.783-102-RA 107-2/74 dated 18.6.1975), (ii) Review of performance of execution of works (iii) Review of tenders (iv) Review of works registers (v) Review of accounts of major works (vi) Capital and Revenue accounts of residential buildings (vi) (a) Review of court judgments relating to cases decided against Railways (b) Arbitration awards etc.

10.2 Audit of Sanctions

See item No.1 under Central Audit in MOI, Para 6,7, 132 and 133—RAM and 804 to 809—AI.

10.2.1 All sanctions selected of audit should be accepted under the orders of the Branch Officer on the original sanctions themselves, The notings, if any, leading to their acceptance can, however, be made on separate noting sheets. Other sanctions not selected for audit should be filed under the orders of the Section Officer/Asstt. Audit Officer which should be recorded on the sanctions themselves,

10.2.2 In accordance with the provisions, of Para 808 A. I. sanctions of permanent nature and sanctions with a long period currency are required to be reviewed by the accounts department periodically. It should be seen during annual review of working of accounts office that the necessary review is conducted.

10.2.3 Sanctions pertaining to more than one unit office or sanction issued by the authorities at headquarters of the Railway, should be audited by the concerned auditing section in the headquarters office and copies thereof should be supplied to the unit office or sections concerned at out stations for necessary action together with an advice of audit. All the correspondence connected with such sanctions should be addressed to the concerned auditing section in the headquarters office.

10.2.4 It should be seen that all sanctions to the waiving of overpayments and write off of losses are posted in the register of recoveries foregone (Para 846-AI) and the register of losses maintained by the accounts department. (Para 861-AI).

10.3 Audit of Estimates

See Para 250 to 261— RAM, Chapter VII-E

No separate check is necessary but while auditing contracts, estimates should be reviewed to see that all the contracts are in conformity with the estimates and also how the estimates have been framed keeping in view the various specifications, drawings etc.,

10.4 Audit of Completion Reports

See item III under Central Audit in the MOI, Para 283-RAM and Chapter XVII-E.

10.4.1 Particulars of completion reports should either be obtained from the register of sanctioned completion reports maintained by the accounts office or completion reports gaurd files. While checking the completion reports, the relevant contracts and estimates should also be reviewed simultaneously.

10.4.2 It should be seen that wherever write back to Capital and/or Development Fund is provided, the same has been carried out. Large excesses or savings should be scrutinized carefully with a view to see that they are not due to inadequate provision in estimate, lack of planning, material modification etc. It should also be seen that excesses whenever occurred were noted in Accounts 01 Register, and

the same regularized by revised estimates, if that was necessary (Para 1136-E).

10.4.3 In the case of deposit works it may be seen whether expenditure has been charged regularly (Para 1848-F) and was covered by the Deposit in case of private parties. Interest charges as due under the rules were levied for the period of construction (Para 1854-E). In case of construction of siding and such other work where the expenditure is partly born by railway and partly by the outside or government department. It should be seen that all adjustments required under the rule have been carried out before the completion report is sanctioned.

10.4.4 Inordinate delays in submission of completion reports or inefficiency in accounts machinery in chasing them from the date they become due should be taken up with accounts office.

10.5 Audit Vouchers

See Para 119 of MSO (Tech) Vol.1, Para 269 of RAM and item IV under Central Audit.

10.5.1 The vouchers/bills other than contractors' bills dealt with under Expenditure Audit are pay orders for refund of deposits etc., vendors bills for supply of materials for works, repairs and maintenance such as supply of bricks, ballast, tiles etc., bills for payments to municipalities and other local bodies, bills for rent on telegraphic wires, bills for services rendered by other Government departments etc.

10.5.2 In auditing miscellaneous bills and pay orders it should be seen that proper sanction to the payments, supply orders or any other authority, as the case may be, exists and that payments made are recorded on them or in the register of bill payable where such sanctions may be recorded in order to safeguard against double claims being admitted in accounts. Where payments have, been made provisionally pending receipt of proper sanction it should be seen that they are included in objectionable items register.

10.5.3 In case of bills for services like water supply, electricity supply, telephone, hire of buildings etc. agreements should be referred to in order to see that the payments are covered by the relevant provisions therein. Expenditure pertaining to services rendered in one year but booked in the accounts of a subsequent year should be examined with a view to seeing the causes of delayed accountal and possible inclusion Annexure J' statement of misclassification and important mistakes in the accounts of the year.

10.6 Audit of Contractors' Final, Petty and on account bills

See item No. 15 and 1 5A under IV Central Audit in the MOI instructions in Para 40 of Chapter III of MOI, and Para 1335 to 1342E and 1355E.

10.6.1 The check of contractors bills is not complete without checking the quantities of work paid for with those entered in measurement books, which are the initial records from which bills are prepared on the basis of the quantities of works measured by the authorized Engineering Staff recorded therein. The check of the contractors' bills with the measurement books is usually conducted during local inspections.

10.6.2 On completion of works completion drawings are prepared to show the work as actually executed. In these completion drawings or in the Register of Classification are recorded the nature of the soils met with in carrying out the works below ground level. (Para 281 of Way and Works Manual). A reference to these completion drawings at the time of check of final bills, would be helpful to verify the correctness of the payments made for excavation works at different rates, according to the nature of soil.

10.6.3 The following further checks should be exercised in addition to those detailed out in paragraphs 270 to 273 of RAM

(i) The correctness of recoveries towards hire charges for tools and plant, water and cess charges should be verified with reference to the rates fixed by the railway administration for that purpose examining interalia, the adequacy of the rates so fixed.

(ii) The admissibility of sales tax in respect of works contracts should be examined with reference to the instructions issued by the Railway Board and the Ministry of Law in that respect.

(iii) When on-account' payments have been made on the basis of approximately estimated quantities, it should be seen that the responsible officer has certified that not less than the quantity of work paid for has actually been executed. (Para 2925 of Way and Works Manual).

(iv) In case of bills for works for which estimates are required to be sanctioned but have not been sanctioned or the estimated costs as per sanctioned estimates of which the been exceeded, It should be seen that in the former case the works have been commenced on the strength of the urgency certificates sanctioned by the competent authorities in terms of paragraphs 1103 to 1107-F and In the latter case, necessary steps to restrict further expenditure and to prepare revised estimates as laid down In paragraphs 1136-E Have been taken.

(v) In should be seen that the quantity of materials such as cement, steel, paint supplied by the Railway to the contractor is commensurate with the quantity of works executed. For that purpose the scales given in the Railway Works Hand Book (Part III) may by referred to. A reference to the technical check note file along with the office copy of the bill in the DEN's Office may also be helpful. As regards other

materials supplied to the contractors which are to be arranged by the contractors in accordance with the terms of the contract, it should be seen that the quantity is generally commensurate with the quantity of work to be executed and also the rates charged to him are in accordance with extant orders (para1269-E).

(vi) (a) In checking the payments for earthwork the procedure of measurement of earthwork, lead and lift explained in chapter I of the Schedule of Rates Part I issued by the engineering department of the Railway should be carefully studied to see that the measurements have been taken as per extant orders (Para 1269-E). Level books, wherever available, may be checked for payment of earthwork on the basis of the measurement of initial and final levels by cross section and longitudinal section. In cases where payments for earthwork have been made by measurements of borrow pits, the entries for lead in the measurement books may be checked with reference to the borrow pit plans. These checks may with advantage be exercised during the central audit or during local inspection of the engineering offices depending on the availability of initial records.

(vii) In checking the payments for well sinking, the entries regarding bed levels (or the ground/water levels in case of ground wells) and the levels reached by the cutting edge In the measurement books may be further checked with the entries in the history of wells or level books maintained for the wells, It may also be seen that the bed levels (or the ground/water levels in case of ground wells) have been entered in these initial records under the signature of responsible officers of the railway and have been accepted by the contractors and that the levels of the cutting edge as entered In the MB have been correctly worked out from the levels of the gauge height of the wells.

10.6.4 In respect of contracts over Rs.1 lakh when the final bills are selected for audit, the relevant file relating to the contracts should also be reviewed to see how the contracts have been implemented.

The Comptroller and Auditor General of India has also prescribed an additional check of running or on accounts bills in respect of big contract works in progress, costing over Rs. 50 lakh mainly to ensure that these works come under regular audit check which will supplement the check during inspection. Two on account bills in respect of each of the big contract works in progress costing over Rs. 50 lakh need be checked during the year and this item of check may be treated as monthly. When two bills of particular contract have been audited, no further bills for that contract need be audited for the remaining part of the year. While making selections bills from all the contracts may not be selected in one month alone but selections can be spread over. This check is in addition to the audit of all paid vouchers including on account bills passed during the month selected for audit in the course of review of major works.

(CAG's Letter No. 1862-177-RAI/8- 10/71 dated 26.5.1972)

10.7 Review of the accounts of Major Works

Extent of check is prescribed vide Para 60 Chapter VI and Item VII-Central Audit-MOI.

10.7.1 In addition to the central audit conducted at the headquarters of the audit offices relating to the accounts of works such as audit of contractors' bills, labor pay sheet, contractors' ledgers, journal vouchers and review of works, registers etc. it is necessary to review the accounts of major track renewal works costing Rs. one crore and above and other works costing over Rs. 50 lakh completely during the progress of the works and after their completion.

All such works may be inspected every alternate year, the first inspection being taken up when the expenditure actually incurred exceeds Rs. 5 lakh or 10 per cent of the estimated cost whichever is higher.

10.7.2 In order to ensure that the review of major works is undertaken as prescribed, the expenditure audit section in headquarter office and other unit offices responsible for audit of works accounts should maintain a register having the following columns.

- (i) Serial number
- (ii) Particulars of works
- (iii) Estimated cost of the work
- (iv) Month of commencement of outlay
- (v) Date of first inspection
- (vi) Date of second inspection and so on
- (vii) Remarks

In the month of June every year, works programme and work registers should be reviewed and necessary entries in respect of works required to be reviewed should be made in the register. Simultaneously, a skeleton programme of works required to be reviewed during a particular year should be prepared and submitted to the Directors of Audit for approval.

However, before undertaking review of a particular work, Works Registers should be reviewed to ascertain whether the work is due for review on the consideration of the actual expenditure incurred having been reached up-to the limit prescribed for taking up the review. When a work has been completed requiring no further review as 'work in progress', the same should be transferred to the Register of completed works mentioned below. The works physically completed for which completion report has not been drawn will be due for review in alternate years only if there is substantial booking of expenditure subsequent to last review by audit, say 5 lakh or 10% of the estimated cost, whichever is higher.

(C&AG's letter No. 1 56-RA III/257/8-II/81 dated 23.5.84)

10.7.3 A separate register may be maintained for recording particulars of completed works by sections maintaining register mentioned in the preceding paragraphs. This register should be submitted to the Director of Audit in the month of December every year for selection of works for review. The register should have the following columns:

- (i) Serial Number•
- (ii) Particulars of work
- (iii) Estimated cost of the work
- (iv) Booked outlay
- (v) Date of first inspection
- (vi) Date of second inspection
- (vii) Date of third inspection and so on
- (viii) Month in which last outlay was booked
- (ix) Remarks showing year during which work was selected for review and date of review. The review of completed major works should be taken up as soon as the work is physically completed and no accounting transactions take place for a consecutive period of 3 months.

10.7.4 The review of the accounts of a major work is a complete analysis and examination since the commencement of the work. While the accounts of the work for any one selected month are subjected to detailed check, all cash vouchers and journal vouchers etc., accounted for since last review should be generally reviewed with reference to measurement books, muster rolls, tally books, work orders, engine hire bills, ballast train etc.

10.7.5 The review of the accounts of a major work should begin with a study of the scheme as a whole from its inception. The preliminary study should be made with reference to the— (i) particulars of the work given in the Works Programme (ii) the estimate of the work (iii) the departmental files available at Headquarters relating to the work. The special directions given for the execution of the work, the special rates sanctioned, if any, the targets fixed for completion of the various phases of the work, changes in specifications, if any, special steps taken for acquisition of land and materials, the invitation and acceptance of tenders to the best financial advantage of the Railway, circumstances in which lowest tenders were passed over in favor of higher tenders etc., should be studied and noted.

10.7.6 The progress reports of execution of the work should be seen with a view to appreciate that the execution has proceeded according to the schedule of programme ordered by the Railway Board, General Manager or the C.E., as the case may be, and the contractual obligations in that respect have been fulfilled by the contractors. The physical progress should be correlated with the financial progress to see that there has been no wastage of labor or that the materials have not been acquired too early before their utilization and consequently there is no blocking up of funds.

10.7.7 All objections taken up in audit relating to the work in the course of monthly audit should be collected and gone through to see whether any special investigation is necessary with reference to the initial records in the course of review.

10.7.8 The accounts of the works maintained in the works register should be examined to see that they have been efficiently maintained and the expenditure shown in the works register has been reconciled with that recorded in the general books according to the rules on the subject.

10.7.9 After the initial study of work as outlined above, it should be possible to decide important aspects to be seen in the course of the review. A visit may, if found necessary, be made to the engineering sub-offices where the Initial records are kept. In the sub-offices the check of adjustment memo with reference to the initial records should be conducted to see that:

- (i) All material transfer orders have been correctly prepared.
- (ii) The receipts of stores are accounted for in the tally books.
- (iii) The adjustment of stores charges are supported by the issue of stores shown in the tally books.
- (iv) Adjustments of charges on account of transfer of materials, are supported by MTO's and acceptances by the parties concerned.
- (v) The materials given to the contractors are acknowledged by them.
- (vi) Any other adjustment of charges on account of earlier erroneous adjustments has been adequately particularized to render verification possible.
- (vii) Where there are any cases of payment of heavy demurrage charges.
- (viii) Non-acceptance and receipt of credits for released materials returned to Stores or to others or to other departments.

In the case of major track renewal works, the following points should receive special attention:

- (i) That the track renewal work is undertaken only after ascertaining the age and condition of the track with special reference to the weight of the rails used previously and whether AEN/XEN concerned have recommended the renewal after personal inspection.
- (ii) Infructuous expenditure on procurement and transportation of surplus materials.
- (iii) Condition of sleepers.
- (iv) Execution of track welding contracts.
- (v) Utilization of casual labor and comparison of expenditure on labor with similar other works.
- (vi) Disposal of all surplus materials and realization of credit for released materials.
- (vii) Operation of work-charged posts.

10.7.10 A comparison of the Indents with the materials schedules and of the receipts with the indented materials may be made to see that no materials which! are not ordinarily required for the work have been acquired and that the indenting and acquisition of materials is within the requirement shown in the materials schedules. The balances shown in the materials at site accounts may also be checked with the balances as per tally books.

10.7.11 After the scrutiny of the initial in the Engineering Sub-offices is completed, a final stock taking of the various aspects seen in the course of review of the accounts of the major work should be done. A comprehensive note should invariably be submitted by all the units bringing out all the important aspects of the work. The important results of review should also be included in the comprehensive note.

10.8 Scrutiny of tenders and contracts

10.8.1 Refer Chapters XII-E, VI-F1, IV-S, VII-MSO (Tech) Vol.1 (Para 333,334 to 338), Para 27 and item XV under Central Audit of MOI.

10.8.2 Selection of tenders to be reviewed

The review of tenders should be carried out in April, July, October and January for the quarters ending March, June, September and December. The selection is taken from the lists received from the executive officers duly reconciled with the tender register maintained in the accounts office. The arrears, if any, due to non-availability of tender documents or non-completion of the review within the stipulated period should be reflected in the monthly progress report under the column Original Audit by B.O./AAUO/SO, as the case may be.

10.8.3 The instructions regarding formation of Tender Committee for scrutiny and recommendations of acceptance of tenders are contained In the booklet 'Confidential Supplement to General Conditions of Contracts' issued by Railway Administration, Para 614 to 619-FI and Para 1255-E (Revised Edition- 1982), 2910 of Railway Board Way & Works Manual and Railway Board's letter No.72/1/CT/12 dated 11.3.81.

10.8.4 The procedure to be followed by the Railway Administration when only one tender is received in response to a call for limited or open tenders is indicated in Note under Para Consideration of Tenders in the booklet Confidential supplement of General Conditions of Contract.' When the lowest tender is considered un-reasonably high, negotiations for a lower rate are carried out. In this connection instructions issued by the Railway Board vide their letter No. 67/WI/CT/32 dated 25.5.68 may also be referred to.

10.8.5 Any unusual features, whenever coming to the notice of audit in the course of scrutiny of contracts entered into by the Railway Board on

behalf of the Railway Administration should be reported to the ECPA section. All cases in which the recommendations of the Tender Committees have not been accepted should be critically examined. Cases of rejection of lowest should be critically examined and doubtful cases reported to Pr. Director of Audit for orders.

10.8.6 Review of Arbitration Cases/Court Judgments

All arbitration awards and court judgments involving contracts should be reviewed. This review should be completed in the month following the month in which sanction for the awards/judgment is given.

10.8.7 The review of contracts and tenders should be conducted in accordance with the following arrangements:

Particulars of Contracts	By whom to be reviewed
1. Contracts for open line whether entered into by the Heads of Departments or the GM	Officers concerned with the Audit of accounts of such works
2. Contracts entered into by the CME	Audit Officer
3. Contracts entered into by the CME pertaining of P.U.s.	Audit Officer
4. Contracts entered into by the Controller of Stores	Audit Officer
5. Contracts entered into by the CCM for Catering and Vending	Concerned Audit Officer
6. Contracts for winding and repairing railway clocks at Stations and Offices in respect of which tenders were accepted by CCS	Concerned Audit Officer
7. Contracts for cartage of luggage's, parcels and good from Railway Station to consignee's addresses and vice-versa in respect of which tenders are accepted by CCM	Audit Officer (TA)
8. Contracts for cartage of luggage etc., from city booking offices to stations and vice versa in respect of which tenders are accepted by CCM	Audit Officer (TA)
9. Contracts for printing Time Tables	Audit Officer (X)
10. Contracts for handling of seaborne coal received in Calcutta Port	Audit Officer (S)
11. Catering Contracts.	

- | | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| (i) | For opening Refreshment Rooms in respect of which agreements are entered into by CCM | Officer incharge of Catering Audit |
| (ii) | Dining Cars and Refreshment Cars in respect of which agreements are entered into by CMM | Officer incharge of Catering Audit |
| (iii) | Tea Stalls and Tea Tables in respect of which agreements are entered into by DRMS | Concerned Divisional Audit Officer |
| (iv) | Sale of Ice and Aerated Waters in respect of which agreements are entered into by DRMS | Concerned Divisional Audit Officer |
| 12. | Out-Agency and City Booking Office Contracts in respect of which tenders are accepted by CCM | Audit Officer (TA) |
| 13. | Contracts for loading, unloading and transshipment of parcels luggage (Handling Contracts) in respect of which tenders are accepted by CCM | Audit Officer (TA) |
| 14. | Flag stations agreements with local Agents | Audit Officer (TA) |
| 15. | Agreements for Cycle Stands | Concerned Divisional Audit Officer |
| 16. | Agreements with Tourist Agencies entered into by CCM | Audit Officer (TA) |
| 17. | Contracts for weighing machines and weigh bridges in respect of which tenders are accepted by CMM | (i) Concerned Divl. Audit Officer
(ii) Audit Officer (X) CCG for machines in use in Stores Department |
| 18. | Contracts for Petromax lamps in respect of which tenders are accepted by CCM | Concerned Divl. Audit Officer. |
| 19. | Departmental Catering contracts, for purchase of commodities such as vegetables, dairy products, pulses, cooking oils, grains, non-vegetarian articles required for catering entered into by DRMs and Dy. CCM (G) and CCM | (i) Concerned Divisional Audit Officers
(ii) Officer Incharge of Catering Section |

10.8.8 It has been decided that common tenders invited by the Reads of Department pertaining to works on more than one Division should be reviewed by Audit Officer (X) Headquarters centrally on behalf of the Divisional Audit Officers concerned. On completion of the review, an audit advice should be sent to the Divisions/units concerned by the Expenditure Audit Section, Headquarters Copies of the minutes of the

tender committee and letters of acceptance Issued to the contractors will not be sent unless in a particular case they are so required by the Division/Unit. The Audit Officer (X) Headquarters should review the Tender Registers maintained by the Heads of Department quarterly and undertake the review of such of them as are common in nature.

10.8.9 Tenders pertaining to the Division/Units finalized at the Headquarters Office of the Railway will be reviewed by the Audit Officer (X). The following procedure shall be followed In this regard:

(i) The Division/Unit Officer should invariably send a list of tenders to be reviewed by Expenditure Section Headquarters by 10th of the month following the quarter to which they pertain viz., January/April/July/October.

(ii) The list referred to in (i) should contain the names of contracts and the rates mentioned in the original accepted tender (available at the Division/Unit Office).

(iii) A report (in respect of tenders for the preceding quarter) to the effect that 'Other Checks' for conducting Audit contracts contemplated in Para 267 to 268 of RAM have been exercised by the Division/Unit, should also be invariably sent to Expenditure Section.

(iv) Suitable remarks to the effect that other checks' referred in Para (iii) above are carried out should also be given in the tender register maintained at the Division/Unit. This equally applies to Tenders etc., reviewed completely at the Division/Unit level also.

(v) Expenditure Section would send an advice of audit to the Unit concerned in respect of tenders reviewed on behalf of the Division and In respect of common tenders for work on more than one Division invited by the heads of the Departments. On receipt of such advice suitable reference should be given in the Tender Review Register maintained by the Division/Unit.

10.8.10 Review of Completed Contracts

Besides the review of contracts and tenders as laid down In the preceding paragraphs, the execution of accepted tenders of works after their completion will be reviewed at the prescribed percentages. Selection for the review of contracts over one lakhs and up-to five lakhs should be done at the time of review of tenders, preference being given to the contracts where the lowest tender has not been accepted for special reasons. A separate register should be maintained for the purpose of this review in each auditing section and contracts required to be reviewed should be entered therein. This register will include besides particulars of the contracts, the probable date of completion of work. The register should be examined every month and items required

to be reviewed completed. The date of completion and result of the review should be noted in the register.

10.8.11 The following additional points should also be borne in mind.

- (i) Planning for the work is invariably done with adequate care and sufficient detail even in the initial stage and the final scope of the work is fully determined before tenders are invited.
- (ii) In cases where limited tenders are invited from contractors born on the approved list, the response is sufficient.
- (iii) No tender without earnest money is considered.
- (iv) There is no ambiguity in the terms of the contract.
- (v) Reasons for wide variations between the rates quoted by different contractors are investigated.
- (vi) There is no undue delay in the technical examination of the tenders, the consideration of the tenders by the tender committee in communicating the acceptance to the tenders and in the execution of the agreement.
- (vii) If the lowest tender has not been accepted, the reasons therefore are recorded.
- (viii) The rates given in the agreement are the same accepted by the Tender Committee and that these have been attested by a responsible official of the Accounts Office.
- (ix) The work order for the execution of the work is issue only after the acceptance of the tender. If and when sanction to deviation from the standard conditions of contracts is received, the competency should be examined and a note kept in the Register of Review of contracts for examining the reasons for and the propriety of the amendment at the time of the contract, While auditing the contract, relevant estimates should be checked simultaneously (CAG's Letter No. 2301-RAD/8-7/66 dated 27.6.1966) to seed that all the contracts are in conformity with the estimates and also how the estimates have been framed, keeping in view the various specifications, drawings etc.

10.9 Audit of Contingent Vouchers

See item IV 8(b)—Central Audit in MOI and instructions contained in Para 227-RAM, Para 816 to 818 of A-I and Chapter X-F-I.

10.10 Audit of Journal Vouchers including scrutiny of Adjustment Memo.

See Para 36 and Item No. IV (22) under Central Audit in MOI, Para 387—RAM & Para 307 and 308—AI.

10.10.1 The Journal Slips prepared in the expenditure Section of the corresponding Accounts Office should be scrutinized, care being taken that all such Journal Vouchers incorporated in the accounts by the Booking Section of the Accounts Office (Headquarters and Divisions/Units) are duly covered by the scrutiny without omission. The

journal slips with amounts for which a percentage check only is prescribed should be listed out separately and selection to the extent required obtained from the Branch Officer. The check of journal slips along with the adjustment memo and other supporting vouchers, documents, etc., is as important an item of audit as check of each vouchers and utmost vigilance is required to detect fictitious adjustments, delayed adjustments, misclassifications and adjustments causing wide variations between the final allotment and the actual expenditure under the grant concerned.

10.10.2 Cases of delayed adjustments involving large amounts and pertaining to previous year/years should be noted for seeing the provision in the grants at the time of check of appropriation accounts.

10.10.3 It should be seen that adjustment memo or supporting vouchers have been examined by the Departments and remarks of verification, acceptance and allocation recorded Journal Vouchers selected for tracing should be traced into Works/Revenue Allocation Registers and Journals.

10.10.4 Bills for rent of telegraph wires, (vide Para 287 of Railway Audit Manual) debits for which are adjusted through journal vouchers will be checked along with the relevant journal vouchers keeping in view the orders issued by the Railway Board on the subject from time to time.

10.10.5 All cases of misclassification important mistakes in accounting or any other points affecting Appropriation Accounts of the year should be noted in a separate register for reference at the time of check of Appropriation Accounts.

10.10.6 Special adjustments carried out towards the close of the financial year should be carefully scrutinized and those adjustments which require special examination, which the auditing sections are not in a position to undertake, should be reported in detail to the Co-ordination Section after the audit of March Accounts is completed.

10.11 Debt Registers and Capital and Revenue Accounts of Residential Buildings

See item No IV 14(b) and 14(c) under Central Audit in the MOI Para 259 RAM

10.11.1 The orders regarding maintenance of the register showing the dates of vacation and occupation of quarters and the register showing recovery of rent of quarters, rent of electric installations, conservancy cess and water charges and preparation of Capital and Revenue Accounts of residential buildings, contained in the dated 7.5.1 966 and the orders regarding rent rolls and Capital and Revenue Accounts of buildings contained in the Railway Boards letter No.63/AC-II/ Div (Spl.)/22 dated the 12th March 1963 may be seen Para 1620 to 1630—AI may also be referred to.

In order to save clerical labor the Railway Board vide their letter No.63/AC-h/Din (Spl.)/22 dated 1 2.3.1963, introduced a simplified procedure for the preparation of rent rolls and maintenance of Rent Registers (Capital and Revenue Accounts of Residential Buildings) As per the revised procedure, the scope of check detailed in Para 221 and 259 of the Railway Audit Manual may be borne in mind.

10.11.2 The following items of audit work relating to the Capital portion of the above accounts will be checked by the Expenditure Audit Section in respect of items selected for Audit:

(i) Verification of the Capital Cost of buildings as adopted for the above accounts.

(ii) Check of correctness of figures relating to additions, abandonment's etc., during the course of the year.

(iii) Verification of the correctness of the amount calculated as interest on additions during the course of the year. The discrepancies, if any, coming to the notice of i.e Expenditures Audit Section in the audit of the capital portion, should be passed on to the Establishment Audit section which will complete the other checks relating to recoveries of rent.

10.12 Audit of Contractor's ledger

See item IV(15) under Central Audit in the MOI Para 1463 to 1485E, 272 & 273 RAM

10.13 Audit of Locomotive Energy Accounts

See Para 32 9 of RAM item VI— Stores Audit MOI

10.13.1 The extent and periodicity of audit relating to all fuel items (including coal) should be the same as applicable to similar stores items and as such a monthly audit of various categories of stores should be conducted. This monthly audit would be In addition to the Items specifically provided for coal in the programme of audit and would be applicable to other fuel items also.

(ADAI (RIys.) letter No.806/RAI/8-3/68 of 16.3.68 and 1364 RAI/8-3/68 dated 8.4.69)

10.13.2 As regards HSD oil, instructions contained in joint Operating Mechanical Commercial, Stores and Accounts Procedure Office Order No 174 may also be borne in mind. As for the electric power supply for traction purposes, the rates and conditions of supply should be checked with the relevant tariffs of electric supply companies/State Electricity Boards.

10.14 Audit of Labor pay Sheets

See Item IV-18 of Central audit—MOI, Para 275-276—RAM Para 1307 to 1311E and I302E to I311E Para 1404, 1405-AI

10.15 Audit of Expenditure of Experimental works

See Para 740-FI

It should be seen that a proper record of experimental work is kept in the Accounts Office to watch the results of experiment proving a success and consequent transfer of outlay from ordinary revenue to the proper head of account.

10.16 Test to Judge the Productivity of Capital Expenditure

See item No XIV under Central Audit in the MOI, Para 292 of RAM and 243 to 252—FI

(A) According to the FA & CAO's the productivity review of Capital expenditure work—New Lines will be carried out in the FA&CAO's Office, and for this purpose, the Divisional Accounts Officers have to furnish figures of expenditure in respect of the lines and works under their accounts control to the Headquarters Accounts Officers, by the end of September every year. Similarly the figures of earnings are to be obtained from Traffic Accounts Office.

(B) In connection with the audit of productivity review carried out in the Account Office, the following procedure should be adopted:

(i) Expenditure Audit Section, Headquarters will audit the review carried out in the FA&CAO's office, taking into account the data furnished by the DAUO's as prescribed hereunder.

(ii) The Audit Officer (TA) will verify the figures of earnings furnished by the Deputy Chief Accounts Officer (TA) to the Divisional Accounts Officers and advise the audited figures to the DAUO's concerned and the expenditure Audit Section, Headquarters.

(iii) The DAUO's will furnish audited figures of expenditure and earnings received from the Audit Officer (TA) of Expenditure Audit Section, Headquarters.

(iv) Expenditure Audit Section, Headquarters, will note that item in their calendar of returns as an yearly item due in October every year. The DAUO's will ensure that furnish the particulars to Expenditure Audit Section, Headquarters sufficiently early.

(C) The following letters contain the extant orders issued by the Railway Board on the subject after the re-introduction of the productivity tests/review:

1. Railway Board's letter No F(X) 1-53-PD/I (Dup) dt. 20.8.1956 (received under C&AGs endorsement No. RAI/A5-26/56 dated 20/10/1956)

2. Railway Board's letter No. F(X) 1-56 GMT/4/5, dt. 9.11.1956 (Received under C&AG's endorsement. No. RAI/A5-26/56/ dt. 23.11.1956)

3. Railway Board's letter No. F(X) 1-53/PD/1 (DUP), dt 16.10.1957 (received under C&AG's endorsement No. RAI/A5-26,dt. 18.12.1957)

4. Railway Board's letter No. F(X) 11-79/PD/10 dt. 22.10.1979

(D) The works in respect of which these tests/reviews have to be applied are duly selected by the Railway Administration from year to year and the FA&CAO carries out the tests/reviews, as and when they fall due and reports the results to the Railway Board.

10.16.1 The reviews prepared by the administration should be examined generally to see inter alia, whether

(i) All the relevant factors affecting the final results have been taken into account without omission

(ii) The results have been correctly worked out as laid down in the Indian Railway Finance Code Vol. 1

(iii) The results show that anticipated benefits have been achieved.

It should also be seen whether the machinery to record the works selected for the purpose either by the Railway Board or the Administration and watch the progress, exists in the Headquarters as well as on the different divisions.

10.16.2 Financial results of working of new Branch Lines

See Para 520 of MSO (Technical). 256 of the RAM and 244 -246 FI.

It should be seen that they represent facts and that the methods adopted for computing the earnings and the calculations are fairly accurate. The actual figures of earnings and expenditures should also be compared with the estimated ones. It is however, not necessary to vet these statements or give an audit certificate before the submission of these statements to the Railway Board.

(Authority: ADAI (Railways) Confidential Letter No. 1219 RAI/5-12/63-dated 22.4.1965).

10.17 Audit of Charges Debatable to the Head 345-A/345-B-Other Miscellaneous Railway Expenditure

See item No. X under Central Audit in the MOI and Para 294 of RAM

In auditing the various vouchers, those relating to surveys and other items, if any, chargeable, to the head 345-A/345-B. Miscellaneous Railway Expenditure should also be included in the selection and audited up-to the prescribed percentages.

10.18 Audit of Works Registers and Revenues Allocation Register

See Para 28.29 item No. VI under 'Central Audit in MOI, Para 280 and 281 of RAM, 1468-1475-F, 311-312-A-I & 512-F-I

10.18.1 Under divisional system and on construction organization only single set of works registers is maintained. The procedure regarding reconciliation of Revenue allocation and Works Registers with General Books is laid down in Para 1471 -E and 1489-E.

10.18.2 Register of Works for Deposit Works.

See Para 1481-E and 1843-E

10.19 Audit of Land Registers

See item VI (3) under 'Central Audit' in the MOI and 282 of RAM

The rules and procedure regarding acquisition, custody and management of land given in chapters VIH to X-E and the procedure of disbursement of land charges and maintenance of Register of Land charges in Accounts Department given in paragraphs 924-F to 949-F may be studied. The register should be reviewed generally to see that it is maintained and kept upto date, It should be seen that land is acquired only for sanctioned works and bonafied Rahway purposes (91 3-E).

10.20 Audit of Private Sidings and Assisted Sidings Accounts

See item No. VIII(5) under 'Central Audit' in the MOI and Para 285 of RAM.

10.20.1 The rules regarding construction, working and maintenance of Assisted Sidings are given paragraphs 1822-F to I 824-F It should be seen that the rate of maintenance charges has been fixed correctly and that the, charges have been recovered from the parties concerned in accordance with the agreement and extant Instructions, A standard agreement form for assisted industrial sidings necessitated due to various suggestions made by the Zonal Railway for amending siding agreements has been evolved by the Railway Board vide their letter No, 72/WI/SA/20 of 12.5.83, which should be referred to while auditing the siding's owners, maintained in the Accounts Office may be examined to see that the interests of the Railway have been safeguarded, wherever necessary. It would be necessary to maintain a corrected and upto-date list of the assisted sidings on the Railway. Traffic Audit Section should be asked to advise particulars of any new sidings opened for traffic, or of existing siding closed down during the year. it should be specifically seen that all charges provided in agreements are recovered from the Firms or Government Departments promptly, otherwise interest charges wherever due levied for delayed payments (vide 1837-E). Incidental charges for cost of staff, wherever loaned are also recoverable as per percentages provided in addition to the recovery of leave salary contribution, P.F. Bonus and Gratuity Contribution etc.

In view of introduction of new concepts of peripheral yard, full rake movement, end to end running and examination of rakes in the siding premises during the last few years had brought out a large number of areas which require modification/ elaboration of the extant rules to lay down a uniform policy and avoid controversies between the Railway and respective siding owner in planning and sharing the cost of these sidings. Board have reconsidered the matter of construction of railway sidings for the use of private parties including the other Government departments and in suppression of all earlier including have issued revised orders vide their letter No. 85/WI/SP/45/dated 1.12.86 which should be borne In mind while conducting the Audit of sidings Accounts. It should also be seen that the cases where payments are

disputed and involve huge amounts are vigorously pursued by the Accounts Department and are shown in the monthly progress report submitted to the FA&CAO. Keeping in view the enormous increase in the cost on this score Railway Board have revised the rates with effect from 1.4.1984 vide their letter No. E(E)-83/Misc/I/dt. 27.6.84 which should be borne in mind while conducting the audit of sidings account.

10.20.2 For the recovery of interest and maintenance charges, paragraph 1 827-E as amended from the time to time may be seen. Maintenance and repair charges for private sidings, wherever these are maintained by the Railways, should be levied on Kms, basis as per the guidelines issued by the Railway Board vide their letter No. 58/WI/2A/13 dt 2/23-4-82 as further modified vide sub-Para (X) of their letter No. 85/WI/SP/45 dt 1.12. 1986. So far as the question of bearing the cost of electrification of sidings (OHE) is concerned, instructions issued under Board's letter No. 79/WI/SA/34 dated 1.3.82 should be borne in mind.

10.21 Audit of Miscellaneous Advances and Deposit Miscellaneous Registers

See item No. VI(8) and VI(9) under Central Audit' in the MOI respectively, Para 320 RAM and 223,224,610 and 614-AI.

10.21.1 The registers recording these transactions have to be reviewed to see that the transactions have been correctly booked to suspense in accordance with the rules and each item of suspense transaction is efficient, that is, money or material has been actually advance .1 or deposited as the case may be and the parties are traceable and that the action is taken to chase the transactions and clear them.

10.21.2 In reviewing the maintenance of these suspense registers, their reconciliation with General Books and review of suspense balances as provided in paragraphs 316 to 320-A, 610-A, 614-A, 615-A, 619-A and 620-A, and balances under these heads of accounts, closer attention should be paid to old items inv considerable amounts which are not linked or pursued by the Accounts Office. The Half Yearly Review for May and November submitted to Railway Board may be referred to during the review of these registers. In the case of Deposit for works, works registers should be connected.

10.22 Audit of Register of serious Irregularities and Register of Losses

See Para 37 and item No. VI(14) under 'Central Audit' in the MOI, Para 861, 867-AI and 414-RAM.

10.22.1 In each Accounts Office a register is maintained to record serious irregularities noticed in the course of internal check. Besides this register another register is maintained to record all cases of losses of stores and cash reported to the Accounts by the Executive Departments of the Railway. A review of these registers helps to pick up cases which may merit mention in the Railway Audit Report.

- 10.22.2** While reviewing these registers as prescribed, it should be verified that all sanctions to losses and writes off received in the office have been recorded therein. The sanctions to losses and writes off are received in this office and scrutinized in the normal course. Therefore, at the time of review of these register, attention should be paid to the cases of serious irregularities and losses which have not been reported to this office.
- 10.22.3** In reviewing the cases of losses, frauds and embezzlements, the rules regarding report and investigation of the cases and the procedure to be followed in the Accounts in dealing with them as laid down in Chapter XI-FI and paragraphs 867 and Appendix III-AI should be borne in mind. It should also be seen that as soon as any case of fraud etc., is noticed the Railway Administration arranges for departmental enquiry to fix responsibility and disciplinary action against the defaulters is finalized forthwith.
- 10.22.4** All cases of frauds, losses, etc., amounting to less than Rs. 50.00/- should be reviewed by the DAUOs/MUO with a view to see whether they reveal any procedural or other defects and whether the corrective action taken is adequate and effective. Existence of a large number of cases where frauds etc., are attributable to misdemeanor, negligence, etc., of the staff and for which disciplinary action taken by the administration is nominal or inadequate or where they are attributable to defective procedure for which effective action has not been taken to remedy the same, may sometimes necessitate preparation of a general paragraph for the Railway Audit Report Therefore, all the cases of losses amounting to less than Ps. 50,000/- should be reviewed on the above lines. Audit Officers/Auditing Sections and report (supported by specific instances of the type mentioned above) sent to Co-ordination Section by 15th July each year.
- 10.22.5** All cases of losses due to fire, theft, frauds, embezzlements, serious irregularities etc., exceeding Ps. 50,000/- may be reviewed by the unit officers and a report there on may be submitted to Co-ordination Section by 15th July every year indicating details of cases revealing interesting points worth commenting in the Audit Report. However interesting cases of unusual nature may be reported as soon as they come to notice Hither-to, the unit officers used to send half yearly report on cases of losses due to fire, theft, embezzlements etc., indicating their up-to-date position. In several cases, where detailed report is not forth coming immediately from the Railway Administration, the cases are reported to the DAI(R) after a long time. By the time, detailed report is received, the case loses its importance and no useful purpose is served in reporting the same to DAI (Rlys.). Hence it has been decided that as soon as a preliminary report on any case of loss due to fire, theft, frauds, embezzlements etc., over Rs. 50,000/- Is received, the Branch Officer should Intimate the case to Co-ordination Section along with a draft letter from Pr. Director of Audit to the DAI (Rlys.) endorsing copy of the preliminary report for further necessary

action. The detailed report may be sent on receipt from the Railway Administration for transmission to the DAI(Rlys).The Railway Administration may, however, be pursued vigorously for expediting the outstanding detailed reports. The Co-ordination Section will examine each case, so reported by the unit offices with a view to frame draft Para for the Railway Audit Report, if necessary, in order to bring out instances of inadequate action, delayed action and cases in which corrective action is pending for a long time. The references made by the Coordination Section to the unit offices calling for additional information or for any other action for purposes of report to the DAI (Rlys.) or for preparation of draft paragraphs for Railway Audit Report should receive immediate attention by the Unit Offices referred to. ADAI (Rlys.) letter No. 2199-RAI/A 12-71/61. dated 20.6.1961.

10.23 Audit of Objectionable Item Registers -

See Item No. VI (4) under 'Central Audit' M.O.I, Para 283 of RAM.

10.23.1 The procedure of dealing, with irregular payments and objections in Accounts Office, maintenance of objection books, their review and regularization is laid down in paragraphs 844 to 866-A I which may be kept in view while reviewing the objectionable item registers. It should also be seen that adequate and effective action has been taken to regularize the expenditure placed under objection.

10.24 Audit of account of Hospitality Fund

See item XVI Central Audit M.O.I.

10.24.1 The Public Relations Officer of the Railway has been authorized to incur expenditure on entertainment of distinguished visitors, editors or important members of his staff, free lance Journalists, Press Correspondents and persons connected with commercial advertising on the Railway in the interest of Railway Publicity and Public Relations or procurement of commercial Advertising. The expenditure incurred for that purpose is met from a fund known as Hospitality Fund. The detailed orders on the subject are contained in Railway Board's letter No. 1022/TG/55, dated 14.6.1956, dt. 13.2.1957 and No. 1501 / TCIV/57/ 1 dated 24.1.1958 and No. F(X) II-64-PW4/ 1 dated 23.7.1964.

10.24.2 The ADAI (Rlys.) has prescribed an annual review of the accounts of the Hospitality Fund. This review is to be conducted only by the Expenditure Audit Section in Headquarters Office as the Public Relation Officer, who is authorities to operate the Fund, is attached to the Headquarters Office of the General Manager.

10.25 Audit of Grants-In-aid

See Para 233 of RAM. Para 281 to 293 of M.S.O. (Technical) Vol. I and Item IV (16) Under Central Audit in MOI.

- 10.25.1** Grants-in-aid or contributions are made by the Railway Administration either as a recurring or non-recurring ones to
- (1) The Educational and Medical Institution
 - (2) The Railway Institutes and Sports Clubs
 - (3) The Railway Co-Operative Societies and Stores
 - (4) Other Local Bodies e.g. Chambers of Commerce etc.

The procedure to be followed in sanctioning Grants-in-aid is given in Para 1612 to 1618-AI and the procedure of internal check of grants-in-aid by the Account Departments is given in paragraphs 1619-AI.

- 10.25.2** Every order sanctioning the Grants-in-aid should be audited in the same manner as other financial sanctions.

- 10.25.3** Besides auditing sanctions to grants-in-aid and vouchers relating to them, local inspections of those institutions receiving grants-in-aid are also required to be conducted.

- 10.25.4** E&X Section at headquarters should submit proposals for conducting local Inspections of those institution receiving grant-in-aid less than Rs. 1 lakh recurring and As, 5 lakes non-recurring for Director of Audit's approval in the month of May every year. Instructions contained in pare 6 of Chapter VI of MOI, should be borne in mind while proposing inspections of such institutions. The required information is collected every year from the executive's files available at headquarters. In order, however, to ensure that no grants given to any local body are lost sight of by any change omission In the office records of the General Manager's office while putting up the proposal for inspections, it is desired that a list of grants-in-aid paid from Railway Revenues to any institution at Divisional level upto end of March may be submitted to Audit Officer (X) Headquarters on 10th April every year in the following proforma. This may also be noted in the Calendar of returns.

S.No.	Name of the Institution to whom grant-in-aid is Sanctioned	Year to which the Amount sanctioned arant relates
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10.26 Road Transport-Scope of Audit of Investments

See Para 296 of RAM

(Director of Railway Audits letter No. A8-1/52 dated 1.4.1954 and Indst. No. A8-1/52 KW dt. 25.4.1955)

10.27 Efficiency Audit and Overall performance Audit

- 10.27.1** In addition to the review of the accounts of Major works, it 1.6 necessary to see in audit that the various projects/ executed by the Railway Administration have been so executed that the objectives in view have been achieved according to the plan of execution and that the benefits anticipated on their completion have actually accrued to the Railway Administration. The review undertaken for that purpose is

termed as 'Efficiency Audit' on the basis of which overall performance audit is to be conducted. The general instructions for conducting this audit are give in paragraphs 56 to 58 of C&AG's MSO (Tech.) Vol. 1 and chapter XXIV of RAM.

10.27.2 The selection of works for efficiency audit has to be done keeping in view the results likely to be achieved. The Branch Officers will therefore, submit their proposals for undertaking efficiency audit of projects/schemes simultaneously with the programme for review of the accounts of major works which Is required to be submitted for the Director of Audit's approval in June each year.

10.27.3 The results of overall performance audit are to be reported to the DAI (Rlys) positively by the middle of August each year. The report will be sent by the ECPA Section, on the basis of the reports received from unit offices after conducting further examination, if necessary, of the points with reference to the administration's files, statistical data, reports made by the administration to the Railway Board and other printed reports etc. It should, therefore, be ensured that the results of efficiency audit of Projects/Schemes conducted during the period June to May are consolidated and comments if any proposed for inclusion in the report to be made to the DAI (Rlys) sent to the Accounts Officer concerned by 15th June for his verification and acceptance, simultaneously endorsing a copy thereof to the ECPA Section at Headquarters. The acceptance or remarks of the Administration on the proposed comments should be furnished by the unit offices to the ECPA Section by 15th July positively. An entry in the Calendar of Returns of each unit office and the ECPA Section regarding submission of these reports on the prescribed, dates should be made.

10.27.4 The majority of schemes, other than construction of new lines and passenger amenities or staff welfare works are undertaken with a view to avoiding detention to trains, increasing the speed and carrying capacity of trains, improving handling of wagons in traffic yards and thereby improving the turn round of wagons, increasing the capacity of workshops etc. The achievements in these respects may not be assessable within a short period after the completion of such works. Also each scheme by itself may not immediately contribute to achievement of objects which were in view in planning the works, unless other dependent schemes are also completed. The stock taking of realization of the benefits of the projects/schemes has, therefore, to be done very carefully and intelligently. The reports made by the Railway Administration to the Railway Board in appreciation of the remunerativeness or the improvement achieved etc., of the projects/schemes should be carefully gone through. The records kept by the Railway Administration to watch the realization of the benefits of the projects/schemes should be examined from time to time after the last review of the account of the completed works.

10.28 Register of Buildings

The register of buildings maintained in the Accounts Office should be generally reviewed at the time of check of Capital and Revenue accounts of residential buildings. It should be seen during the audit of completion reports that necessary additions are made in the register of buildings. Instructions contained in the Para 1977 & 1978-E and 1629-AI may be borne in mind.

10.29 Law Charges

See Para 277 of the RAM

It should be seen that the charges paid are within the maximum fixed by the Railway Board. Each year in April the railway administration is sending an annual statement to Railway Board showing the engagement of lawyers on high fees in Government cases. This statement should be checked in Headquarters to ensure that all cases have been Included In this statement with reference to sanctions received in this office and the accounts office records.

10.30 Review of Court cases and Arbitration Awards

See item XVII of Central Audit MOI

(i) The court cases and arbitration awards finalized in a month may be taken up for audit as soon as possible but not In any case later than the fourth following month. They should be shown in arrears it audit is not complete in the forth following month.

(ii) In cases where appeals are filed the original judgments would not-tall due for review. Only when the appeals are finalized the item shall become due for audit and the procedure as in (i) above shall mutatis mutandis apply.

Scrutiny of court cases finally settled in various courts against Railways relating to Engineering Departments should be carried out by the Expenditure Headquarters Audit Section. These cases are dealt with by the HODs and where payment of legal charges is arranged through the FA&CAO, Audit Office (Expenditure Audit Section) should similarly review the cases if they are dealt with by the GM and payment of legal charges is arranged through the CAO's. These cases should be reviewed to the extent laid down. All arbitration cases should be reviewed in Audit. Important results of both the reviews should be reported to the Director of Audit through Coordination Section.

10.31 Bills for rent of Telegram Wires See Para 287 of the RAM

The bills are adjusted through Journal Vouchers. While adjusting the Journal Vouchers it should be seen that a bill has been accepted by the Department concerned regarding kilometerage of wires and that the rates and calculations are correct.

10.32 Recovery of conservancy charges In respect of quarters allotted to Government Railway Police, State and other Government Departments etc.

The existing arrangements for the recovery of conservancy charges in respect of quarters occupied by Government Railway Police, State and other Government Departments etc., is that wherever sanitary services are provided inside the Railway quarters by Railway Administration, the recovery statements are prepared by the DMO concerned and consolidated by the CMO. These are then sent to FA&CAO(X) for checking the rates etc.

The statements prepared by the C.M.O. on the basis of D.M.O's returns and sent to FA&CAO(X) should be checked by X(HQ) Audit Section to ensure that the dues are calculated correctly and realized.

10.33 Audit of Block Account

The Audit will be done at various stages viz.

(i) It should be seen generally that in the case of all estimates chargeable to (a) D.F. (b) D.R.F. (c) O.L.W. (Rew), the percentage of improvement is shown. The percentages are decided by the technical authorities but it should be seen that prima facie they are not open to any objection.

(ii) During review of Works Registers, it should be seen that the percentages of improvement shown on the estimate is shown in the works register with the remarks. 'For Block Account'. After the close of March accounts, the expenditure to be shown in the block account is worked out on the basis of the actual expenditure on the work during the year and percentage for Block Account shown in the Works Register. These accounts should be test checked to ensure that the arithmetical calculations are correct.

The expenditure to be shown in the Block-Account as per the works register is carried over in the summary register (Pink Book summary) for each grant and the total expenditure to be shown in the Block Account 'is worked out therein. The correctness of carrying over of the expenditure from the works register and totaling in the summary register should be test checked.

The final compilation of the Block Account by the Accounts Office is to be checked by Books and Budget Section of this office from the audited accounts received from the sections and divisions concerned, instructions contained in Para 427 to 430 of FI 8 should also be borne in mind.

10.34 Subsidy to Co-operative Societies

10.34.1 Under the Railway Boards Orders the Co-operative Societies formed by the Railway employees are eligible for subsidy for the first three years of their formation under certain terms and conditions. The subsidies paid are to be checked by this office. The payments made

should be ascertained from the pay orders issued and the C06 register. It should be seen while auditing that the payments are made according to the rules and orders issued by the Railway Board from time to time. (Railway Board's letter No. 63(E) Co-op/40-26 dated 13.10.1964. 64/B Co-op/ 9/6/dt. 24.4.1965 and 65/E(Co-op) 1443 dated 10.1.1966.)

10.34.2 Subsidy to canteens maintained statutorily under the provisions of the Factories Act. 1948 A portion of expenditure incurred in the staff canteen is met by Railway Administration. In respect of payment made by the Railway Administration the Audit is to be carried out in accordance with the instructions contained in Railway Board's letter No. E(W) 62 CN 1-7 dated 20.4.1963 and No. E(W) 65 CNI/ 14 dated 17.5.1986.

In respect of payments made by the Railway Administration for expenditure incurred on canteens items of non-statutory canteens, the audit is required to be conducted in accordance with instructions contained in Railway Board's letter No. E(N) 63.CNI-2 of 9.7.1963, E(W) 63 CNI-12 dated 31.3.1964, E(W)65 CNI-5 dated 7.8.1965 E(W) 64 CNI-17 dated 23/ 28.12.1967.

10.35 Bills for Family Planning

As per Comptroller and Auditor General's letter No. 1853-Tech, Admn-1/460-64 dated 8.7.1964 this office is required to furnish audit certificate in support of expenditure booked by Railway after carrying out the necessary test-check. The vouchers relating to Divisional audit offices and other Headquarters units are checked by the and advice sent to this office. Vouchers relating to 'X' Headquarters are audited by this section. Consolidated certificate is furnished by the section to Director of Audit. Central Revenues incorporating the total expenditure booked. The vouchers, documents relating to the Family Planning Scheme should come under audit at least two or three times in a year. As such, it is imperative that record of selection/audit etc., of the vouchers/documents relating to Family Planning Scheme should be kept.

(Dy. CA-CCCG's letter No. SA/HQ/C/II/25/Vol. 111/2774 of 2.8.1965 and FA & CAO (BB) CCG's letter No. BKS/CAP/A 7507/A 198/3005/Vol. II dated 26.9.88).

10.36 Review of Working of the Accounts Department

See Para 135 RAM. & annexure to Chapter V. of M.O.I.

10.36.1 At the time of commencement of the year, section concerned will note down the list of items to be reviewed in the register. The B.O. concerned will examine this list to see that it not only covers all the items to be seen which should be reviewed in the Accounts Office but also that all the subsections of the Accounts Office are brought within its scope.

The list of items should be compiled with reference to the Accounts office wherever necessary. These manuals may be requisitioned from the Administration who should examine the demands and meet the requirements as early as possible.

P.O.Os. issued by the Accounts Office should also be taken into account while compiling the list.

10.36.2 During the course of the review, items which reflect on the efficiency of internal check of the Account Office should particularly be noted for a possible mention in the report on the Efficiency on Internal check-in the Accounts Department. Report of the Inspection organization of the Railway Boards Office should also be reviewed. A report on the efficiency of internal checks relating to the previous financial years showing the position as on 30th June duly accepted by their counterparts in Accounts should be sent to the Co-ordination Section by all Sections/Divisions by the 1st of October in the prescribed form. While preparing the report, it should be ascertained by the complete review of all registers maintained for the purpose in the Account Office, that adequate machinery exists in internal check to watch recovery of all charges for services rendered to staff e.g., diet charges, electrical energy charges, rent for quarters, rent for electrical installations and sanitary fittings, conservancy charges and miscellaneous charges. Lapses on the part of the Accounts Office to take appropriate action for recovery of these charges should be brought out in the report. These reports should be consolidated by the Co-ordination section and submitted to the Director of Audit. The defects In Internal chock which are 8erlous in the sense that they facilitate frauds or leakages of revenue should be taken up with the Railway Administration in the most effective manner, possible. The more important cases may, however, be considered for individual comment in the Railway Audit Report.

10.37 Property Accounts

In order to check the property accounts in respect of immovable property effectively and efficiently which are maintained by the Railway Administration, an adequate procedure is necessary. For some of the items, a proper procedure exists while for some it not so. As such the following instructions are issued:

1. The following records regarding property accounting (for which procedure exists) are periodically checked/reviewed by Audit.

- | | | |
|-----|--------------------------------|-------------------|
| (a) | Land Registers-Para 10.19 | Director of Audit |
| (b) | Register of Building-Para11.38 | Railway Manual |
| (c) | Siding Register-Para-10.20 | |

2. The following instructions are given for checking the record for which proper procedure does not exist:

(a) Register of Bridges: This may be reviewed during local inspections to see that all bridges constructed have been noted in the Register bringing it up-to-date and New Constructions are noted as soon as completion drawings are made out.

(b) Register of level crossing: This should be reviewed during local inspections to see that it is complete and up-to-date.

(c) List of completion drawings: During local inspections it may be seen that completion drawings in respect of works completed to the estimated drawings exist and a record kept thereof, There may be one completion drawing when several structures are erected in the same locality and to the same drawing. In such cases number of assets involved may be checked up with estimate and completion Reports.

(ADAI(Rly) letter no. 1191-RAI/8-11/67 of 1.4.1980).

10.38 Licensing of Railway Land

Surplus land on Railways is required to be managed on commercial lines. Such land is, therefore, allotted to outsiders or other Government Departments, Private Parties etc., under license only. Leasing of land is not permitted except in cases where it is specifically approved by the Railway Board. In conducting audit of licensing of railway land, instructions contained in Para 1008 to 1034-E and Railway Boards letter No. 83/W-2/LM/18/87 dated 17.9.1985 may be borne in mind,

10.39 Train performance-occupation ratio

The report of half yearly census under-taken by the administration to assess the volume of traffic and occupation ratio by each class be reviewed in Audit and cases of low occupation ratio over specific sections or trains brought to the pointed notice of the administration with suitable suggestions for better utilization of the stock. This item may, therefore, be entered in the selection Registers as half yearly items of review by all DAUOs to watch its completion by the end of the month following the month in which the half yearly census is undertaken by the administration.

10.40 Review of Annual Works Programme

The review of annual works programme may be conducted annually with a view to find out, interalia, the progress of the works planned earlier and any wasteful expenditure incurred due to works commenced and abandoned.

CHAPTER 11

Audit of Earnings

11.1. Scope of Audit

11.1.1 The audit of receipts of the Railways is required to be conducted in accordance with the regulations laid down in Chapter 4 of Section II of M.S.O. (Technical) Vol.I. The receipts of the Railways are mostly on account of earnings from the transport of passenger and merchandise traffic. The other receipts like amounts realized by disposal of lost property or by telegraph traffic are completely of little magnitude. Stations are the main agency through which traffic earnings are realized. The other agencies are:

(i) Tourist agents who are authorized under the terms of their agreements with the Railways, to issue tourist coupons.

(ii) Out agents

(iii) Lost property offices

11.1.2 The accounts of earnings are rendered by these agencies to the accounts office through various returns, balance sheet statements etc. The collected tickets, passes (parcel way bills, invoice, credit notes, warrants, telegraph vouchers) cashed station pay orders etc. are also submitted to the accounts office. All these returns, vouchers etc. are checked by the accounts office and brought to account in a consolidated record for the whole Railway called "Traffic Book" (Para 3201 A-II) in which the earnings are recorded duly classified into coaching (goods) sundries etc. and the progress of realization of earnings is watched. Recovery of dues in lieu of vouchers (notes, official requisitions etc.) is watched through accounts office balance sheet.

11.1.3 The checking of earnings relating to local traffic is done by the traffic accounts office. The accounting of earnings relating to local traffic is done by the traffic accounts office at Metro Bhavan, Calcutta.

11.1.4 Besides checking and accounting of traffic returns, the traffic accounts office is also responsible for checking, accounting and watching recoveries.

11.1.5 The central audit of earnings is conducted by M. Rly. audit office located as follows:

(a) Scrutiny of larger contracts and tenders and review of completed contracts in the office of CCM, CCC.

(b) Review of CCH-office MR files as necessary.

The audit objections raised by this office are included in the statistics of Dy. CAO (TA) MR.

11.1.6 The particulars of items of audit relating to local traffic required to be dealt with by the traffic audit office, and the extent of check to be

exercised in respect of each item are given in the Appendix to the M.O.I. under the caption 'Local Traffic Audit (Coaching)'.

The general instructions in regard to audit of earnings are contained in Chapters XII & XIII of the Railway Audit Manual.

11.1.7 The checks exercised by the Accounts office on the various station returns, (handling bills) and other documents both centrally and during local inspection of station accounts, the procedure of maintenance of traffic books etc. have detailed out in the Indian Railway Code for the Accounts Department Part-II Traffic Accounts. The audit should generally be conducted on the same lines.

11.1.8 The procedure laid down for the maintenance of various station books and preparation of station returns and their forms in the relevant paragraph in Indian Railway Commercial Manual Vol.-I and II and the Manual of Station Accounts, Metro Railway, the rules in the Conference Regulations, the Coaching Traffic, and the various pamphlets like rate circulars etc. and the sectional manuals of the accounts office should be studied carefully and referred to in conducting the audit of earnings.

11.1.9 Procedure of Selection of Stations for Audit of Station Accounts at Head Quarters

11.2.1 The list of stations maintained in a manuscript register should be put up to the Branch Officer by the 18th of the previous month for selection of stations, the accounts of which are to be audited during the next month.

Stations inspection in the preceding months should be included in the selection of station for certain audit as per prescribed extent. In addition to stations selected for monthly audit, one or two stations should also be selected for check to serve as an element of surprise.

11.2.2 The particulars of selection made by Audit Officer (TA) for check of local traffic, checks in respect of local Traffic. After completion of audit, the audited figures should be traced for checking the same with the figures as appearing in the Station Balance Sheet audited.

11.3 General Procedure of Audit at Headquarters

11.3.1 The procedure of auditing the accounts of the fourth following month observed in respect of audit of expenditure should ordinarily be followed in respect of audit of earnings at headquarters. Exception may, however, be made in case of any specific items according to the special needs of audit vis-à-vis internal check in the matter of availability or records.

11.3.2 The points to be seen in the audit of earnings are detailed out in Para 163 of the Railway Audit Manual. Subsidiary instructions for audit of various items listed under local traffic audit coaching in the Appendix to the M.O.I. are given in the following paragraphs:

11.4 Audit of Ticket Collector's Report

11.4.1 The highest numbers of local printed tickets shown as collected in the Ticket Collector's Report of the Station selected for audit in any month will be compared with the numbers accounted for in the respective passenger classification of the station of issue, the comparison being limited to the passenger classification of the stations selected for audit.

11.4.2 In addition, the collected tickets and ticket collector's reports of one or two stations should be completely checked for 3 days in a month so as to cover one day in each 10 day period.

(See Para 2104 and 2105 Accounts Code Vol.II).

11.5 Salient features of computerized procedure of preparation of passenger accounts

See Para 166-171-RAM

11.5.1 At the end of every month each station prepares a return called Passenger Classification.

The 'Passenger Classification' accounts for the transactions relating to passenger traffic in the following manner.

- (a) Printed Card Passenger Tickets
- (b) Printed Coupon Tickets

11.5.2 Audit of classification of passengers

11.5.2.1

The commencing number, series, class of all printed tickets should be compared should be compared with the closing numbers as recorded in the previous month's classification (Para 2110-All).

11.5.2.2

The accountal of non-issued tickets should be checked with the original non-issue tickets received with the station returns which should be checked into the relevant column in the passenger classification. The entries of blank paper tickets should be verified with the collected blank paper tickets and with the junction returns. The commencing number of blank paper, special and party tickets/blank coupon tickets should be compared with the closing numbers of previous month returns. The entries relating to blank paper tickets should be verified with the collected tickets to see that the tickets are actually issued for the stations for which accounted for and that the fares shown on the tickets have been correctly calculated. Issue of BPTs in serial order may be verified and their accountal should be traced in passenger classification with reference to the cancelled BPTs received. It should be seen that the tickets not accounted for therein have been duly accounted for in the respective returns.

(Paragraph 2111 to 2113A.II)

11.5.2.3

It should be seen that the fares of tickets issued (both printed and blank paper) are correctly charged and calculated at the rates given in Tariff that the concessions or deductions in fares are duly authorized, that the minimum charges for each compartment are not infringed, that all certificates, letters of concession, are duly filled in and correctly issued by competent authority and that they are in themselves valid.

(Para 2114 to 2116 and 2124 A II).

11.5.2.4

A test check over indents for the passenger tickets is necessary in view of the checks prescribed for passenger classification and the checks over tickets stock books and indents at local inspection.

11.5.2.5

After the entries in the classification have been checked, the total of each page should be checked and verified into the general summary.

11.5.2.6

In addition to above, following checks may be exercised in connection with the audit of passenger accounts:-

(i) A listing of passenger fares tape should be taken for checking that the rates of fares are in accordance with the rates notified by the Railway Board. The statement 'Checking Passenger Fares' should be examined to see that

(a) corrections 'PALL CARDS TAPE' (Passenger all cards Tape) are made without delay, and

(b) there has been no leakage of revenue owing to under – charges having remained undetected because of incorrect fare rates of 'PALL CARDS TAPE'.

The periodicity of these checks should conform to the periodicity with which the programme are run by the Railway.

(ii) The regular monthly audit of passenger classification may be supplemented with reference to the instructions contained in Para 169 RAM.

11.6 Computerisation of Passenger Ticket System

Under this system, passenger classification is not prepared as there are no opening and closing number of tickets between pair of stations. The fares are fed in the computer after these have been checked by accounts. The computer prepares a monthly statement indicating the details of the amount to be incorporated from computerized system in the consolidated balance sheet of the station and the entries in the station balance sheet should be checked with reference to this statement. When tickets are non-issued, a 'Cancellation ticket' is prepared and both the original tickets and the cancelled ticket are sent to the accounts office daily through cash office along with daily statement of non-issued computer printed tickets. Under computerized system special credit is taken of the value of the tickets non-issued

whereas under the manual system the value of tickets is accounted for and taken to debit only after deducting the tickets non-issued. At the end of the month, summary of non-issued tickets is generated by the computer and sent to account office. Similarly, when refund of fares is granted by the station on computer printed tickets through the computer system, a cancellation ticket is prepared and both the original ticket and the cancellation ticket are sent to the Accounts Office daily through cash office along with daily statement of cancelled/refund tickets. At the end of the month summary of cancelled/refund tickets is generated by the computer and sent to accounts office.

11.7 Audit of warrants & credit notes

11.8 Audit of Coaching Balance Sheets

See Chapter XXVII-All.

11.8.1 On the debit side, the opening balance as per station and as per the accounts office should be tallied with the closing balance of the last month and differences, if any, investigated. The totals off the various audited returns as per summaries as also telegraph earnings as per telegraph traffic return should be compared with the corresponding debits in the 'Balance Sheet'.

11.8.2 On the credit side, the cash remittance should be checked with the cash check sheets and the amount of 'station pay orders' and 'vouchers' etc. with the various vouchers received the special credits such as credit on account of re-booked parcel, parcels sent to Lost Property Office, credits authorized by Accounts Office, amount of overcharge sheets etc. should be duly verified. The excess acknowledgment of cash by cashier should be brought on the debit side of the balance sheet under excess in booking and in the case of vouchers both on debit and credit sides.

11.8.3 The station closing balance should be tallied with the list of unadjusted debits and parcels outstandings, and the totals of debits and credits side (station & accounts) checked. It should be seen that the particulars of balance are correct and efficient.

11.8.4 In order to ensure the integrity of the processing of data under computerized system, the following checks are exercised:

- (i) It should be seen that the run to run totals prescribed for processing integrity are actually agreed.
- (ii) The total number of cards as shown in the station forwarding memo for the selected stations should be agreed with the number of cards in the card to tape programme and the grand total of cards in this programme should be agreed with the total number of cards in the raid statement and the outward abstract programmes.

11.9 Audit of Traffic Books and Accounts Office Balance Sheets

See item No.VII under 'Local Traffic Audit Coaching/Goods' in the MOI. The accounts office balance sheets should be reviewed yearly to see that the outstanding items are current and efficient and that

adjustments relate to bonafied traffic accounts transactions. Any abnormal entries of outstandings should be taken up. In the analysis of traffic book balance in Part 'B' it should be seen that the resulting balances tally with the unpaid balances of account current.

11.10 Audit of register of miscellaneous receipts

See item No.XIII under 'Local Traffic Coaching' in the MOI.

11.11 Audit of Cashier's Station Cash Book

See item No.XIV under Local Traffic Audit Coaching in the MOI.

All the cash remittance notes received from the stations for the selected day may be obtained and compared with the cash check sheets to verify the accuracy of the amount acknowledged. Total of the individual sheets are proved and checked with the summary sheet which is then checked with the cash book maintained by Asstt. Chief Cashier.

11.12 Audit of Traffic Suspense Accounts

See item No. XV under 'Local Traffic Audit Coaching' in the MOI.

11.12.1

After the accounts for March are closed the balance under heads Traffic Accounts (Station and AOB Sheets) foreign Railways and should be verified with those in the general books as communicated by the Chief Accounts Officer. Any important differences between the two sets of figures should be investigated.

11.12.2

It should also be seen that all items are current and efficient and likely to be cleared by recoveries or adjustments.

11.13 Audit of rate circulars and tariff changes

See item No.XVI under 'Local Traffic Audit Coaching' in the M.O.I.

The rate circulars should be put up monthly to the AuO (TA) for selection of necessary items. The items selected for audit should be checked to see that the maxima and minima rates laid down by the Government of India are not infringed. The Audit Officer (TA) charged but not notified through rate circular.

11.14 Examination of tariffs maintained in accounts office

With a view to seeing that the tariffs maintained by the checkers in accounts office are maintained up-to-date, the tariffs of any one clerk in any one sub-section selected at random by the Section Officer would be taken for examination every half year and omissions, if any, pointed out through a T. A. Note.

11.14.1 Audit of Revenue Abstracts X and Z.

Entries in these statements will be test checked with the initial records from which they are compiled and the statements themselves will be checked in respect of accuracy of totals.

11.14.2

Review of Inspection Reports of Stations Inspections

The last filed inspection report submitted by the Travelling Inspector of Accounts by Travelling Inspector of Station Accounts and Traffic Accounts Officers. Accounts officer should be selected and reviewed every month. It should be seen that necessary action has been taken on all the irregularities pointed out by both the Travelling Inspector of Accounts and the Accounts Officer. Stations having large number of irregularities should be preferred for local inspection and if considered necessary should be taken up for local audit in addition to the quantum prescribed.

11.14.3

On the review of Half Yearly Progress Report of the Accounts Office it should be seen that it does not present any unusual features. Any abnormal increase in the arrears or outstandings should be commented.

11.15 Scrutiny of large contracts and tenders and review of completed contracts

The traffic audit section, reviews contracts and tenders executed by the Chief Commercial Superintendent, the bills in respect of which are checked and passed for payment by the Dy. CAO ((TA)'s office. In terms of CAG's letter No.2301-RAI/8/-7/66 dated 27.8.1966 handling contracts in respect of all transshipment points should be reviewed while other major handling contracts reviewed under item XV of central audit. While the contracts entered into by the CCS should be reviewed by the traffic audit section, the divisional audit offices should similarly review the contracts entered into by the divisional officers under the powers delegated to them.

11.16 Review of missing or delayed returns

The position of missing or delayed returns of all the divisions should be reviewed every quarter i.e., the position of returns as on 31st March, 30th June, 30th September and 31st December should be reviewed in April, July, October and January respectively. The late or non-submission of the more important returns such as balance sheets, returns etc. should be specially commented in the review.

The T.I.A.'s reports of the stations in respect of which serious delays in the submission of returns are noticed should be reviewed to see how far appropriate action was taken by the TIAs. In such cases action taken by the accounts office should also be critically examined for the adequacy and promptness.

The headquarters audit section should bring to the notice of the inspection section cases of the unusual delays in receipt of station returns or important missing returns selected for audit. On receipt of this information the position in respect of these returns should also be investigated by the inspection section. The review notes should be treated as confidential and kept in the custody of the Section Officer.

The quarterly review notes should be put up to the Director of Audit for the purpose of a possible comment in the Comptroller & Auditor General's Audit Report.

(CAG's letter No.998-RAII/T-17.26/57/KW dated 28.10.1958).

11.17 Collection and delivery service procedure for payment to contractors

In the course of audit of these bills the following points should be seen:

- (i) That (weight) particulars in the contractors bills tally with those in (Parcel Way Bills, invoices or abstracts) etc. cleaning stores, ticket check staff.
- (ii) That the rates charged are in accordance with those provided in the agreement and
- (iii) That the arithmetical calculations are correct.

(CAG's letter No.3406-RAI/T.17-5/66 dated 19.8.1968).

11.18 Review of Accounts Office Work

See Para 9.36 of this Manual and Chapter V of M.O.I.

Station Inspection

11.19 Scope of Audit

See Paras 424, 449 and 450 – Railway Audit Manual, Para 66 and item XI – Local Traffic Audit – Coaching/M.O.I.

The station inspection of the stations on Metro Railway is distributed in traffic audit office. All the station inspections were carried out by the traffic audit office at Calcutta.

11.20 List of Stations

A complete list of very big, major and minor stations indicating the month and year in which they were last inspected, earnings no. of TIA days, and no. of days for audit inspection should be maintained by the traffic audit sections as well as Co-ordination section and same should be updated from time to time changing the classification of stations based on changed figure of earnings as and when found necessary.

11.21 Programme of Inspections

The detailed stations inspection programme should be prepared for a quarter and submitted to Co-ordination section one month in advance of the quarter for obtaining the approval of the Director of Audit. The inspection programme of stations should be kept strictly confidential so as to ensure the element of surprise essential for such inspections.

11.22 Items to be seen during Inspection

Details of items of work to be done during station inspections have been standardized under CAG's letter No.470/RAIII/8-7/86 dated 4.8.1987 and a list of these items with suitable modification approved by Director of Audit is maintained in the section. In the case of marshalling yards, transshipment points etc., the items to be checked are listed in Additional Deputy Comptroller & Auditor General of India (Railway)'s letter No.1269-A-590/RAI/8-11-73 dated 22.5.1974.

11.23 Computerised ticket System Passengers Operated Machine (P.O.M. & T.O.M)

In respect of stations having Computerised system, guide-lines for checks to be exercised by Travelling Inspector of Accounts. These guidelines may be adopted in audit also to the extent they meet the audit requirement of conducting an effective check on the computerized ticket system.

11.24 General procedure of Audit during local inspection

11.24.1

During local inspection of station accounts, the procedure of check in respect of items of audit falling under 'Central Audit' in the Appendix to the MOI will be the same as prescribed for other auditing sections. The documents, returns and records to be taken from head office should be ascertained, listed and collected by the staff before the staff leave headquarter. The relevant codes and manuals along with the register of points to be seen specially during local inspections should also be taken and points mentioned therein examined.

11.24.2 Verification of cash

On arrival at the station, the total cash in hand including imprest money, all coupons, pay orders, police requisitions and other cash vouchers must be counted in the presence of the station master or the head booking/head parcel/or head goods clerk, as the case may be. It should be seen whether any of the coins produced bear marks of having been rejected by the cash office, if so the matter should be noted. The stamped indemnity bond should be counted and the actual number and value in stock should be recorded in the cash books in words and figures below the entry 'Cash in Hand'. It should be seen that cash realized for the identity cards, time tables and tariffs has been duly remitted. The cash of each branch should be counted separately and the amount written in words and figure in the respective cash books and signed by the Station Master or clerk in-charge. Case

should be taken to see that the cash of one branch is not utilised to make good temporarily the deficiencies of the other. The guard's signature book for cash bags should be seen to ascertain up to what date the cash has actually been remitted.

11.24.3

Closing of books of account and preparation of balance sheet.

The following books and documents should be called for and the counterfoil of the last voucher issued should be installed with date, before starting the check there of:

The excess fare ticket, and blank and other paper tickets and vouchers etc. etc.

The last entry in each cash book should be ruled off and balanced. Subsequent entries should be recorded below the line.

11.24.4

Daily trains cash cum summary book

(a) The inspecting staff should request the booking clerk to close his daily trains cash-cum-summary book and when he has done so, verify the number of tickets in the tubes and in subsidiary paper ticket books, with the closing numbers in the daily train cash-cum-summary book. The non-issued tickets, vouchers, coupon certificates, concession and privilege tickets orders in hand should be checked with the cash-cum-summary book in order to ascertain the accuracy of the day's posting. After detailed check of the day's entries grand total should be compared with the cash and vouchers in hand. Thereafter, the daily trains cash-cum-summary book should be checked in detail checking each day's transactions in lump and checking the numbers of tickets with those actually in hand from closing numbers recorded in the summary of train cash book for the last closed period. Credit taken by the Station for non-issued tickets should be checked by comparing the numbers show in the daily trains cash-cum-summary book with that given in the record copies of the statement sent to accounts for which signature of guard is required to be taken in guard's signature book. It should also be seen that non-issued tickets and cancelled passenger foils of all paper tickets have been sent to accounts office on the next day, and that the clerkage charge, where due have been recovered and accounted for under the head 'clerkage' and reasons for non-issue are recorded. It should also be seen that 'Money-Receipts' are invariably issued to passengers surrendering unused tickets and to whom fares have been refunded after deducting clerkage charges. The closed accounts should then be test audited in the summary of the trains cash books in the manner described in the beginning of this para for the dates selected. What is intended by this 'test audit' is that the entries in the final 'amount column' should be cast and balanced with the cash remitted. Having thus ascertained that the cash has been remitted to cover the details exhibited in the account, a number of items should be checked for the entire period to prove further the accuracy of the account as a whole.

(b) Finally, the daily trains cash-cum-summary book should be examined generally from the date of last inspection of travellings inspector of accounts to the date of the current inspection to see that no corrections, erasures or other irregularities occur and that all corrections are properly authenticated.

(c) The following are the usual frauds committed in connection with passenger tickets which the check laid down above should bring to light:

(i) Tickets issued but not account for

(ii) Tickets issued and numbers accounted for but not the value.

(iii) Cash temporarily or permanently misappropriated by undercasting the total of the daily trains cash-cum-summary book.

(iv) Wrong numbers shown in the cash book and classification so as to make the value agree with cash remitted.

11.25 Sundry Earnings

All miscellaneous receipts, on account of stall rent, sale of etc. are remitted through the cash transmit notes of miscellaneous receipts. The counterfoils of this should be checked with the summary to see that all amounts received have been correctly remitted.

11.26 Collection of Tickets

The collected tickets should be scrutinized to see that they are stamped with the date of collection and cancelled immediately after collection before they are sent to accounts office and that station and accounts returns are posted up-to-date. It should also be examined that the number of missing tickets is not large and that charges in respect of irregular tickets are collected and that printed and paper tickets are not of expired date or for a station short of the collecting station and the numbers for each class and each station run consecutively. It is not the duty of audit to undertake the work of collecting tickets at the gate and no attempt should be made to do this. Audit is concerned merely with seeing and watching that proper arrangements exist for the collection of tickets and if any defects are noticed they should be reported to the Railway Administration (DRA's No.R.14-55, dt. 16.7.1937).

11.27 Ticket stock books and indents

It should be seen that the stock of tickets is in order and is kept in safe custody under lock and key. The indents should be compared with the ticket stock book to see that they agree. In addition, the entries in the ticket advices, filed at stations should be compared with ticket stock books and indents to see that the entries in these books are correct.

The ticket stock register should be checked to see that the books supplied have been entered and are brought into use in the serial order of their entry in the register. It should also be seen that dates of completion are entered and unused stock of each kind of book is actually on hand.

11.28 Cash remittance notes

These should be checked with the grand totals of Coaching and earnings as per cash books for the period from the last balance sheet submitted by the station upto the time of inspection.

11.29 Advice of Internal Check

See Para 2754 A.II

It should be seen that these advices are properly filed and that the last advice has been correctly dealt with by the station. A balance sheet of error advices should be prepared in Form 5 and outstanding over 3 months detailed.

11.30 Check of closed months balance sheet (Coaching)

The closed month's balance sheets (Coaching) should be checked with initial records to see that these have been correctly prepared the amount has been accounted for under proper heads, that full details have been given for special debits and particulars are correctly shown and balanced.

11.31 Register of advertisements

All entries of posters, plates, hoardings etc., in the register of advertisement should be checked with the lists furnished by the Commercial Publicity Officer. An inventory of posters exhibited should be taken and compared with the register to see that time expired posters are duly removed.

11.32 Register of stall keepers and vendors

It should be seen that licence fees, cess, water and electricity charges have been regularly recovered and remitted and that valid agreements have been executed with all of them.

11.33 Finalisation of Inspection Reports

The officer in charge of the inspection must discuss the rough audit notes with the station master and obtain his remarks against each para of the draft report before leaving the station. The report should be arranged into two parts:

- (i) Part I and special letter points containing important objections on which replies are considered necessary.
- (ii) Part II containing objection for action at the level of Accounts Officer. The issue and distribution of Inspection Reports has been described in detail in Paras 18.8 and 18.9 in the chapter on inspection.

CHAPTER 12

Survey & Construction and Railway Electrification Audit

12.1 Scope of Audit

Generally the works of following nature are undertaken by the construction organization on Metro Railway:

- (i) Construction of new lines, doubling and surveys.
- (ii) Line capacity works like running lines and side tracking facilities, crossing stations, detaching lines etc.
- (iii) Construction and remodeling of passenger yards.
- (iv) Bridge works.
- (v) Deposit works.
- (vi) Other specified works like construction of residential quarters, signal and tele-communication works, electrical works etc.

The Survey & Construction audit sections are responsible for auditing the accounts of

- (i) Construction of new lines and major projects
- (ii) Civil engineering works (other than track renewals) costing over Rs.20 lakhs.
- (iii) Signal and tele-communication works and electrical works costing over Rs.10 lakhs undertaken by the construction organization.

The following Survey & Construction audit section is functioning in this office. The sphere of audit work is shown against each:

- (1) Metro Railway Audit of accounts maintained by (Construction) Audit FA&CAO (Construction) M.R., including office (Headquarter) works/surveys for which accounts are maintained by SAO(C) M.R.

12.2 Periodicity of audit

Keeping in view the provisions of Para 120 of Railway Audit Manual, third following month has been prescribed as the periodicity of audit in these offices except in the case of journal slips and accounts current in which case the periodicity is the third following month.

The extent of audit of various items is the same as prescribed for open line organization which is given in the programme of audit in the M.O.I. and other orders issued from time to time.

Instructions contained in chapters on Establishment and Provident Fund audit section, Expenditure audit section and Inspection section apply in the ease of Survey & construction audit section also.

12.3 However, the following provisions should be borne in mind:

- (i) Audit of sanctions for the creation and abolition of gazetted posts, leave accounts and salary bills:

As the establishment work of gazetted staff is centralized in the FA&CAO's office in headquarters office, sanctions for the creation, extension and abolition of the gazetted posts of S&C organization are audited and accepted in audit at head quarters.

(ii) Audit of salary bills and leave accounts in respect of gazetted staff of S&C organization is also done by establishment audit section.

(iii) Audit of salary bills of non gazetted staff of S&C organization is done by the concerned S&C audit units. As the PF accounts of the employees of the S&C organization are maintained by the unit accounts offices of op-en line to which they belong as soon as the check of salary bills of non gazetted staff is completed the particulars of PF deductions such as PF account number, name and designation of the employee, and the amount of deduction and month should be advised to the concerned open line auditing units for tracing the position of the PF accounts, it should be noted that check of salary bills cannot be considered as complete unless the advices regarding the PF deductions are sent to the concerned open line auditing units.

12.4 Audit of contractor's bills

Besides the checks which are normally required to be exercised in the audit of the contractor's Bills, the following further checks should be carried out on the bills pertaining to well sinking and earthwork.

(i) Bills for sinking wells

In addition to the check of the quantities in the bill with the entries in the measurement book, it will be useful to check the measurement book entries themselves with the entries in the log book or field book or otherwise named as 'Technical/Site register' maintained for such works. It should be seen that the recording of the bed level (or the groundwater level in the case of ground wells) has been done by a responsible official and signed by the AEN in charge and the contractor in token of his acceptance. The entries in the measurement books could also be usefully checked with reference to the completion drawing available in the engineering office which would show the level reached by the cutting edge and the bed level.

(ii) Bills for earth works:

(a) In the case of works involving large quantities of earthwork 'Key plan' and the 'Project Sheets', if any, should be consulted in order to have a general idea of the work entrusted to the contractors.

(b) Earthwork will ordinarily be paid based on measurement by cross section of formation taken before the commencement and after the completion of the work. Contractors will have to sign ground cross section (both initially and finally) in token of the acceptance. It should be seen in audit that this requirement has been complied with.

(c) In the case of earthwork based on cross section measurements of the bank or the cutting, the entries in the measurement books would show the area of the cross section on different suitable chainages, the length of the bank or cutting between two consecutive cross sections

and the quantity for each length of the bank/cutting. In addition to checking the bills with the measurement book which has necessarily to be done, the entries in the measurement book themselves should be checked with reference to the level books/the bank cutting recorded in the level book by the AEN. The area of the cross sections recorded in the level book should also be test checked.

(d) Where the bank is mad up partly from cutting spoils and partly from the borrow pits, the chainages of the bank to be framed in each type is pre-determined by the engineer's representative. In such cases it should be seen that the cutting spoils have been used to the best advantage of the Railway.

(e) In the case of bank formed from cutting spoils, lead is reckoned from the centre of gravity of the cutting marks to the centre of gravity of the embankment marks by using a mass diagram. In respect of bank framed from borrow pits, the lead is determined with reference to the borrow pit plans. The entries for lead shown in the measurement books should be checked with reference to these records.

(C&AG's letter No.1803-RAI/7-15/6 dated 1.6.1962)

(f) Classification and reclassification of soils

During the inspections of engineering office, the Asstt. Audit Officer/Section Officer and Branch Officer in charge should specially watch for cases where reclassifications have been ordered either by the officers who originally gave classification or by higher officers. Such cases, with all the facts and figures that could be collected for further examination, should be reported to the Director of Audit. Soil classification registers maintained in the engineering offices should be review by the inspecting officers for this purpose.

12.5 Check of 'On account' bills

'On account' bills should checked monthly due to the time lag between final bill and the preceding on account bills and the practice of making several adjustments in final bills in respect of payment and supplies made through running 'on account' bills. The percentage provided in M.O.I. (Railways) should be applied for check of 'on account' bills. It should be noted that 'on account' bills checked as separate item need not be rechecked at the time of audit of final bills.

12.6 Employment of project casual labour

Labour engaged on projects, irrespective of duration, except those transferred from other temporary or permanent employments are termed as 'casual labour'. Following aspects should be kept in vie in the audit of expenditure on casual labour:

(i) The project should be taken as one involving construction of new lilnes, major bridges, widening of tunnels etc. Only the concerned GM/HOD in consultation with FA&CAO is competent to decide whether a particular work is a project (Para 2501 I.R.E.M.

(ii) Project labours are generally governed by the Minimum Wages Act and they are to be remunerated at rates fixed under the said Act.

(iii) Casual labourers employed on projects who have put in 180 days continuous service on the same type of work are to be treated as monthly rated of the minimum scale of pay plus dearness allowance thereon.

(iv) The conditions of service of project casual labour have been liberalized with effect from 1.1.81. They have been allowed to attain temporary status after 360 days of continuous service. On acquiring temporary status casual labourers on projects are entitled to get benefits as admissible to temporary employees.

(Railway Board's letter No.E(NG)ii/84/CL/41 dated 11.9.1986).

(v) As far as possible casual labour required to be recruited on projects should be taken from amongst those casual labourers who have worked on open line/projects in preference to outsiders. However, intake of fresh faces as casual labour is permissible only after obtaining the approval of General Manager.

(vi) Generally, project casual labourers are required to be appointed against Group 'D' posts that may be required for operation and maintenance of newly created assets.

(vii) Registers showing particulars of appointment and service cards are required to be maintained as to facilitate the fixation of seniority and absorption against regular vacancies.

12.7 Inspection of construction offices

(i) General instructions contained in the chapter on inspections should be borne in mind during the local inspection of construction offices also.

The inspection of construction office is conducted annually and the percentage of gazetted supervision is 75 to 100%.

(ii) **Inspection of sub-offices:** The number of sub-offices to be inspected under each construction office will be the same as in the case of open line.

12.8 Review of Major Works

See Para No.60 of M.O.I. The instructions given therein should be borne in mind.

The time allowed for review of major works is five days.

As per extant instructions, on or two completed major works are also to be selected for review each year. In most of the cases, preparation of completion report pends for a long time after completion of work owing to delay to adjustment of stores debits, non payment of contractors bills due to arbitration, etc. and hence works cannot be treated as completed in all respects. The review need not be shown in arrears but the pending items noticed should be noted and reviewed at the time of next inspection in alternate year.

(C&AG's No.156-RA III/257/8-11/81 dated 23.5.1984).

12.9 Works Registers

As materials purchased for construction project do not pass through 'Stores' suspense account but are directly charged to the works, the responsibility for ensuring receipt of materials against all payment and vice versa rests with the executive engineers. It should, therefore, be seen during the review or works registers that the columns 'Advance payment for supply of materials' and 'Value of materials received in advance of payment to contractor' are properly maintained in the works registers and the balance under these columns is regularly reconciled with those in the subsidiary registers maintained for the respective suspense heads.

(ADAI's Endst. No.1803/RAI/7-15/61 dated 1.6.1962).

12.10 Review of tenders

All tenders invited for construction of new lines, major projects and other civil engineering works finalized in the CE (S&C)'s office, pertaining to any work undertaken by construction department on Metro Railway are reviewed by the Audit Officer (S&C). For this purpose advices about acceptance of tenders in various construction units are received quarterly from the CE (S&C)'s office. The results of the review of the tenders for works pertaining to audit offices other than S&C audit office are intimated to the concerned unit Audit Officers for action if any, required to be taken at their level. As regards the tenders accepted at other executive officers, the audit officer in charge of Survey & Construction units review these tenders on the basis of quarterly advices of accepted tenders received from the executive offices under their control.

Similar procedure is applicable in case of review of tenders finalized by the CSTE(C), and the C.E.E.(C) as also tenders accepted at unit level by the Signal & Telecommunication and Electrical construction departments.

CHAPTER 13

Books and Budget including Appropriation Accounts

13.1 General

The accounting of the centralized departments and of the Headquarters offices of the General Manager CLW, DLW & M. Railway and consolidation of the accounts is done in the Central Accounts section of the FA&CAO's Office at respective Headquarters. Consequently, the Books & Budget (Headquarters) Audit section is responsible for the audit of the General Books & Accounts of Railway including the audit of Capital and Revenue Account. Finance Accounts, Debt Head Report, Appropriation Account and other connected statements. The work done in the Survey and Construction Departments, workshops and stores in respect of the Accounts Office is audited by the corresponding auditing units of this office.

13.2 Duties of the Books & Budget Section

The duties of the sections in the Headquarters are as follows:

(a) Audit of General Books and Accounts and other items as per the programme of Audit relating to the section are given in Chapter XIX of the Railway Audit Manual and in the Memorandum of Instructions.

(b) Audit of the Appropriation Accounts.

(c) Audit of the consolidated Capital and Revenue Accounts, Finance Accounts and Debt Head Report.

(d) Issue of the audit certificates on the March Accounts, Appropriation Accounts, Capital and Revenue Accounts, Finance Accounts and Debt Head Report.

(e) The Books and Budget Section in the divisional/branch offices are also responsible for the audit of the items mentioned above in so far as the portion pertaining to their units is concerned.

The details of the works done in the Books & Budget Section are given below:

13.3 Sanctions

All sanctions having financial effect accorded by the President or Railway Board pertaining solely to this Railway and those accorded by the General Manager relating to the Books & Budget Section will be audited by this section fully with reference to the schedule of powers and the canons of financial propriety.

13.4 Check of Journal Vouchers including scrutiny of Adjustment Mema

See item IV (22) under Central Audit in the MOI.

13.4.1 All adjustments pertaining to the Railway accounts are effected through journal slips (J.S.). The journal in which all these adjustments are

recorded is maintained by the Books Section of the Accounts office. The journal slips prepared by the various sections of the Accounts office are, therefore, sent to the Books section for posting into the Journal. All the Journal slips received from other sections of the Accounts office and those prepared by the Books section itself are registered in a manuscript register maintained in the Books section in serial order for each month. The serial number and the month to which the J.S. relates is quoted in the journal when each journal slip is posted therein. These journal slips relating to each month will be got bound separately for 'Revenue' and 'Capital'. In this connection, detailed instructions laid down in Para 377 of Railway Audit Manual may also be seen.

- 13.4.2** Whenever amounts are adjusted between Capital and Revenue by operating the heads of 'Transfer Revenue' and 'Transfer Capital', the capital Journal vouchers should be linked with the corresponding revenue journal vouchers and vice versa. In auditing the journal vouchers relating to transfer transactions, remittance transactions, normally dealt with by the Books sections, it should also be seen that:
- (a) The debits raised against Government department have been accepted by the departments concerned.
 - (b) In case of transfer transactions with other Railways, necessary transfer certificates are accompanying the journal vouchers and that the supporting vouchers have been duly accepted and allocated to the correct heads of account.

13.5 Tracing the postings from Journal Vouchers into Journals

The particulars of journal vouchers selected for audit in a month should be advised by individual auditing section including traffic, workshops and Stores audit section to the Books & Budget (Headquarters) audit section where general books are not being maintained by the respective Accounts Offices. The Capital and Revenue journal vouchers prepared should be got selected to the extent prescribed and traced into the Capital and Revenue journals by the Books & Budget (Headquarters) audit section. If the number of journal vouchers selected for audit does not come up to the number of journal vouchers selected for tracing into journal, a subsidiary selection should be obtained by Books and Budget headquarters audit section to make up the deficiency and get these journal vouchers also audited by the concerned sections. Similarly, the Books & Budget audit sections attached to the Divisions etc. should trace the journal vouchers selected into journals maintained by the respective accounting units.

13.6 Check of monthly accounts with schedules and journals

See item IX under Central Audit in the M.O.I. Para 362 RAM and Paras 323 to 340-AI.

- 13.6.1** During the check of monthly accounts, the totals in the journals of the amounts debited and credited to each detailed head should be checked and traced into the summary at the end. In the ledgers, the total debits and credits to the main heads of accounts booked in the

Capital and Revenue journals should be traced into the debit and credit columns of the ledgers. The opening balance of the month in the ledgers should be verified with the closing balance off the previous month. The correctness of closing balance should then be checked. It should be seen that the heads of account shown in the ledgers, journals and account current are correct and up-to-date.

13.6.2 As regards the consolidated Account Current sent to the Railway Board, a separate schedule register is maintained by the headquarters books central section for consolidating the details received from the several units. The posting in these registers will first be checked with reference to the Account Current received from the various units. The correctness off the totals should then be checked. Thereafter the consolidated ledgers and Accounts Current will be checked with reference to these registers.

13.6.3 The fair copies of the Account Current for the month of March will be sent to Audit offices by concerned Accounts Officers for certification of true copies. The consolidated March Account Current at Headquarters will be sent to Director of Audit by the FA & CAO before despatch to the Railway Board for recording the certificate 'Compared with the office copy and found to be a true copy' as prescribed in Para 378 of Railway Audit Manual along with the office copies. After comparison of the Accounts Current and the accompaniments, the certificate will be recorded in the body of the main Account Current only and returned to the accounts office, retaining one complete set for reference and record. The check of the Accounts Current should be taken up separately and completed as expeditiously as possible. One copy of the audited consolidated March Account Current should be sent to Deputy Comptroller & Auditor General of India (Railways).

13.7 Check of General Cash Books

See item No.VI (b) under Central Audit in the M.O.I. Para 357 of RAM and Paras 303 to 306 of AI.

13.7.1 The general cash book records the receipts and disbursement of cash on each date. The General Cash Book maintained by the Books section of the headquarters accounts office, records the earnings of the whole Railway as also the miscellaneous receipts and expenditure relating to the transactions dealt with by headquarters accounts office. Similar General Cash Books maintained by other dependent accounting units record miscellaneous receipts and expenditure relating to the transactions dealt with by those units.

13.7.2 The earnings of the Metro Railway are received by the cash offices at Calcutta. The cash check sheets prepared by these cash offices are sent to Deputy Chief Accounts Officer (TA), but the amount of earnings as per these cash check sheets are abstracted by the cash offices in the form 'Memo of daily cash transactions' and sent to the headquarters accounts office. The General Cash Book maintained by the headquarters accounts office is posted as regards station remittances from the Memo of daily cash transactions and not from cash check sheets.

13.7.3 The cash account is maintained under Revenue Accounts. The payments and receipts on account of Capital are, therefore, adjusted by transfers in the Revenue Accounts, i.e. debited or credited to 'Transfers Capital'.

13.8 Cash of Cashier's Cash Book

See item No.VI (7) under Central Audit in the M.O.I., Para 358 of RAM and Paras 1946, 1947, 1954 and 1955-AI. Also see cash and pay department's manual.

13.8.1 Two sets of cash books are maintained by the cash office, viz., one for recording receipts of cash from stations and the public and payment of the same into the treasury and other to record the receipts of cheques from the accounts office and issue of the same to pay clerks for payment. The former is called cashier's cash book and the latter is called paymaster's cash book.

13.8.2 The cashier's cash book should be checked to see that:

- (i) The opening balance agrees with the closing balance of the previous day.
- (ii) The total traffic collection tally with the total of the summary of traffic check sheets-Para 1943 AI.
- (iii) The miscellaneous collection tally with the daily total of the miscellaneous cash receipts books.
- (iv) The remittance into the treasuries agree with the amounts indicated in the counterfoils of remittance notes and they are supported by the treasury receipt (Para 1994-AI), and
- (v) The closing balance is correct.

As regards audit of paymaster's cash book, the instructions contained in paragraphs 1962 and 1963 AI for internal check by accounts office should be followed. Each pay clerk has also to maintain a cash book. The audit of this cash book should be conducted with reference to the rule and orders on the subject issued by the FA & CAO. The check of the accounts of the Pay Clerks, Divisional Pay Masters and Cashiers of Pay Department may be carried out in terms of Para 360 of Railway Audit Manual.

13.9 Verification of Cash Balance

The instructions contained in Para 359 of Railway Audit Manual should be followed in conducting the verification of cash balances.

13.10 Audit of General Cash Abstract Book

They should be checked along with general cash book. The grand totals of these two sets of cash books should be compared.

The detailed totals given at the foot in the cash abstract book, which should also be checked, should be traced to the journal slips prepared by the Accounts Section for crediting and debiting the head of account 'Cash' and posted at the foot of the journal of the month. The general

instructions regarding maintenance of the general cash abstract book are given in paragraph 306 AI.

13.11 Review of working of the Cash and Pay Department

A review in regard to the handling of cash at various stages so as to enable personal responsibilities being fixed in the event of loss or embazzelment may be done with reference to the instructions issued by the Railway Board and those contained in paragraph 360 of Railway Audit Manual.

13.12 Adjustments with other Government Departments

See Para 361 of RAM and Paras 223 (b), 432, 444 and 445 AI.

13.12.1

It should be seen that reconciliation (Para 441 and 442 AI) has been done and that at the end of the year no balance is existing under the head 'Account with States' and 'Reserve Bank Suspense' and if there is any outstanding balance, action has been taken to investigate and adjust the same in the earliest possible month of the next year.

13.12.2

Reconciliation of amounts booked under 'Reserve Bank Deposits', 'Remittance into Bank' and 'Cheques and Bills'.

A general review of the reconciliation of the amounts booked under 'Reserve Bank Deposits', 'Remittance into Banks' and 'Cheques and Bills' should be conducted yearly with reference to Paras 441 to 445 of the Indian Railway Code for the accounts Department. The reconciliation for one month in the year should be checked in detail, with the figures advised by the Reserve Bank.

13.13 Audit of 'Transfers within the same Railway' and 'Transfer between Railways'

The general instructions for audit of 'Transfers inter-Railway's contained in Para 363 of Railway Audit Manual and Paras 404 to 416 AI may be seen.

It should be generally seen that the transfer transactions are adjusted expeditiously to final heads of accounts and there is no outstanding at the close of the year under the head 'Transfer divisional' and that if there is any unadjusted balance, it is not adjusted to any suspense head merely to effect nil balance under the transfer head and such unadjusted balances are reported to the FA & CAO with reasons for remaining outstanding.

13.14 Audit of reconciliation of Accounts Registers with General Books

The General Books of the Railway, that is:

- (i) The General Cash Book
- (ii) The General Cash Abstract Book
- (iii) The Journal, and
- (iv) Ledger.

Do not record the transactions by sub detailed heads of accounts. In order, therefore, to have the detailed classification of the transactions

as appearing in the General Books, separate subsidiary records are maintained.

These are as under:

1. Register of Works
2. Register of capital, DRF, DF & OLWR (Revenue) expenditure
3. Revenue Allocation Register
4. Register of Earnings
5. Suspense Register

The various suspense Registers are as under:

- (i) Demands payable Register
- (ii) Miscellaneous Advance Register
- (iii) O-Loans and Advances Register
- (iv) Deposit unpaid wages Register
- (v) Deposits Miscellaneous Register

The receipt and expenditure transactions recorded in these subsidiary registers by sub-detailed heads of accounts must agree with those recorded in general books without which the correctness of these records would not be ensured. In this connection the orders regarding reconciliation of the subsidiary register with the general books contained in Para 322 AI may be seen.

13.15 Audit of Capital and Revenue Accounts

See item VIII (10) under Central Audit the M.O.I. Para 364 of RAM

13.15.1

The various statement of accounts included in the Capital and Revenue Accounts, the forms in which the statements are prepared and the certificates appended to the Capital and Revenue Accounts are given in paragraphs 702 to 727 AI. These accounts are given in section II of the annual report of the Railway. The Capital and Revenue Accounts are prepared for the financial year. The auditing sections will verify the information furnished by the Accounts Officer at headquarters and Divisions for compilation of Capital and Revenue Accounts and intimate results thereof to Books and Budget (Headquarters) audit section. The Financial Adviser & Chief Accounts Officer will compile the Capital and Revenue Accounts of the Railway and forward them to the Railway Board furnishing simultaneously copies thereof to the Books and Budget (Headquarters) audit section for verification. The accounts should be checked completely as regards statistical statements prepared by the Railway. The statement numbers II to IV and VII are not prepared by this Railway as there are no worked lines forming part of this Railway system. Irregularities noticed should be pointed out to the FA&CAO for rectification.

13.15.2

Advance copies of the Capital and Revenue Accounts together with the audit certificate prescribed in Para 8 of Railway Audit Manual vide Para 412 of Railway Audit Manual should invariably be sent to the

Comptroller & Auditor General of India as soon as the audit is completed. When the printed copy of the accounts is received, it should also be sent to the Comptroller & Auditor General of India. (CAG's letter No.2611/4-11/61 dated 19.7.1961).

13.16 Audit of Finance Accounts

For extent of Check-See item No.VIII (8) under Central Audit in M.O.I. Para 370 of RAM.

13.16.1

The definition of Finance Accounts, its scope, the description of the various schedules and the appendices forming part of those accounts, the forms in which they are to be prepared and the certificate to be appended thereto are given a paragraph 728 to 747 AI.

13.16.2

These accounts should be checked in details from the Capital and Revenue Accounts for March for the year concerned and the Finance Accounts of the previous year for purposes of check of cumulative figures to end of the year shown in the various schedules. The instructions contained in the CAG's letter No.2621-RA/II/4-11/61 dated 19.7.1961 are also applicable I the check of finance Accounts. After the check is over and the audit certificate is recorded (Para 747-AI), and audited copy should be sent to the Comptroller & Auditor General of India.

13.17 Audit of Debt Head Report

See Para 373 of RAM and Paras 748 to 752 AI

13.17.1

The Debt Head Report will be compiled by the Accounts Officers attached to P.U.s. Constructions, Workshops etc. in respect of Debt Heads operated by them and sent to the headquarters Book sections of the FA&CAO's Office, simultaneously endorsing copies thereof to the concerned Audit Officers for verification. The respective audit sections will verify the reports with reference to the previous year's audited statements and ledgers maintained in the accounts offices. In auditing the Debt Head Report, it should be seen whether the general instructions issued by the Railway Board for the compilation of the report have been compiled with.

13.17.2

A copy of the audited Debt Head Report together with comments which could not be settled at the unit level will be forwarded by the auditing section to Books & Budget (Headquarters) audit section.

13.17.3

Based on the Debt Head Reports received from the various Accounts Officers, the headquarters books section of FA&CAO's Office will prepare a consolidated Debt Head Report for the unit and forward the same to the Railway Board and the Books & Budget (Headquarters) audit section. The latter will check the report and will return the audited copy of the Debt Head Report the FA&CAO incorporating the audit

certificate prescribed in Para 8 of Railway Audit Manual. A copy of the audited Debt Head Report should be sent to DAI (Railways) by the due date.

13.18 Statement showing transfers without financial adjustment

13.18.1

The unit Accounts Officers will compile this statement and send it to the FA& CAO furnishing copies thereof simultaneously to the respective Audit Officers for verification. The Audit Officers, after verification of the statement will advise the results to the Books and Budget (Headquarter) audit section. The BB Audit section (Headquarter) will audit the statement compiled by the FA&CAO for the entire Railway P.U.s. based on the advices received from the unit Audit Officers. Copies of the audited statement will be furnished to the DAI (Railways). In checking this statement, it should be seen that in respect of inter-Railway adjustments, the acceptance of the foreign Railways to the inclusion of the amounts 'Per-contra' in the statements relating to them have been obtained and kept on record. Generally copies of the statements relating to other Railways will also be received in the accounts office if any items having per-contra adjustments with this Railway are included therein. Such statements should also be consulted to see that inter-Railway adjustments shown in the statements pertaining to this Railways have been correctly reflected by other Railways.

13.18.2

Items of adjustment within the Railway (Intra-Railway) should be verified with reference to audited details received from the various units and the authority for such adjustments. It should also be seen that in respect of adjustments relating to the Loans and Advances by the Central Government and Indian Railways Deposits details of the amount pertaining to each of minor heads/classified heads thereunder are furnished separately and not in one lump.

13.19 Statement showing calculation of dividend payable to General Revenue

The statement prepared in the prescribed proforma indicates capital at charge upto the end of the previous year and that during the current year. As the rate of dividend payable prior to 1.4.1980 and from 1.4.1980 capital at charge is different, the statement also indicates total capital at charge at the end of the year distinguishing that pertaining to pre-1.4.1980 and from 1.4.1980. The total capital at charge at the end of the previous year indicating pre-1980 and post 1980 capital as on 1st April of current year should be verified with reference to the respective audited figures of the capital at charge on 31st March of previous year and the respective figures of transfers without financial adjustment of current year. The outlay during the current year should be verified with reference to the schedules appended to the March Capital Account Current. The deduct entries for the following items:

- (i) Residential Buildings

(ii) Outlay on new lines other than those taken up on other than financial considerations, and

(iii) Outlay on P&T linewires for both Pre-1980, post-1980 and current year are verified with reference to audited statement of previous year as also the compiled data for the current year. Thereafter the net capital outlay incurred during the year (and half thereof) will be verified.

2. According to Railway Convention Committee 1980, further continued by the Railway Convention Committee 1985 and accepted by the Government, the rates of dividend for the two quinquennium periods of 1980-81 to 1984-85 and 1985-86 to 1989-90, the rates of dividend payable to General Revenue are as under:

- | | | |
|-------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| (i) | On the Capital invested upto 31.3.1980 | 6% (Inclusive of 1.5% on capital invested upto 31.3.1964 for payment to states in lieu of passenger fare tax etc.) |
| (ii) | On the Capital invested | 6.5% |
| (iii) | Capital cost of residential buildings. | Concessional dividend of 3.5%. |

The correctness of the dividend payable at different rates as mentioned above should be checked.

The correctness of the amount of deferred dividend payable in respect of any new line which has completed the moratorium period should then be verified with reference to the statement of deferred dividend. The total amount of deferred for the year proposed to be paid will then be verified.

13.20 Statement of deferred dividend

According to Railway Convention Committee Report, 1980 and 1985, and accepted by the Government, in respect of the capital invested on new lines excluding the notified lines, taken up on or after 1.4.1955 on other than financial considerations, the dividend payable is to be calculated at the average borrowing rate for each year but deferred during the period of construction and the first five years after opening of the line for traffic. The deferred liability is to be paid out of the future surplus of the lines after payment of current dividend. The account of unliquidated deferred dividend liability on new lines is to be closed after a period of 20 years from the date of their opening, extinguishing any liability not liquidated within that period.

The deferred dividend statement which is prepared along with the dividend statement should be checked on the lines mentioned above.

The statement showing the capital outlay in respect of each new line and deferred dividend etc. should be submitted as an enclosure to the Dividend Statement.

13.21 Statement of Subsidy from General Revenue

Statement of subsidy to be claimed from General Revenues is prepared along with the dividend statement. Capital invested in the following cases qualifies for subsidy from the General Revenue to the extent of the dividend calculated at the rules specified for them:

- (a) Strategic lines
- (b) New line taken up or after 1.4.1955 on other than financial-considerations
- (c) Unremunerative branch lines
- (d) Ore lines
- (e) Ferries and welfare buildings
- (f) 50 percent of the capital invested on all works in the current year and in the two previous years excluding capital invested in strategic lines.

The statement should be checked on the above lines. This statement is also sent as an enclosure to dividend statement.

13.22 Review of Registers of

- (i) Serious irregularities
- (ii) Losses
- (iii) Objectional items

See Paras 853 and 861 AI and Para 482 of Railway Audit Manual.

These registers maintained in the accounts offices should be reviewed by the Books and Budget audit section at headquarters and in branch offices. While reviewing the registers, the relevant files of accounts office should also be reviewed to see whether:

- (i) the case could be considered for comment in the Audit Report
- (ii) action taken by the Administration is adequate, and
- (iii) safeguards exist to avoid recurrence of such irregularities.

13.23 Review of Miscellaneous Advances and Deposit Register

See Paras 320 and 321-AI.

In reviewing the registers, it should be seen whether the instructions contained in Para 322-AI are being observed. The outstanding at the end of the month of account selected for audit should be traced back to the month of origin in addition to a general review. The instructions contained in Paras 1217 and 321-AI and Para 371 of Railway Audit Manual should also be borne in mind.

13.24 Review of Demand payable Register

See Para 1021-AI

It should be seen that the balances as per the register are reconciled monthly with those appearing in the general books (Para 322-AI). While reviewing the register, the instructions contained in Para 1612-AI should be borne in mind.

13.25 Audit of Budget Register and Re-appropriation Statement

13.25.1

The general instructions for checking orders of appropriation and re-appropriation of funds and review of the system of control over expenditure contained in paragraphs 386 to 390 of Railway Audit Manual may be seen. It may further be seen that:

(i) the Revised Estimates for the current year and the Budget Estimates for the ensuing year for the voted and the charged expenditure of the Railway are prepared in the prescribed forms for presentation to the Parliament.

(ii) the various authorities exercise the powers of utilization of funds, as provided in the sanctioned budget.

(iii) the various authorities exercising the powers in the matter of transfer of funds originally assigned for expenditure on specific object to supplement the funds sanctioned for another object (such transfer of funds is called 're-appropriation') are competent to do so.

13.25.2

It may be noted that the budget grants as voted by the Parliament and the appropriation as sanctioned by the President are the limits within which expenditure may be incurred by the Railway Administration during financial year on the specific purpose for which the grants have been made. The unforeseen expenditure and expenditure on a new service not contemplated in the budget is, however, authorized to be incurred against advances from the contingency fund which may be sanctioned by the Government on application by the Railway administration. Such expenditure is, however, required to be subsequently authorized by the Parliament. A statement of Contingency Fund account indicating advance from the fund, recoupment to the Fund and expenditure, is sent to Deputy Comptroller & Auditor General of India (Railways) each year by 31st August.

Copies of such authorisations are endorsed to the respective Directors of Audit. On receipt of such authorisation, the concerned auditing sections may, in addition to the works contained in the Works, Machinery and Rolling Stock Programme of the Railway for year, review such works as desired in CAG's letter No.1912-REP-274-15 dated 24.9.1968 received under ADAl's letter No.4626-RR/6-1/68 dated 28.10.1968 to see if expenditure thereon does not attract the provision of 'New Service/New Instrument of Service' and take up the matter with the administration, if necessary, with the least possible delay.

13.25.3

A report on new services not contemplated in the budget including expenditure on individual survey works etc. is required to be sent to Deputy Comptroller & Auditor General of India (Railways) by 31st August each year. Detailed guide lines to treat the work etc. as a new service not contemplated in the budget, have been given in letter No.F7/(15)-8 (RA) 182 dated 13.3.1982 of Ministry of Finance – CAG's endorsement No.846-RAIII/RR/81 dated 21.8.1982.

13.25.4

The progress of expenditure has to be watched and kept within the grant or appropriation. The responsibility for doing this is that of the executive departments who are authorized to spend the money. The Accounts departments are, however, required to assist the executives in this regard.

13.25.5

In the accounts office attached to the spending units of the Railway administration, a grant register is maintained to keep watch over the progress of expenditure against sanctioned grant. In this register, allotment of funds by sub-head under each grant is noted on separate pages for each grant. The allotment of funds is noted from the Budget orders and the Works Machinery and Rolling Stock Programme and subsequent sanctions by the Railway Board or other competent authorities. The allotment of funds is noted in the upper half of the page and the expenditure incurred during the month is recorded in the lower half of the page. In the accounts section of the headquarters accounts office, a similar grant register is maintained for consolidating and watching the expenditure against the total grants for the entire Railway. For that purpose, a subsidiary register is also maintained for collecting the expenditure under each sub-head of the grant relating to different accounting units and the total of all these is posted in the grant register for the whole Railway.

13.25.6

In checking the figures posted in the grant register, it should be seen that expenditure in excess of allotment under a grant or appropriation is treated as unauthorized to be regularised by the Administration by obtaining a supplementary allotment, and that till such time the expenditure in excess is held under objection by the accounts office for want of appropriation or as excess over appropriation.

13.25.7

The re-appropriation statements under grant heads sanctioned by the General Manager are received in this office. These should be checked to see that:

- (i) the allotments are within the amounts placed at the disposal of the General Manager by the Railway Board.
- (ii) the re-appropriations are within the powers of sanction of the General Manager as intimated in the budget order as per the powers exercisable by him in accordance with the codal provisions.

13.25.8

The re-appropriations should also be examined as to propriety, sufficiency, necessity and its frequency should be scrutinized. It should be seen if the orders of re-appropriations were passed as soon as necessity for additional expenditure was foreseen or if they were left to be sanctioned towards the close of the year. Frequent re-appropriation points to defective budgeting while faulty, unnecessary or insufficient re-appropriation indicates an inadequate watch over expenditure by the controlling authority. It should be seen if this inadequate watch is due

to any defect in procedure in the accounts or administrative offices or to any other cause.

13.25.9

The reasons which have necessitated the additions to and deductions from the sub-heads of grants affected by such re-appropriation are required to be indicated at the time, re-appropriations as sanctioned. Therefore, wherever, the reasons are not given, these should be called for.

13.26 Introduction of New Accounts Classification

The new accounts classification system has been introduced with effect from 1.4.1979 on the Railways with the following main objects:

(i) To evolve a fully developed system of responsibility accounting and to re-orient accounting classifications so as to bring in eventual breakdown of costs after eliminating all superfluous classifications which were out of date or irrelevant.

(ii) To set up an effective system of management accountancy with a view to defining clearly management objectives, strategies and plans to achieve these objectives.

The revised structure of the Demands for Grants is based on function oriented analysis of working expenses and plan head-wise analysis of works expenditure. Accordingly, accounting classification has been revised to facilitate the introduction of Performance Budgeting. As against the existing 22 Demands, the restructure Demands for Grants are only 16 in number as shown in Para 11.27.8.

The revised classification has been given in the book 'Revised classification of Accounts of Expenditure and Earnings' published in August, 1978.

13.27 Audit of Appropriation Accounts

See chapter IV of Financial Code Vol.I, Chapter XX of App.5 of the Railway Audit Manual.

13.27.1

The Appropriation Accounts, statements and annexures thereto are prepared by various accounting units. These are consolidated for the purpose of presenting the same for the Railway as a whole, by the Budget section of the headquarters accounts office.

The Appropriation Accounts and statements should be audited as expeditiously as possible adhering to the programme fixed by the Railway Board and the Comptroller & Auditor General of India. A periodical report showing the progress in check and submission of Appropriation Accounts should be sent to Comptroller & Auditor General of India by the prescribed dates.

13.27.2

The amounts of original grants should be checked from the book of demands for grants and the budget register. The amount of final grant should be checked from the General Manager's re-appropriation statements and the budget grant register, which have already been checked. The actual expenditure should be checked with reference to Works and Revenue Allocation Registers, Capital and Revenue

Accounts, Pink Book and schedules accompany the March Account Current.

13.27.3

Explanations are given in the accounts for large variations between final grant and actual expenditure. The causes of variations including compensating variations being explained for the grant as a whole at the end of the Appropriation Account of that grant.

13.27.4

The correctness of these explanations should be verified after a close study of the accounts office file relating to the preparation of the budget and revised estimates and other review files containing explanations offered by the departmental officers. Cases of misclassifications, defective budgeting, irregular re-appropriation, coming to notice during audit should be pointed to the FA & CAO for inclusion of these items in the relevant Annexures to the Appropriation Accounts. Any defects noticed in the explanation or in the figures shown should be got rectified, comments offered on the Appropriation Accounts should be sent to the FA & CAO for his acceptance or remarks, if any.

13.27.5

Grant No.14 – Appropriation to Funds

The grant includes among other Funds, appropriation to Accident Compensation and Passenger Amenities Fund. The actual appropriation to this fund i.e, surcharge creditable to this fund is worked out by the Traffic accounts branch. This amount, credited during the year should be checked by Traffic audit branch, and intimated to BB section (Headquarters). The information should indicate the total amount credited, total amount creditable based on the total passenger earnings upto 31st March, reasons for the difference, if any. This information should be sent by the end of second week after closure of March accounts each year.

13.27.6

A final copy of the Appropriation Account as accepted by audit should be sent to the Comptroller & Auditor General of India with comments, if any. References received from C&AG in connection with these accounts should be attended to promptly.

13.27.7

After the submission of all the final copies of Appropriation Accounts to the Comptroller & Auditor General of India, the audit certificates prescribed in Para 8 of the Railway Audit Manual should be furnished.

13.27.8

The following grant accounts are prepared and sent to audit for check:

Grant Accounts

- | | | | |
|-----|------------------------|-------|------------------------------------------------------------------------------|
| 1. | Civil Grants | (i) | Loans and Advances to Central Govt. servants etc. by the Central Government. |
| | | (ii) | Interest on debt and other obligations and reduction or avoidance of debt. |
| | | (iii) | Pre-partition payments |
| 2. | Grant No.2 | | Miscellaneous expenditure |
| 3. | Grant No.3 Abstract A | | General superintendence and services |
| 4. | Grant No.4 Abstract B | | Repairs and maintenance of permanent way and works |
| 5. | Grant No.5 Abstract C | | Repairs and maintenance of motive power. |
| 6. | Grant No.6 Abstract D | | Repair and maintenance of carriages and wagons. |
| 7. | Grant No.7 Abstract E | | Repairs and maintenance of plant and equipment. |
| 8. | Grant No.8 Abstract F | | Operating expenses-Rolling stock and equipment. |
| 9. | Grant No.9 Abstract G | | Operating expenses-traffic. |
| 10. | Grant No.10 Abstract H | | Operating expenses-fuel. |
| 11. | Grant No.11 Abstract J | | Staff Welfare and Amenities. |
| 12. | Grant No.12 | | Miscellaneous working expenses |
| | (i) Abstract K | | Suspense Miscellaneous Advance (R) |
| | (ii) Abstract N | | and Demands Payable. |
| 13. | Grant No.13 Abstract L | | Provident Fund, Pension & other retirement benefits. |
| 14. | Grant No.14 | | Appropriation to funds: |
| | Abstract M | (a) | Appropriation to DRF |
| | | (b) | Appropriation Pension Fund |
| | | (c) | Appropriation To Accident Compensation, Safety and Passenger Amenities Fund. |
| 15. | Grant No.15 | | Payment of Dividend to general revenues |
| 16. | Grant No.16 | | Assets, Acquisition, Construction and Replacements. |
| 17. | Grant No.17 | | Railway Board. |

13.28 The following Annexures to Appropriation Accounts and prepared and sent to audit for check:

13.28.1 Annexure 'A' – Statement of unsanctioned expenditure

The following instructions may be borne in mind while checking the statements:

(a) The total amount of expenditure in respect of each item placed under objection to end of the year will be considered to decide as amounting to Rs.1 lakh or below Rs.1 lakh each.

(b) The total amount of expenditure placed under objection to end of the year is to be shown yearwise as: (i) relating to earlier than previous year, and (ii) relating to the previous year, and (ii) relating to the year concerned. The amount to be shown against each year will be the amount of expenditure held under objection during the year, but not cleared upto 30th June of the year following the year to which the statements relates.

(c) The amount to be shown under the column previous year should be the same as shown in the current year column of the statement relating to the previous year or less than this amount if there was some clearance. Similarly, the amount to be shown under the column earlier than previous year is the sum of columns earlier than previous year and previous year of the last year's statement or less if there was some clearance.

(d) To work out the total amount held under objection during the year, minus figures (credit figures) held under objection are to be treated as plus figures.

(e) In respect of items of Rs.1 lakh and above, under each category, viz. want of estimate, excess over estimates, and miscellaneous irregularities, a statement should be attached giving full details in respect of each item. The details should show interalia the breakup of expenditure under objection under the categories, expenditure upto the years earlier than previous year, previous year and current year. The statement should indicate the amounts in units of Rupees. The statement prepared by the FA&CAO is checked with reference to audited copies received from units.

13.28.2

Annexure 'B' – Statement of undercharges detected by Accounts and Audit

(i) The following points may be borne in mind:

(a) For the purpose of this statement amounts withdrawn, written off, cleared by overcharge sheets and recovered during the year concerned should be shown irrespective of the fact that the portion thereto related to past years.

(b) The gross amount of earnings excluding refunds should be shown and not the net earnings.

(ii) This statement compiled by Dy. CAO (TA) is checked by Audit Officer (TA) and forwarded to Books and Budget Section at the

statement prepared by FA&CAO is checked with reference to this audited copy.

13.28.3

Annexure 'C' – Statement of remission and abandonment of claims to revenue:

The statement shows the total amount of remission and abandonment of claims to revenue on account of wharfage and demurrage charges foregone by the Railway administration. The items are categorized into Rs.25,000 each or more and below Rs.25,000 each and particulars of number of items are also shown in the statement. The amount foregone as a result of ticketless traveling is also explained in the footnote. In addition, a narrative report giving the balances of outstanding wharfage and demurrage at the beginning and the end of the year is also furnished to the DAI (Railways). The items of remission include other items of miscellaneous nature i.e. waiver or foregone pertaining to earnings. Further, for items of wharfage and demurrage amounting to Rs.1 lakh each or more, brief history of each case is required to be given. Wharfage and demurrage charge at items A(i) and A(ii) of the statement exclude refunds arising out of incorrect levy of charges as per Railway Board's letter No.60APP/4/6/68-69 dated 9.5.1970.

2. All the unit offices should send this statement to Audit Officer (TA). This statement compiled by Dy. CAO (TA) is accepted by Audit Officer (TA) and an audited copy is sent to Books and Budget section, headquarters.

3. The consolidated statement furnished by the Railway administration is to be checked with the audited copy received from the Audit Officer(TA).

13.28.4 Annexure 'D' – Statement of important open line Works:

The annexure contains:

Part I (a) Works costing Rs.20 lakhs and over which were undertaken without budget provision.

(b) Works costing Rs.20 lakhs and over of previous years on which expenditure was booked during the year without budget provision.

Part II Works costing Rs.50 lakhs or more for which budget provision existed but were not undertaken during the course of the year.

Part III Works of expenditure on open line works and new constructions costing not less than Rs.50 lakhs each completed during the year – Variation between original estimates and expenditure in respect of works completed during the course of the year.

This statement is checked with reference to the pink book and works registers. The statement prepared by the FA&CAO is checked with reference to the audited copies received from units. For the purpose of part III of the statement, a work is deemed to be completed when it is physically completed.

13.28.5

Annexure 'F' Statement of Estimated and Actual credits or recoveries.

This statement is compiled at headquarters by the FA & CAO (B) indicating Grant-wise particulars. It is verified at headquarters BB section with reference to Railway Board's allotment of credits/recoveries and actual credits/recoveries as per the March Account Current.

13.28.6

Annexure 'G' – Block Account, Capital Statement, Balance Sheet and Profit and Loss Accounts:

Part I – Capital statement (comprising loan account)

The statement exhibits the source of capital and how it has been spent. In fact it is a capital balance sheet showing the comparative figures of liabilities and assets for the current year and the preceding year in juxta-position.

Part II – Statement of Block Account including Loans Account.

This statement, besides showing the figures of part-I Capital statement, also exhibits the amounts drawn from various sources like DRF, DF and Revenue (OLWR) for the purpose of acquisition of assets. In respect of these sources only such portion of the annual expenditure which is incurred in acquisition for the betterment or improvement in the assets replaced is exhibited in the Block Account. On the assets side, the breakup of the amount, which are the various assets acquired from DF, DRF and Revenue, is shown separately. The Capital statement and Block Account prepared by FA&CAO's office is checked with reference to the audited copies received from various units.

13.28.7 Annexure 'H' – Statement of Losses:

The statement indicates all the items of losses written off and adjusted in accounts during the year under review, contributing them against the grant accounts concerned. Whenever the amount in respect of any item is more than Rs.25,000/- full details of the case are given when the loss is not due to natural calamities like floods etc. When loss is due to natural calamities, lumpsum amount is exhibited indicating the details briefly.

The statement compiled by the Railway Administration is to be checked with the audited copies received from the various audit units.

13.28.8 Annexure 'I': Statement showing irregular re-appropriation

This statement compiled at headquarters is checked with reference to the re-appropriations made during the year.

13.28.9

Annexure 'J' – Statement of misclassification and other mistakes detected during the course of the year.

All cases of misclassification and other important mistakes of over Rs.5,000/- are listed in this annexure grant-wise showing the particulars and the amount involved and the grants and their sub-heads affected. The particulars furnished should be such as to clearly indicate the nature of misclassification etc. In case of misclassification affecting more than one grant account, full particulars indicating the sub-head and the grant and the amounts in respect of each grant account affected should be furnished.

13.29 The following statements supporting the Appropriation Account are prepared and sent to Audit for check

13.29.1 Statement of outstanding suspense balance

(i) This statement is prepared separately for purchases, Miscellaneous Advance (Capital) and Miscellaneous Advance (Revenue) duly analysed by credits and debits and distributed over the years for which items have been outstanding.

(ii) In the remarks column, an analysis of the credit and debit balances relating to the period prior to previous year should be given by the main item also indicating the steps taken to adjust those balances. Brief explanatory notes should also be appended to the statement indicating the nature of the transactions and the reasons for their adjustment under the suspense heads and for the delay in their clearance.

(iii) The statement compiled by the FA&CAO is checked with reference to their audited statements received from the units.

13.29.2 Statement of Stores Accounts & Stock Adjustment Account

The statement of stores transactions include the entire stores transactions relating to both open line and construction of new lines, figures relating to commercial and strategic sections being given separately. A statement for stock adjustment account is prepared separately. These statements are centrally audited by the Stores (Headquarter) audit section with reference to the audited copies received from unit offices and an audited copy is sent to Books and Budget (Headquarter) audit section. The statement prepared by the FA&CAO (Budget) is checked with reference to the audited copy received from the Stores section.

13.29.3 Statement of defects in budgeting

This statement is prepared in two parts, Part-I shows the items where the defects in estimating have been noticed during the year and Part-II shows the expenditure classified differently in the Budget from the Accounts.

(ii) The statement prepared by the FA&CAO is checked with reference to the statements received from the units and the items accepted by

the FA&CAO for inclusion in the statement while finalizing the Appropriation Accounts of the various grants.

13.29.4 Statement of ex-gratia payments

This should be checked from the particulars recorded in the manuscript register maintained by the accounts office and the copies of the sanctions receive in audit office. Payments exceeding Rs.20,000/- in each case only are included in the statement. This statement should be attached along with Annexure H. This statement compiled by the FA&CAO is to be checked with the audited copies received from the various audit units.

13.29.5 Statement of changes in forms and classifications

A statement of changes effected during the year under orders of competent authority in forms, classifications and procedure is required to be furnished to the Board for their information and incorporation in the consolidated Appropriation Accounts Part-I. In this statement changes ordered by the Railway Board as well as those ordered by the administration are shown quoting reference to letters of the Railway Board or of the administration, giving effect to such changes.

13.29.6 Statement of Annual 'Voted' and 'Charged' expenditure

A statement of annual expenditure showing the reconciliation of the figures as appearing in the Account Current with those appearing in the Appropriation Accounts for the year is required to be furnished to the Railway Board. The amounts in this statement are to be furnished in Units of rupees, and any difference due to rounding off between the figures of the Accounts Current and those of Appropriation Accounts are required to be suitably explained. This statement compiled by the FA&CAO is verified centrally by the Books and Budget Section, Headquarters.

13.29.7 Statement showing percentage of working expenses to earnings

This statement in respect of entire system including worked lines is also submitted with the Appropriation Accounts. This statement contains brief note explaining the variations in the percentage for the year as compared with that for the previous year. This statement compiled by the FA&CAO is verified centrally by the Books & Budget section at Headquarters.

13.29.8

Fund Accounts: DRF, DF, Pension Fund, Accident Compensation, Safety and Passenger Amenities Fund

These accounts are compiled centrally by the FA&CAO (B) and are checked by the BB section, headquarters with reference to the records maintained in the accounts office.

13.29.9

Statement of Loans and Advances to Railway Consumer Co-operative Societies

A statement indicating loans to Railway consumers co-operative societies and their recovery etc. is prepared by the FA&CAO (Books). This statement is audited with reference to the audited statements received from the units.

13.29.10 Summary of working expenses by Revenue Abstracts

A statement showing working expenses abstract-wise is prepared by the FA&CAO (Books). This statement duly audited is sent to the DAI (Railways).

13.29.11 Statement of credits to capital for retired assets

This statement indicates the amount credited to Capital by debit to DRF during the year in respect of abandoned/retired assets. The statement is verified with reference to the audited statements received from the unit offices.

13.29.12 Profit and Loss Account of Catering

The Account compiled by the FA&CAO (Catering) is checked by the Catering audit section headquarters, with reference to the audited copies of the account received from the divisions and an audited copy of the compiled account is sent to BB section, headquarters. The section will check the account received from the FA&CAO (Budget) with reference to this audited copy.

13.30 Audit of statement showing particulars of investments in share of Private Companies, Co-operative Societies and State Corporations

A statement showing the investment made by the Railways in the Railway consumer co-operative societies is required to be sent along with the Appropriation Accounts. This statement is checked by the Expenditure audit section, Headquarters with reference to the audited statements received from the unit offices. The audited statement received from the Expenditure audit section (Headquarters) is forwarded to the DAI (Railways).

13.31 Review of control over expenditure

In this regard the instructions contained in paragraphs 405 to 407 of Railway Audit Manual may be seen.

After the certification of all the Grant Accounts, Statements etc. each unit should send a report to Books and Budget section, Headquarters bringing out failure of administration if any on control over expenditure, duly accepted by the administration. Based on these reports, a report is sent to DAI (Rlys.).

13.32 Civil Audit Reports, Finance Accounts, Appropriation Accounts and PAC Reports (Civil)

Audit Reports (other than Railway) Finance Accounts and Appropriation Accounts of the various accounts offices are received in the Books and Budget section headquarters. These are circulated to all Branch Officers of the headquarters office for information. PAC Reports and Audit Reports (Railways) are received in the Co-ordination section and are dealt with in that section.

13.33 Audit Certificate

After the completion of yearly test audit each year, each Audit Officer should send an audit certificate as per Para-8 of Railway Audit Manual by 1st September each year to Books and Budget section headquarters. Based on these certificates, a similar certificate is sent to Deputy Comptroller & Auditor General of India (Railways).

13.34 Audit of Pay Orders issued by the C.C.S. and by the Personnel Branch for payment to Staff from the Society's Account and the Railway Minister's Welfare Fund respectively and cashed at Stations

Consequent on the embargo placed by the Railway Board on the encashment of pay orders issued by the C. Credit Society, Railway Minister's Welfare Fund and relief Fund, etc. from station earnings, detailed instructions have been issued by the Railway administration for meeting the requirement of the Railway Board. Under this procedure, the Secretary, Credit Society/C.P.O. (for Railway Minister's Welfare Fund) will deposit with the Chief Cashier, the anticipated payments to employees from the CCS/Fund during the next fortnight or month, simultaneously advising the FA&CAO (Books) of the deposited. A separate suspense head styled 'Deposit Misc. C.C.S./Deposit Misc. Railway Minister's Welfare and Relief Fund Account' will be maintained by the FA&CAO (Books) to which head the amount will be credited. The pay orders issued by the C.C.S./C.P.O. (or an officer of the Personnel Branch) will be authenticated by the FA&CAO (Books) to the extent credits are available and return it to the society/C.P.O. who will make arrangements for payment to the employees through station master, out of station earnings.

With effect from February 1977 the total amount of C.C.S. Calcutta and sub-offices will be shown in cashiers cash balance and be cleared on the subsequent working day by debiting the paid POS/DPOS to the head 'Deposit CCS' on the payment side of the cashiers cash book.

The Chief Cashier/Divisional Cashier will prepare daily and month-wise separately for CCS-headquarters and sub offices, a list of paid POS/DPOS (5 copies) and 3 copies of the list of said POS/DPOS duly countersigned by the Accounts Officer, who is controlling and countersigning the cash book along with the Daily Memo of cash book be sent to the concerned Accounts Officer who embossed the paid POS/DPOS. After scrutinizing the list, 2 copies of the list along with

paid POS/DPOS be sent to the CC society for acceptance and return of one copy duly accepted. On receipt of the accepted copy, the same will be checked with accounts copy and a remark 'Checked by CCS' be given in the office copy and signed by Section Officer of the concerned accounts office. In case of discrepancy, the same will be reversed and regularized by minus debit to 'Deposit CCS' and added to the cash balance.

In the case of Pay Orders issued by the branch of the C.C.S. Bank, the Divisional Accounts Officer, will authenticate the pay order on the basis of the credit transferred by the FA&CAO (Books) to the Divisional Accounts Officer.

For the purpose of audit of these transactions, the following instructions are laid down:

- (i) The particulars of POS/Statements shown in payment side in the cash book will be verified with copies of the accounts office.
- (ii) The proforma accounts and the register of deposits miscellaneous should also be subject to annual review as usual.

CHAPTER 14

Workshop Audit

14.1 General

In open line railways the Workshop Accounts Office under the control of Workshop Accounts Officer is in charge of and responsible for maintenance of all accounts of the Workshop including the Workshop establishment, provident fund and costing. The Workshop Accounts Officer is directly responsible for all the finance and accounts functions relating to the Workshop but he works under the administrative control of F.A. & CAO. of the concerned open line railway. In production units there is no separate Accounts Officer for the Workshop only as the general administration including accounts is mainly for the Workshop. The functions and responsibilities of the Workshop Accounts Officer In open line railways are being discharged by the Accounts Office as a whole of the production unit.

The organization set up at each of the units is as follows:-

The Chittaranjan Locomotive Workshop organization is headed by three HODs viz. C.E.E., CME(W) and CME/S.F. The Workshop in (Diesel Locomotive is headed by CME and Additional Chief Mechanical Engineer Is the overall in-charge of the Workshop organization. In the Integral Coach Factory, Workshop is divided into Shell, Furnishing and Electrical departments and CME Is in-charge of all the three departments.

The above HODs are assisted by different subordinates viz. ACME, Dy. CME, WM, SME, ME etc. in different units. The accounts of Workshop are being maintained in the following sections:

- (i) Time keeping organization,
- (ii) Incentive Bonus & Piece-work Section,
- (iii) Workshop Establishment Section,
- (iv) Workshop Manufacturing Section,
- (v) Costing Section.

Time keeping Organization

This organization is responsible for maintaining the initial record of attendance of all workshop staff which serves as a record for payment as well as for allocation of labor charges. The staff of this organization is not borne on the cadre of Accounts Office. This organizations is responsible for booking of time spent by operators on various work orders. There are Time Booths Inside the individual shop. The attendance up-to the level of Charge-man Is being maintained on the Gate Attendance Card (M-21) with the aid of time recorder clocks. Gate Attendance Cards are punched 'In' and 'out' by the workman at the time of coming in and going out. At the end of the month, summaries of the attendance for the whole month are prepared. Leave sanctioned is also marked on Gate Attendance Cards. E.D.P. centre prepares pay bills of the workshop staff with the help of Gate Attendance Cards.

Time Office is also the custodian of the job cards which are used for booking time in respect of various operation carried out by the operators for a particular job. The Office works out the total time taken on completion of a particular job and records the same in the respective column of the job card, Job cards are then allotted serial number and certified by Inspectors in respect of work done. Compilation and preparation of Incentive Bonus bills are made with the help of Job Cards. Time Office is also responsible for **Proceeding Time Card**, Man Idle Time card and Machine Idle Time Card.

Workshop Establishment:- This section is responsible for arranging payment of all claims of workshop staff (including workshop labor) and watching recoveries in respect thereof. Computer printed Pay Bills of the various bill units of the shops submitted by the Personnel branch of the workshop are checked and passed by the Workshop Establishment Section. The total amount of each bill is summarized in a Memo showing the different denominations of coins and notes required for each bill unit as well as each payment booth. This Memo is known as change Memo which is sent to Cash Office on the day preceding the payment day. The payment of the Workshop labor is being made with the help of the payment clerks selected for this purpose by the Officer-in-charge of the Section. The mount of wages is entered on the pay envelopes along with the Ticket No. Each Payment Clerk is assisted by a charge-man specially deputed for this purpose. The Gate Attendance Cards of the month for which payment is to be made are distributed to the respective Workshop labor on the second half of the payment day. On collection of the Gate Attendance Cards the envelopes are handed over by the charge-men to respective labor after verifying the ticket no. as shown in the envelope with that of Gate Attendance Card. The amount of unpaid envelopes is tallied with the total amount of unpaid as struck off in the Pay Bill and is handed over to the Cashier on the same day. The unpaid wage lists are being prepared by the respective payment clerks on the next day. The lists are handed over to the Cashier for arranging payment to the unpaid workers in the usual manner.

Incentive Bonus & Piece-work Section:- This section deals with the payment of incentive Bonus to the Workmen and compiles the various managerial statements in respect of incentive Scheme. Under the incentive Scheme, the wages of the Workers and the Supervisors participating in the scheme are guaranteed. Time is the yardstick for measuring the work and productivity and determining the amount of incentive bonus payable. The 'Allowed Time' for each operation is fixed after detailed study and includes allowance for fatigue, general handling etc. The difference between 'Time Allowed' and 'Time Taken' constitutes the time saved/lost for direct workers which is converted into money values at standard basic hourly rates prescribed by the Railway Board for different categories of staff. In addition to direct workers, other workers and supervisors up-to the level of charge-man also participate in the scheme and are known as "Essential Indirect

workers". The staff of the service shops are also paid incentive bonus. Job/Squad cards are the basic documents on the basis of which incentive bonus is calculated and paid. The EDP Centre is finally responsible for the preparation of Incentive bonus bill. The payment of incentive bonus is made in the same manner as that of regular wages.

Workshop Manufacturing Section:- Complete records of Stores, labor and miscellaneous transactions relating to production Incurred by each shop together with overheads thereon as also Indirect expenses of the shops and departments are maintained In this section. In the production unit the Workshop Organization is the main unit for the purpose of initial accounts. The Workshop Organization is sub-divided into various shops. The expenditure is being incurred by these shops for the various types of production in respect of labor, stores and other miscellaneous nature. With a view to record all types of expenditure incurred in connection with direct labor and stores together with overheads thereon a register is maintained which is known as 'Workshop General Register', wherein separate folios are allotted for each production work order. The labor charges & stores together with overheads are posted in this Register from the relevant records. The labor force in shops comprises (1) direct labor and (2) indirect labor. Direct labor is that which can be identified and allocated straightaway to the production Jobs. The Indirect labor is that which cannot be identified and charged to any particular production job but the cost of which with other indirect expenses are required to be charged to the production. These charges are levied at predetermined rates. The time spent by the direct workers on various production jobs are booked through Job Cards and squad cards. This time together with other time spent and booked through man idle time card, processing time card and E.I.W hours as per Gate Attendance Cards are evaluated at the average hourly rates worked out for different categories of workshop staff. The labor charges as booked by various documents stated above pertaining to production jobs are tabulated by the Computer, shop wise and work order wise, together with incentive bonus and overheads. These labor charges are posted in Workshop General Register against individual work order.

Stores consist of (i) Direct Stores and (ii) indirect stores. Stores which can be directly attributed to a job is called direct stores and those which cannot be directly attributed is known as Indirect stores. Generally the latter category is known as overheads'. The direct stores are drawn through Material Requisition and Workshop Issue slips at the rates authorized for that particular job. The issue of material is priced at the book average rates which are worked out at the time of every fresh receipt. Non-stock items are priced at the actual cost of purchase. Certain shop manufacture items are priced at the estimated price of manufacture. The direct stores drawn in a month are tabulated by the computer showing the voucher number, date, work order number and amount of each voucher together with stores overheads at predetermined percentages. The Workshop General Register is posted

from this tabulation against individual work order. After completing the posting in respect of all work orders the total for the month and to the end of the month are struck for each work order under each element of cost and direct man hours.

Simultaneously with the posting of Workshop General Register the stores, labor charges and overheads thereon are also posted independently in Check-sheets" with the same details and in the same proforma as that of Workshop General Register except direct man hours. The total for each work order under each element of cost is struck. The total of each element of cost of each work order of check sheet is reconciled with the total of each work order under each element of the Workshop General Register. The outturn statements are prepared showing all outlay separately against each work order adjustable during the month and outlay on work in progress and completed works awaiting acceptance and adjustment. The outturn statements are prepared in Part I & II in form W- 1605.

An Account Current of all the transactions pertaining to Workshop Manufacturing Suspense Accounts is prepared. Before compilation of the Workshop Account Current, all expenditure and recoveries are posted in a manuscript register quoting the voucher reference and the item number of the Workshop Account Current against which the expenditure or recoveries are to be grouped. The total of the expenditure and recoveries as posted in this manuscript register is reconciled with the total of the outturn statement except the credits for returned stores which are taken as minus debits in the outturn statement. The Workshop Account Current also shows the opening and closing balance. After the compilation of the monthly Account Current, a cumulative Account Current is prepared in a manuscript register showing the debits and credits against various items along with total for the month and to the end of the month.

The following Suspense Registers are maintained in the Workshop Manufacturing Section:

(a) Workshop Manufacture Suspense Account, (b) Labor Suspense and (c) Development Suspense. The monthly balances as per compiled accounts under these suspense heads of accounts are reconciled with the General Books. For this purpose separate registers for each Suspense head of accounts are maintained.

After the closing of the accounts for a financial year, the Manufacturing Accounts and outturn statements are prepared in the prescribed proforma and are submitted as Annexures to Appropriation Accounts.

14.2 Audit of Workshop Accounts

The workshop audit section is responsible for-

(a) The audit of accounts relating to workshop.

(b) the audit of expenditure incurred by the Mechanical and Electrical Department in connection with the machinery and plant programme.

(c) The audit of the Establishment etc. charges and P.F. accounts of the sub-ordinate staff of Accounts, Mechanical and Stores Department which are dealt with in the Establishment branch of the Accounts Office. This also includes the audit of TA. Overtime and Incentive Bonus Bills etc.

As regards the local inspection of the Workshop, the Inspection Cell prepares the inspection programme.

14.3 Audit of sanctions

The Instructions relating to the audit of sanctions (Establishment and Expenditure) incorporated in separate chapter of this Manual also apply mutatis mutandis to the sanctions received relating to Workshop Branch.

14.4 Audit of Estimates

Estimates are checked in accordance with the Instructions laid down In Para 328 and 329 of Railway Audit Manual and item 2 under 'Workshop Audit Programme' of the Secret Memo of Instructions (Railways). The Instructions contained In Paragraphs 1201 to 1246-W for the preparation of Estimates should also be seen.

The following points should also be seen during the check of sanctions to estimates:

(i) Chargeable wholly to Capital—That provision has been made for the requisite on cost as laid down in Para 1225-W.

(ii) Chargeable partly to main line and partly to worked lines—Such estimates should receive particular attention with reference to the terms of agreement with the worked line.

(iii) Chargeable wholly to Revenue—It should be seen that the provisions of paragraph 1225-W are observed.

(iv) Private Work orders—(a) The orders contained in paragraphs 1217-W and 1032(3)-W should be borne in mind, (b) In the case of works for other Railways and Govt. Departments, formal acceptance of the estimate and estimated cost by the officers ordering the work should be obtained before the work is put in hand (vide Para 1218-W)

(v) it should be seen that provision for contingencies to the extent of 3% is made in the estimates only when the Rolling Stock are to be manufactured in Railway Workshop and otherwise. (Authority:- Rly. Board's letter No. SL/467/21/M dated 4.9.52).

Note:- In checking the estimates, only the top sheets In form No. E-902 and E-906 etc. need be checked. Reference to the details in the estimates may be made only to the extent needed for an intelligent

understanding of the information contained In the top sheet, No arithmetical check of the detailed estimate need be undertaken.

14.5 Completion Reports

See Para 330 of Railway Audit Manual and Para 1248-W to 1254

The instructions relating to audit of Completion Reports contained In chapter on 'Expenditure Audit' will apply mutatis mutandis to Completion Reports prepared by Workshops.

14.6 Workshop Accounts

The instructions laid down in 331 of RAM may be seen. Different months should be selected for the various Workshops Manufacturing Suspense Accounts and any account for which a separate Account Current is prepared.

14.7 Muster Rolls & Labor Pay Sheets Including Time Sheets *(See Para 275 of RAM.)*

The following points should be looked into while checking the Muster Rolls and Time Sheets:-

(i) That the hours booked against each workman as shown in the Muster Rolls tally with the Time shown in the Time Sheet/Tally Sheet and Gate Attendance Cards and that proper arrangements exist for Investigating the differences noticed as a result of reconciliation between time sheet and muster rolls and that necessary adjustment of the differences noticed is carried out against the work order concerned.
(ii) That the increments drawn in the muster rolls are supported by the increment certificates.

(iii) That proper records are kept for the attendance of Coolie Labor for which Time Sheets are not prepared and that such labor is not employed on duties other than the legitimate ones.

(iv) That in the case of overtime allowance drawn by regular monthly paid staff, necessary prior sanction of the competent authority is forthcoming and it is covered by the extant orders on the subject issued from time to time.

(v) That the overtime sanctioned does not contravene either the Factory Act or the Hours of Employment Regulation or any other such regulations In force at the time.

(vi) That the provisions of payment of wages Act are not infringed.

(vii) Instances in which both overtime and Night Duty Allowance are drawn should be scrutinized as to the authority, frequency and duration.

(viii) That necessary deductions regarding House Rent, Electric Charges, Provident Fund recoveries and deduction of on account of ' advances have been made correctly from the staff concerned.

(ix) That all the arithmetical calculations including the totals are correct.

(x) That in the case of staff who either attend Workshop late by half an hour on private account, the period is regulated through the deduction of wages or grant of leave.

(xi) That necessary certificate regarding the checking of deductible absence, overtime, rates of pay and allowances have been recorded by the time both Clerks and Clerks of the pay bill section of the Works Manager's Office In the summary page of each labor sheet;

(xii) That the number of men charged in the Muster Sheet is not in excess of the sanctioned strength;

(xiii) That the Muster Roll itself shows signs of having been checked by the Sub-head, Accountant and the Gazetted Officer-in-Charge according to the rules in force.

(xiv) That the unpaid account agrees with the unpaid wage list and Is returned to the Cashier at once.

(xv) That the allocation is correct

(xvi) The attendance of Workshop staff up-to the level of charge-man is being maintained on the Gate Attendance Card (M-2 1) with the aid of Time Recorder Clocks, GA. Cards are punched "In" and "Out" in the time recorder by the Individual workman and Supervisor up-to the level of Charge-man as a record of his attendance daily both at the time of coming in and leaving from work. Time Clerk Is responsible for filling In the result of attendance, overtime and night duty day to day and at the end of the month summaries the attendance for the whole month. Pay Bills of the Workshop Is prepared by E.D.P. Centre with the help of these cards. Pay Bills of the Workshop staff may be checked with reference to Gate Attendance Card.

(xvii) Gate Attendance Cards should be examined with reference to Gate Passes, absentee statements, overtime requisitions etc. The particulars of leave recorded in the Gate Attendance Card should be verified with reference to postings in the leave registers.

14.8 Incentive Bonus & Piece-work Bills

(1) Incentive Bonus Bills are prepared with the help of Job Cards and Squad Cards. In addition to general checks enumerated in Para 337 of Railway Audit Manual, the individual job cards and squad cards will be scrutinized to see that the time saved has been worked out correctly.

The total time saved by the workmen should then be verified with the time shown in the bonus bills.

(2) That the amount of incentive bonus earned by each worker has been calculated with reference to the standard hourly rates as determined by the Administration from time to time and not with reference to the actual rate of pay of the employee concerned.

(3) That the totals and calculations of job cards, squad cards, Incentive Bonus Bills are correct.

(4) That the time taken as recorded by Time Office agrees with that shown in the Gate Attendance Cards minus that booked on the Idle Time Cards.

(5) That the losses during any particular month have been adjusted against the profits of the same month of all the workers.

(6) The amount of Incentive Bonus of direct workers has been charged against the job concerned and that the amount of bonus of essential Indirect Workers and the Supervisory staff has been charged against the Shop on Cost work orders.

(7) That the average percentage bonus earned by a section which forms the basis for calculation of bonus for supervisory staff and essential Indirect workers has been worked out correctly.

(8) That the total and calculations of piece work bills, job cards, squad cards etc. are correct.

(9) That no apprentices have been allowed to participate in the incentive scheme.

(10) That ordinarily a piece worker has not been put on the day work during a wage period and vice-versa.

(11) That the summary of piece work statements has been compiled correctly and that the amount earned by each worker has been correctly taken into monthly Incentive Bonus Bills.

(12) That the summary of Job Cards has been correctly posted from the checked up job cards and that all the serial numbers of Job cards as supplied during the month are received and entered In this summary.

(13) That there is one bill in incentive bonus for each shop in respect of direct and essential indirect workers.

(14) That the time booked on the job cards on each date is equal to the time as given in the Gate Attendance Cards minus that booked on the Idle Time Cards.

(15) That for calculating the piece work profits, the dearness allowance has been excluded.

(16) That when losses are being frequently incurred or when profits near about the maximum are being earned consistently by the majority of the workers, the causes contributing to this result have been analyzed and the defects discovered has been set right.

(17) That there is no error in computation or in printing/typing of standard timings fixed by the Admn.

(18) That no job cards other than the authorized ones have been taken into account for the piece work payment.

(19) That when idle time is booked due to lack of work or lack of tools, proportionate deduction on the prescribed scales is made from the paid work profits earned by the charge-man/Mistry concerned.

(20) that ordinarily no worker has been allowed to punch the card beyond the time permissible i.e., up-to half an hour in the 1st shift and 3 minutes in the 2nd shift.

14.9 Audit of Stores

The procedure for drawl of stores from the stores department and their allocation to the work orders on which they are used is laid down in the Chapter on Stores in this Manual. Besides the checks mentioned in Para 333 of RAM the following points should also be seen:

(i) Issue notes should be checked to see that the price charged is correct according to the rate given thereon.

(ii) That E.D.P. centre prepares monthly summaries and sends the same to Workshop Accounts Office for reconciliation.

(iii) That for all issues to the Workshops proper requisitions are forthcoming.

14.10 Advice Notes of Returned Stores

(See Para 308 & 334 of RAM & Para 1539 to 1547 of Stores Code)

In checking the advice notes of returned stores, the following points should be looked into:

(i) That the acknowledgment of Returned Stores by the Stores Department is received promptly.

(ii) that the quantity received by the Stores Depot tallies with the quantity returned by the Workshop.

(iii) that the allocation of credit is correct and the rates at which credit has been afforded are reasonable.

(iv) that the reasons for returning stores should scrupulously be scrutinized.

14.11 Oncost

(See chapter IX of Indian Rly. Code for Mechanical Department)

In addition to the direct expenditure of labor and stores incurred on the Jobs, there are certain items of expenditure which cannot be charged direct to the cost of articles manufactured or work done. The latter kind of expenditure is known as 'Oncost' or 'Overheads'. Oncost' charges fall under the following five categories:

(i) Proforma oncost, (ii) Factory overhead (FOH), (iii) Administrative overhead (AOH) (iv) Township overheads (TOH) and (v) 'Stores Overhead (S OH).

It should be seen that while all the necessary items of oncost charges have been duly taken into account no item of charge which can be allocated to a specific jobs has been included in 'Oncost'. It may be useful to see whether the proportions fixed for the distribution of oncost charges to the various jobs/shops are reviewed periodically. It may also be seen whether any unusual item of charge has been included in arriving at the oncost charges. The relevant records maintained in Accounts Office to collect together the actual oncost charges will be test checked to ensure that it is correctly compiled.

For the detailed check on 'Oncost' the instructions given In Para 338 of Railway Audit Manual may please be seen.

14.12 Work Orders

(See Para 335 & 336 of RAM & Para 1303-W, 1304-W, 1620-W to 1621-W).

A work order is an order placed on the workshops for execution in the shops, these orders are numbered and all stores and labor utilized in the execution of a particular work are allocated to the work order concerned. There are also a number of standing and stock work orders mostly relating to jobs like repair to vehicles, locomotives and manufacture of spare parts for work. Works on capital accounts for other departments or on private account are given special numbers. In making the selection it should be seen that the work orders test checked during the course of the year comprise work orders executed in each of the shops and are not confined to those executed in each of the shops and are not confined to those executed in particular shops only. A record of the work orders checked should be kept.

In checking the work orders, the following points should be borne in mind:

- (i) No work should be undertaken without a work order relating to it having been sanctioned by competent authority
- (ii) That the work order is issued after the estimate for the work has been sanctioned and funds have been provided to meet its cost;
- (iii) That the estimate sanctioned for the work contains sufficient details e.g., a description of the labor to be employed, the various kinds of stores required, the shops in which such stores are to be manufactured, the percentage charges to be levied and the deposits, if any. Full particulars such as, size, quality, etc. should be given to scrutinize the cost of the finished article.
- (iv) That all work orders have been recorded in a register showing the work undertaken, the date of issue of work order, the date of commencement and of the completion of the work.
- (v) That the allocation of labor and stores is correct and that all charges properly debitable to a work order are booked against it.
- (vi) That no expenditure is booked after the work order is completed and closed and that there is no inordinate delay in closing the works and sending the completion reports;
- (vii) That for works undertaken for outsiders the estimated cost has been deposited and the outsider has agreed, in the event of estimate being exceeded, to pay the excess before delivery of the work is effected.
- (viii) That there is no credit outlay outstanding on work orders;
- (ix) That the undercharges and overcharges in respect of completed work orders are adjusted to final heads of account without delay and the actual cost of Manufacture adjusted in the accounts of the year in which work orders are reported to have been completed to avoid misclassification of expenditure (see Para1045-W).

14.13 Transfer Statements or Memo

(See Para 351 of RAM.)

It should be seen that adjustments are not irregular and unauthorized and that credit is given promptly, i.e., when the materials are actually transferred and not on the completion of the jobs. Specially the items where labor and material are transferred from revenue to private work orders are to be scrutinized. It should be seen that the corresponding debits are also transferred and that the Memo are correctly posted in the Workshop General Register against the Workshop concerned.

14.14 Private Work Orders

(See Para 335,336 of RAM & 1217-W)

It should be seen that:-

(i) Charges are debited to private work orders with due regard to the materials used and labor engaged thereon and that they are adequate and that no additions or alterations are made without the approval of the authority who sanctioned the original work orders.

(ii) Recovery of cost from Railway employees is promptly enforced through the Salary Bills.

(iii) Oncost charges are correctly levied in accordance with the orders in force.

14.15 Workshop General Register

(See Para 1601-W, 1621-W and Para 347 of RAM.)

This register is prepared from the allocated abstracts and summaries of labor and stores and shows all charges on account of labor, stores and miscellaneous charges expended on work orders. The outturn statement is posted there from and shows the cost of all works including those charged off each month completed jobs awaiting adjustment or acceptance and also the works in progress.

It should be seen that—

(i) The Register is correctly posted and all the details given in form W-1601 have been furnished.

(ii) The postings under each work order from the sub-ledgers and other vouchers are correct.

(iii) That the indirect charges have been correctly worked out.

14.16 Outturn Statement

(See Para 1313-W, 1314-W, 1605 to 1614-W and 348 of RAM.)

The postings in the outturn statement of the charges for the month against each work order should be compared with those in the check sheets. This comparison will bring out errors, if any, in the posting of the Workshop General Register, as also of the outturn statement which should be investigated and rectified.

In the audit of outturn statement, It should be seen that the adjustment of outlay is effected monthly or on completion in accordance with the rules on the subject. The unadjusted Items of expenditure should be scrutinized to see that there are no minus balances, that there is no outlay on jobs prior to issue of work orders, that there are no completed jobs outstanding for long and that outlay on works for which no estimates have been sanctioned is held under objection.

14.17 Workshop Account Current

(See Para 1616-W, 1617-W & 349 of RAM)

In auditing this account, the following checks should be applied:-

(i) The opening balance should be checked with the closing balance of the previous month.

(ii) The postings under each head both on debit and credit side should be checked with the supporting schedules.

(iii) The arithmetical accuracy should be checked.

(iv) That there are no old items as per closing balances.

(v) That the freight and proforma oncost charges should be checked with the schedule in form W-1604.

(vi) That the cash debits and other charges referred to in Para 1617-W-(i), (ii) & (v) respectively have been checked;

(vii) That the credit side has been checked with the summary of outturn statement Part I and should be supported by detailed schedules. The closing balances should be verified from the balance shown in the outturn statement Part II.

14.18 Job Cards/Squad Cards It should be seen that

(i) The time taken has been recorded correctly in the relevant page by the Time Booth Clerk and the average rate and evaluation of time taken has been correctly recorded in the relevant column of the Job Card and Tally Sheet.

(ii) On completion of each operation the shop instructor/Inspector has certified the quantity passed and the rate fixer has scrutinized the job cards to ensure that the same has been correctly and completely filled in;

(iii) that the total time allowed, time saved and time lost have been worked out and shown in the relevant cage by the incentive bonus section.

14.19 Workshop Manufacture Suspense

The balances under this account should be reviewed to see:-

(i) That all the items are current and have been undertaken after the issue of a proper work order under the sanction of competent authority.

(ii) That the details consist of nothing except labor, material and oncost charges expended on unfinished jobs or completed jobs awaiting adjustments.

(iii) That in the case of jobs undertaken for outsiders, sufficient deposit has been made, where such a deposit is required by rules and on the first appearance of a work, it is seen that an estimate is on record containing extra percentage charges required under the rules and accepted by the party ordering the work.

14.20 Write Back Orders

(See Para 823-W and 824-W)

Write-back orders are prepared when stores are issued on work order other than the one for which they were ordered. Any tendency on the part of the executive to issue a large number of write-back orders should be pointed out, as this shows that either the stores are generally ordered in excess of requirement of the particular work order to which their cost was originally debited or that they are obtained earlier than the time they are actually required for use on works.

The following points should be seen when scrutinizing write-back orders:

(1) That the explanation furnished for the write-back order is reasonable.

(2) That the sanction of competent authority has been obtained to the work to which the cost of stores is being debited. Stores may sometimes be used on works still awaiting sanction of competent authority and latter their cost is adjusted. This shows that the work was started without proper sanction.

(3) That the write-back order has been sanctioned by a gazetted officer.

(4) That the stores can really be used on the work to which their cost is now being transferred.

(5) That the allocation is correct.

(6) That it has been posted in the adjustment book and that it has been suitably endorsed to that effect. This endorsement is necessary to avoid double adjustment.

14.21 Stores charged off to work orders but not actually used thereon

(See Para 333 of RAM)

Stores requisitioned and charged off to work orders, for works chargeable to Capital or Depreciation Reserve Fund, are not borne in the General Books under "stores" but are finally charged off to the sanctioned works concerned against the grants allotted to them. Stores requisitioned and charged off to work orders, for works chargeable to

Revenue, are kept in the custody of the Foreman of the shop concerned.

It should be seen that these charged off stores are verified in accordance with the instructions contained in Para 1855-S and 1856-S.

14.22 Materials spare from Work Orders

It should be seen that no material remaining unused on the completion of the work orders is allowed to accumulate as it should be returned to the Stores Depot forthwith in accordance with the instructions in Para 819-W and 1539-S. Special attention must be paid to spare materials at the time of local inspections.

14.23 Manufacturing Accounts-Cost Accounts & Job Cost Sheets.

Paragraphs 339 to 341 of the Railway Audit Manual describe the check to be applied in the audit of Manufacturing Accounts.

14.24 Saw Mill Accounts (See Ch. XIV-W)

The Instructions for the audit of timber operations are contained in paragraph 343 of the Railway Audit Manual. The following points should also be seen when auditing this account:-

(1) That labor charges Incurred in the different processes of operations are accurately recorded, that no cost charges on account of labor, power and tools are included among the debits In the Timber Account, and entered In the two registers maintained In the Accounts Office viz. Raw-metal Reger. & Outturn Reger.

(2) That scrap and firewood is credited at a fixed rate it should be seen as to when such rate was fixed and under whose authority, and whether a revision in the rate is called for.

(3) That the balance of unfinished plants on hand with the Saw Mill Shop at the end of the month is not unduly high as such inflation in monthly balance may lead to suspicion.

14.25 Foundry Accounts

(See Para 344 of the RAM Para 116-W, 1305-W and 1310-W)

In addition to the above, the following points should be seen in auditing such account:-

(1) That there is a proper record of the quantities of other materials with which these raw materials are mixed before being put into the furnace.

(2) That there is a proper account of the scrap metal which does not admit of any leakage.

(3) That in most of the foundry operations a standard percentage is charged as wastage. It should be seen which such percentage was

fixed and whether it needs revision in the light of subsequent experience.

(4) Whether there are any materials lying unused for a long period, say six months or over and if no longer required why they are not returned.

(5) Whether the stock is verified periodically and the shortage or excesses noticed are duly Investigated and adjusted under competent sanction.

14.26 Paint Accounts

Paints are manufactured In the shops on standing work orders allotted for each kind of paint separately and the daily transactions of the same recorded In three Registers maintained in the shops to show:-

(1) receipts and issues of each ingredient separately (2) the quantities of raw-materials used in mixing each kind of paint and the outturn there for, both as per formulae and actual and (3) the daily manufacture and issue of outturn (paint) for each kind of paints separately.

A quantity account is also submitted monthly by the Foreman of the workshop accounts office. Issues are at scheduled rates which are composed of-

(i) The average value of the materials used for the composition as per actual out turn during the month.

(ii) Charges for actual wages and oncost booked during the month.

A statement is finally made out showing the quantities of issues and the cost of the same at the schedule rates against the individual work orders on which they are issued and submitted for incorporation in the monthly accounts, The following are the more Important points to be looked into during audit:

(a) The opening balance should be checked with the closing balance of the previous month.

(b) The receipt of each ingredient should be checked with reference to the First Register.

(c) the materials used in the composition should be checked with the issues in the First Regr. and compared with the Second Register. It should be seen that issues are proportionate to the outturn.

(d) The Issues of the outturn should be checked with reference to requisitions and acknowledgements as well as with reference to the Third Register.

(e) It should be seen that the schedule of rates are reviewed periodically and revised with the Workshop Account Officer's approval.

(f) The cost of the Issues, valued at the scheduled rates is booked the individual work orders and should be traced into the monthly accounts.

14.27 Hostel Accounts

As the Apprentice Mechanics are to run their own mess, the Hostel Accounts are not required to be checked by Audit, it will suffice, if the dead stock etc. accounts of the hostels are reviewed at the time of inspection of the offices in whose books the supply of such materials by the Railway is accounted for.

14.28 Accounts, Custody and Disposal of Scrap materials

Instructions are contained in Para 323 of the Railway Audit Manual. Reclamation section reclaims released materials which, after reclamation, are likely to become serviceable.

It should be seen that all scrap and released materials are returned to stores and proper credit is afforded to the work orders concerned. The credit provided for in the estimate should correspond roughly to the value released and that the latter and not former is credited to the work orders.

14.29 Workshop Outturn

(See Para 1313-W, 1314-W, 1605 to 1614-W and 348 of RAM.)

It should further be seen that articles are not purchased from the market if they could be manufactured at cheaper rates in the workshop, similarly articles which can be had in the open market should not be ordinarily manufactured in the workshop. The balances outstanding against several work orders in the monthly outturn statement Pt.II have been reviewed regularly each month to ensure that they are not inefficient.

14.30 Register of Works

(See Para 350 of Rly. Audit Manual)

It should be seen that -

(i) no expenditure is incurred in regard to items not included in the estimate.

(ii) No additional works not provided for in the estimate are included under Contingencies.

(iii) Expenditure which under the rules in force should be shown by the sub-heads of estimate is so recorded.

(iv) The register is properly closed monthly and initialed by a gazetted officer.

(v) In the case of mixed works, the outlay is booked proportionately to Capital, Depreciation Reserve Fund or Revenue, in accordance with the estimates,

14.31 History Sheet of Rolling Stock

(See Para 353 of R.A.M.)

It should also be seen that:-

(i) Engines are not lying idle for long periods and full use is made of the available stock.

(ii) Attempt is made by the administration to compare the repair costs of different classes of engines and vehicles and the engine and the engine vehicles miles run between periodical overhauls.

(iii) Records are kept up-to-date and incorporate all orders regarding additions, condemnation and the results of last census of the stock condemned.

14.32 Misc. Advance & Misc. Deposit

(See Para 381 of RAM and Chapter XVI of the State Railway Code for the Accounts Deptt.).

14.33 Cost Accounts

See Para 340 & 356 of R.A.M.

14.34 Statistics of periodical overhauls and cost of Unit Repairs

The instructions contained in Para 358 of Railway Audit Manual are to be followed.

14.35 Sub-ledgers (Labor & Stores)

(See Chapters VII & VIII-W & Para 332 and 333 of Ply. Audit Manual)

It should be seen that the sub-ledger for labor is correctly posted from Time Sheet/Tally Sheet and the Stores sub-ledgers is posted work order wise, date wise and shop wise. The totals of the various columns shown in the summary Sub-ledger (Para 827-W) should be checked with reference to the following:-

(i) last daily summaries received from the Accounts officer of the Workshop Stores Main Depot as well as the General Stores Depots.

(ii) debits raised by Divisions and Foreign Rlys.

(iii) Cash Book debits i.e., payment made for municipal taxes, license fees and direct purchase of stores.

(iv) Issues from Workshop Manufacturing Accounts.

(v) Write-back orders.

14.36 Incorporation of Workshop Accounts into the General Books of the Railway.

(See Para 347 of RAM & 1624-W)

It should be seen that:-

(i) The differences between the balances as per the compiled accounts and those as per the General Books are not abnormally heavy and that the differences between the two sets of figures have been investigated and necessary adjustment carried out to clear them.

(ii) the discrepancy statement together with the account current and the labour book have been put up to the Workshop Accounts Officer every month.

14.37 “Workshop Manufacutre Suspense A/c”.

The Instructions contained in Para 1625-W are to be followed at the time of review of such balances.

14.38 Stores

The procedure for the drawl of stores from the Stores Department and their allocation to the work orders on which they are used is laid down in Chapter VIII-W. Besides the checks mentioned in Para 333 of RAM, the following points should also be summaries:-

(i) The issue notes should be checked to see that the price charged is correct according to the rate given thereon.

(ii) Daily reconciliation is effected between the daily allocated abstract of stores and the daily stores summaries;

(iii) Where the computerized system of stores accounts has been introduced it is to be seen that monthly summaries are prepared and sent to workshop accounts office for reconciliation.

(iv) That necessary pairing of issue notes which is required to be done in Workshop Accounts Office in terms of the orders contained in Mechanical and Stores Code is done properly.

(v) That for all issues to the Workshops a proper requisition is forthcoming.

14.39 Advice Notes of Returned Stores

(See Para 308 & 334 of RAM & Para 1539 to 1547 of Stores Code)

In checking the advice notes of returned stores the following points should be looked into:

- (i) That the acknowledgement of the Returned Stores by the Stores Department is received promptly;
- (ii) That the quantity received by the Stores Depot tallies with the quantity returned by the Workshop.
- (iii) That the rates at which credit has been afforded are reasonable
- (iv) That the allocation of credit is correct;
- (v) That in cases in which the valuation of returned stores by the returning department differ generally from that given by the Stores Depot, necessary investigation has been carried out to see the reasons for the differences.
- (vi) The reasons for returning stores should be scrupulously scrutinized.

14.40 Piece Work Bills

The P.W. Bill shows against each worker (Ticket No.) the net time saved or lost and rate for each job in which he was engaged in that month. There details viz. job card, number wise time saved/lost are, however, available in a print-out called "Details of Job Cards" printed out at the end of the preparation of P.W. Bills. Here details of the job cards relating to a particular Ticket No. are grouped together and printed showing all the job card details viz. W.O. Nos., C&O.No., Operation No., Quantity on order, Quantity passed, P. Actual time, Allowed Time (for each unit) Special time, if any, total allowed time, total time taken, individual time taken (by the Ticket No. concerned) and Time lost/saved by the worker. The following checks may be exercised on this statement, with reference to Job Cards:-

- (i) It should be seen whether quantity on order, quantity passed, preparatory time and allowed time per unit are correctly taken from the job card. The preparatory time and allowed time are pre-printed on the job cards and care should be taken to see that there are no unauthorized alterations.
- (ii) C&D No., W.O.No. and Ticket No. have been correctly taken in this statement from the Job Cards.
- (iii) The totals of time saved/lost for the Ticket No. relating to the various job numbers should be worked out and tallied with the time saved/lost shown in the bill.

(iv) Actual time taken—This should be checked completely on the basis of clock punching record for 'in' and 'out' on the job cards and turned into the tabulation. The total time taken for each Ticket No. (for various jobs) should be checked for 10% of the T. Nos. The time taken should be reconciled with the Tally Sheets prepared for each Ticket No. to reconcile the time put in as per job cards with that in G.N.Cards.

(v) Rate for piece work should be checked with reference to the category of the worker.

(vi) In respect of squad cards it should be seen that the total time saved/lost is distributed in proportion to the time actually worked by the various workers on the job.

(vii) The amount of P.W. profit/loss should be checked with reference to the hours gained/lost and the P.W. rate.

(viii) As the payment of P.W. profit is restricted to 50% of the time taken, it is necessary to check for each job that the time saved has been limited to 50% of the total time taken.

(ix) When special time allowance has been given it should be seen that execution cards duly signed by Rate fixers has been issued for proper reasons. Such a card should be traced into the special allowance statement.

(x) Adjustments—Adjustment cards are punched from adjustment mema received from P.W. section showing the amounts, if any, to be recovered on account of part over payments and amounts, if any, to be added for arrears. While auditing the bill, these adjustment mema should be referred to when the adjustment cards either due to ticket the T not appearing in that month or the amount earned being insufficient such cards are listed out for adjustment in subsequent months. During audit it should be seen that adjustment cards, which are left out in the previous month, were duly brought forward during the current month. Adjustment cards which remain unrecovered for 3 consecutive months should be specially taken up and action taken for recovery should be enquired into.

14.41 System of Payment by Results

The following are the main features of the incentive scheme

(1) The allowed times are so fixed that a workman of normal ability may be enabled thereby to earn 33.1/3% over and above the basic wages In respect of the period spent on piece-work jobs.

(2) The mean of the prescribed scales of pay applicable to unskilled, semi-skilled, skilled highly skilled, mistries and charge-man is taken as wages for the purpose of calculating the piece-work results.

(3) The maximum ceiling limit on profit is fixed at 50% of standard basic wages earned in respect of each piece work job.

(4) Supervisors of the level of Charge-man and essential indirect workers participate in piece work profits subject to their earning being restricted to 80% of the average percentage of profit earned by direct workers supervised by them. Mistries are paid 100% of the average percentage of profits earned by the direct workers under their control.

(5) The basic wages of all workers are guaranteed irrespective of their piece-work results, but losses during any particular month are adjustable against the profits of the same month.

(6) Hourly rate of pay for calculating piece work results are based on 208 man hour per month throughout the year.

(7) All cases of abnormal profits (above 50%) and those of losses are investigated by the Rate fixing Section for necessary remedial action.

(8) The Administration reserves the right to vary the standard timings if new and faster machines are installed or other time saving devices are introduced and also if there is any error in computation or in printing.

14.42 Disposal of Job Card/Squad Cards In the piece-work Section and the Machine Section. Following are the items of work to be done in piece-work section In dealing with job cards.

(i) To check up total of time taken as shown by the time booth clerk informs M-6 & M-18.

(ii) To work out 'total time allowed' on the basis of passed' outturn to the last minute.

(iii) To work out 'time saved/lost' for each operation care being taken that the 'time saved' as per each job card/squad card is restricted for calculation of profit to 50% of checked time taken'.

(iv) To prepare a list of card serial number on which either abnormal time saving (above 50%) or losses have come to notice. Three lists will be forwarded to the P.E. (Rate-fixing Section) for investigation.

(v) To check up the rates for piece-work' indicated by time booths in Job cards with reference to the category of staff.

(vi) In the case of squad cards 'Net time saved/lost' for each squad will be worked out in the piece-work section, but distribution of this results over the workman in the squad in proportion to time taken by each of them will be worked out on comptometers in machine section.

CHAPTER 15

Stores Audit

15.1 General

The function of the Stores Department is mainly procurement of stores for different consuming departments and management of stores so procured. This department is headed by a Controller of Stores who is responsible for efficient functioning of the department. In Q.L.W. there is also a Chief Material Manager who is primarily responsible for planning of materials, inventory control and procurement of some high value items. For the day to day working of the Stores Department the Controller of Stores/Chief Material Manager is assisted by a group of officers viz. Dy. Controller of Stores, District Controller of Stores, Assistant Controller of Stores etc. in each unit.

15.2 Procurement of Stores

The requisitions and Material Lists as planned on the basis of production target and taking into consideration the lead time and availability of foreign exchange In case of imported materials, duly concurred in finance, are sent to purchase office of Stores Department for procurement. On receipt of the requisition from the indenting department, action is taken for procurement according to the value of requisition. Generally the procurement is made by (a) Direct Purchases, (b) through Director General of Supply and Disposal, (c) through the Railway Board, (d) Indian Supply Mission, Washington and London, (e) Joint Plant Committee and (f) through the Central Organization for Modernization of Workshops. There are certain items of materials which are manufactured Indifferent shops of Railway Production Units and are used in them.

15.3 Receipt & Inspection of Materials.

All purchases made by the Stores Organization are generally inspected by Chief Inspecting Officer in case of boo items and representatives of the various Works Manager in respect of non-loco items and tools and spares either at firm's premises or on receipt of material. At present the materials are inspected by RITES at firm's premises. In respect of shop manufactured items the inspection is carried out by the inspector attached to the shop. Imported stores are inspected by the Inspecting Officers deputed by Embassies and High Commissioners.

15.4 Documents used for accountal of Stores transactions.

The various important receipt and Issue vouchers through which transactions of stores are accounted for are as under:-

Receipt Vouchers

(1) Receipt Notes (2) Advices of Material dispatched by shops (3) Advice Notes of Returned Stores.

Issue Vouchers

(1) Material requisition (2) Workshop Issue slips (3) Issue notes for consumable stores (4) Issue notes for sale.

15.4(a) Receipt Notes

These are given by the respective Receipt Branches in token of acknowledgement of stores from suppliers and other railways. These vouchers are posted in priced ledger by computer and accounted for through monthly class summaries as printed by Computer.

15.4(b) Advice Notes of Returned Stores

Materials returned from shops are accounted for through advice notes of returned stores.

15.4(c) Book Transfers & Department and Accounts verification sheets

Accountal of materials from one PL to other is made through Book Transfers and adjustments necessitated out of departmental accounts verification are made through verification sheets.

15.4(d) Depot Organization

The function of the Depot in addition to the receipt of stores as stated above is to issue stores as well. The General Stores Depot is meant for the purpose of receipt, stocking and issue of materials for the production and the other depot is for receipt and onward distribution of imported maintenance spares to various department which is considered as a transit depot. The depot organization broadly consists of (i) Material Accounting, (ii) Wards, (iii) Receipt Branch, (iv) Yard Section, (v) Returned Stores Section (vi) General Section and (vii) Administration Section. The material accounting section is concerned with (a) ledger keeping, (b) Recoupment and (c) material reservation. The recoupment branch is under the direct control of Material Controller who is under the Mechanical Department. The wards are divided into (i) General Stores Wards and (ii) Finished Parts Stores Wards. These wards are responsible for re stocking and issue of various materials. Materials are classified into various classes which have been codified according to Computerized system. The receipt of stores and issue of materials are the direct responsibility of the ward keeper. Materials after having been received, checked and inspected are sent to respective wards along with the R/Notes and Receipt Register maintained by the Receipt Section for stocking. The ward keeper signs the Register in acknowledgement of the materials and assigns Receipt Order No. at the same time and returns the R/Note to the Receipt Section. On posting of the Bin Card, Receipt Note is sent to Accounts Office for posting the priced ledger in computer. A manuscript register is being maintained by the ward keeper to record the particulars of each case of stock and the register is produced to Accounts stock verifier to facilitate verification of stock.

15.5(a) Issues

Stores received are kept in custody of different stores depots located near the consuming shops/departments. Stores are issued by different stocking depots on the authority of the requisitions placed by the competent authority in prescribed forms and acknowledgement therefor is invariably received. The following forms are used for the purpose of issue of stores.

15.5(b) Material Requisition

This is a computer printed form and constitutes an authority to draw the authorized quantities of raw materials and stores from the Depot. This form is signed by Shop Superintendent before surrendering the same by the shop progressmen for drawl of materials. The ward keeper also signs this form in token of having issued the materials and quotes the P.L.No., voucher No. date and quantity Issued, The quantity issued through Material Requisitions is posted on the bin card and forwarded to stores account for posting in priced ledger.

15.5(c) Stores Issue Slip

This form is used for drawl of finished components held in stock, The slip is issued in block pads to the shop superintendent and are prepared in four copies showing the loco No./coach No., batch order No., quantity required per coach/loco, and total quantity required for batch. Two copies are handed over to the Depot for issue of materials. The Ward keeper or depot representative issues the material on the authority of Issue slip. One copy of this slip showing the P.L.No., voucher no., date and quantity issued is sent direct to Accounts Office for posting in the Priced Ledger. The 4th copy is sent direct to the costing section of Accounts office by the shop. In the costing section the 3rd copy obtained from the stores accounts after posting in the priced ledger is compared with the 4th copy.

15.5(d) Sales Issue Note

In case of sales to other railways and private parties the sales issue notes are prepared by the Stores Department after obtaining the order of the competent authority.

15.6 Surplus Stores

Such items which have not been issued for consumption from stock for a period of two years are classified as surplus stores. Surplus stores can be classified into two categories (a) moveable and (b) dead surplus. The first category consists of such items which have not been issued for a period of two years but which is anticipated to be utilized in the near future. The Second category consists of items which have not been issued for past two years and which are not likely to be utilized by any other Railway within the next two years. No articles are classified

as Dead Surplus unless the same has been inspected by a Survey Committee.

The disposal of surplus/over stock stores is made either by transferring to other railways or by sale.

Material of different kinds which is no longer useful for the purpose for which it was originally purchased or obtained and cannot also be put to alternative use and which is best disposed of either by auction sale or by other special means is generally called 'Scrap'. Scrap should be distinguished from Surplus Stores and is divisible into Ordinary Scrap and Surplus Scrap. Ordinary Scrap comprises scrap for which there is a regular demand in the railway workshops or other departments for use as raw materials. Surplus scrap is almost dead surplus. Such scrap articles are kept in a separate ward viz. Scrap Yard. Before any item of stores can be sold as scrap, it should be declared as such by a Survey Committee appointed by the General Manager of the Railway. Survey Committee after inspection of the Scrap material records its recommendations on the Survey Sheet. On the basis of recommendations the Controller of Stores obtains the sanction of the General Manager to the sale of such articles by auction if he is unable to dispose of the same by transfer or sale to other railways, Government Departments etc., After auction sale issue Note is prepared crediting the amount to Cap. 9500 and debiting the head 'Sales', the debit is cleared on realization of the sale value. If the scrap is utilized by other Railways etc., the debit to 'Sales' is cleared on receipt of transfer voucher.

15.7 Accounting of Stores Transaction

Receipt notes issued by the Stores Department contain the details of purchase order, quantities accepted etc., On receipt of the receipt notes, pricing is done and the values of the receipts are included in the priced ledger and departmental summary for receipts through Computer. The credits to the Purchase account are posted with reference to bill copies of the receipt notes. Debits to purchase account are posted with reference to the suppliers bills passed for payment. Issues are made through R.M.R. cards and issue notes (S-1313 and S-1323) which are received daily in the Data Centre. Pricing of these issues are made through computer based on the priced ledger rates. The values of the issue notes are also included in the departmental summary of issues and priced ledgers that are pointed through computer. Based on the values indicated in the departmental summary of receipts and issues, consolidated journal entries and stores account current are prepared, debiting stores stock for receipts and crediting the same for stores issued. The balances as per stores Account Current, prepared separately for shell and furnishing are reconciled with the class Ledger balances printed through Computer and also with the balances reflected in General Book under Capital 9500 stock.

In respect of materials procured for direct delivery (i.e., non-stock items) against yellow purchase orders, receipt notes are prepared as for stock items and priced. The value of such receipt notes is credited to purchase account and after the concerned bills are passed the purchase account is debited. A Consolidated Journal entry is prepared crediting the purchase account and debiting the various other final heads like 9600 WMS at the end of each month.

(1) **Priced Ledger:-** This document is prepared on computer and has been discussed in detail in subsequent paragraphs.

(2) **Suspense Account Registers:-** The following suspense account registers are being maintained in Stores Accounts:

- (i) Sales Account Registers Sales-Cap. 9400.
- (ii) Deposit Miscellaneous Account Register.
- (iii) Miscellaneous Advance Register-Cap. 9800.
- (iv) Stock Adjustment Account- Cap. 9520.
- (v) Stores in transit -Cap. 9510.
- (vi) Depot Transfer - Cap. 9511.

15.8 Deposit Misc. Account Register

The amounts paid by the purchasers and suppliers in advance or deducted from bills as security deposit are credited to this head. When the same is refunded the amount is debited by contra credit to cash.

15.9 Miscellaneous Advance Register.

Under the head Miscellaneous Advance the transactions relating to claims, issue notes, advances to suppliers and other miscellaneous transactions are accounted for. The issue notes are debited to this head. At the end of the month the monthly transactions of debited, credits and balances are reconciled with General Books and a Certificate to that effect is recorded.

15.10 Stock Adjustment Account

This account is maintained for record of the following transactions:-

- (a) Difference In stock—Difference between the actual balances found at the time of stock verification and the balances in priced ledger.
- (b) Difference in value which is due to revision of rates necessitated by factors like depreciation, market fluctuations and rounding-off.
- (c) Miscellaneous Items: (i) Difference in book value and the value realized In sales, (ii) losses resulting from breakages, leakage, depreciation and obsolescence, (iii) loss on classification of new stores as second hand, (iv) loss on classification of stores as scrap, and (v) miscellaneous like enemy action etc.

The posting of the stock adjustment account is made from the class summaries and journal slips are prepared for the different transactions separately for surplus and deficiencies.

15.11 Check & Payment of Stores Bills

This is one of the important functions entrusted to Accounts branch. Before making the payment, the relevant Purchase Orders, R/Notes, Inspection Certificates issued by authorized Inspectors are linked.

15.12 Purchase Account Register

This record is maintained in Accounts Office to record the liabilities to be discharged in respect of materials purchased indigenously or from abroad separate pages being reserved for transactions of each firm. The particulars of Purchase Order, number and date, R/Note No. and date, R.R. Reference and date, quantity, rate and value of supply are posted in the Purchase Registers as credit to the account of supplier. When the bill of a particular supplier is passed the amount is posted as a debit to the supplier's account against the credit already posted.

15.13 Stores and Inventory Control

The objective of computerization of stores transactions is to optimize receipt and issues of inventories. This has been achieved by the following steps:-

The main document in a Stores Department is the 'Priced Ledger' which indicates the description of items, quantity received, issued, balance and the book value for all the items. On the basis of this one can control the stock of inventory. Since we already know the rate of consumption of different items and the optimum inventory level which should be maintained (i.e., in terms of number of months of stocks which are normally three months consumption) one can introduce these parameters into programmes and make the computer print-out 'Exception Reports' to indicate stock levels. The Priced ledger is updated periodically so that the information available on it are accurate and up-to-date. With the help of managerial statement like stock status report, statements of items which are out of stock, statements of items which have not been used for a long time, ABC analysis of all items, class ledger etc. are printed. In addition to these 'Exception Reports' part number wise details of all items used in a loco are also printed for the use of zonal railways. With the help of these Exception Reports the management can control inventory to the optimum extent.

One of the main functions of Stores Department is the purchase of material. In this sphere computer is made use of to maintain the Purchase Register. With the help of this it will be possible also to check the performance of different vendors who supply the material, thus leading to an automatic gradation of vendor performance. The files which are kept on computer for these purposes include (i) P.L. Masters (Priced Ledger Master), (ii) P.O. Master (Purchase Order Master), (iii) Maintenance Spares Master etc. These Masters are maintained on Discs for easy up-dation and manoeuvrability.

15.14 Mechanical and Production Control

The mechanical applications aim at achieving production control through scheduled Issues of production documents like job cards, Material Requisition Cards etc. The basic idea behind production control is the controlled release of documents. Since any job in a workshop will be taken only on proper authorization and since all the jobs in a workshop are subjected to time and motion studies as well as the amount of material required is known, production control can be achieved by Issuing these documents at the proper time. The proper time is calculated by making use of the date on which the final product is likely to be ready and working backwards. For the purpose of production control the details are kept in computer on operation Master, Work centre master, Product Structure and component Master. With the help of these the Production documents are printed and issued at the proper intervals of time.

The accountal of returned stores etc. are maintained manually and these production documents are reconciled manually in the Accounts Office. In addition to production control capacity planning is also carried out on computer. Once the product mix is known, then with the help of computer one can plan the capacity i.e., the anticipated load on each of the work centers. This helps in the optimum utilization of Plant and Machinery.

15.15 Audit of Stores Purchase Bill

(See Para 2819-S to 2822-S, 2833-S, 2839-S and 302 to 306 of Railway Audit Manual)

The following points should be seen while checking stores Bills:

- (i) The security wherever required has been deposited by the supplier in accordance with the terms of contract.
- (ii) That there is no undue delay in passing the bills.
- (iii) That reference to receipt orders are given on the bills.
- (iv) That the Sales tax has been correctly charged either at the rates prescribed in the State Sales Tax Act or the General Sales Tax Act.
- (v) Executive officers have satisfied themselves at the time of passing bills that the stores supplied under the bills have been actually received and taken into account.
- (vi) Executive officers have applied necessary checks to ensure that a claim has not been passed by them more than once for one and the same transactions.

(vii) That proper machinery exists to ensure that the officer signing the bill has satisfied himself that the quality and quantity of stores supplied are according to the contract.

(viii) That the extra charges claimed by the suppliers (such as, freight, insurance etc.) are either accepted by the competent authority or as specified in the Purchase Order.

(ix) That the stores which are required to be purchased through the agency of the D.G.S.&D. in accordance with Para 801 -S and the latest orders of the Railway Board have not been purchased direct without the sanction of the competent authority.

15.16 D.G.S. & D. Bills

(See Para 801-S & 303 of RAM)

It should be seen that:-

(i) no direct payments have been made to the suppliers.

(ii) that the Accounts, officer does not pay or pass any charges for such stores unless the debit for the cost of supplies is received from the PAO. Ministry of Works, Housing & Supply including the departmental charges due to I.S.D.

15.17 Custom Duty Bills

(See Para 310 of RAM and 2830-S 2135-S)

It should be seen:-

(i) That the charges are correctly revivable and that they have been posted in the Priced Ledger under PL concerned.

(ii) Their allocation is correct.

(iii) The details of the bills agree with those in the bills of lading and tonnage statements.

(iv) That the rates of wharfage, surcharge, unloading etc. are in accordance with the schedule of rates of the Port authorities.

15.18 Harbour Dues

In Integral Coach Factory, an imprest of Ps. 20,000/- is operated with the Madras Port Trust for adjustment of harbour dues on receipt of bills (duly accompanied by import application) from the Port Trust through the Stores Department. The dues are adjusted against the imprest account and the debits are accepted by charge to the Workshop Manufacturing Suspense or to the Works concerned in respect of stores charged to Capital Final Heads (Plant & Machinery). The

correctness of the rates charged should be verified with reference to the Port Trust Scale of rates.

The import application received by the Accounts Office through the Stores Department in support of the monthly statement of harbour dues will form the basis of selection for audit.

15.19 Returned Stores

(See Para 308 of RAM)

It should be seen that:-

- (i) Allocation of credit is correct.
- (ii) The returned stores are promptly acknowledged and accounted for by the Stores Department.
- (iii) There are no cases of excessive indents and purchases having been placed/made in the first instance by the departmental officers.
- (iv) The postings of returned stores have been made in the appropriate Register.
- (v) Necessary pairing of advice notes have been done by the Accounts Office.
- (vi) That advice notes have been prepared in detail and a copy of the advice note has been sent to Accounts Office, that the numbers on them run serially for each departmental officer and that none are unduly delayed in Stores Office.
- (vii) That there is a special stores ledger for record of unserviceable stores.
- (viii) That they are valued as soon as possible after their receipt in the stores department according to local rules and orders in force.
- (ix) That initial documents coming under audit scrutiny are free from irregularities, such as, improper corrections, erasures, stamped signature, interpolations etc. and that all corrections of whatever nature are initialed
- (x) that an arrangement for internal test check of initial documents exist, i.e., with reference to the office copies of permanent way Inspector and other subordinates statements or transactions;
- (xi) that in regard to articles returned in a damaged or deficient condition and requiring repairs, the department concerned is debited with the cost of repairs, the net value only being credited to it.
- (xii) That the returned stores have been properly taken into Priced Ledger.

15.20 Workshop Outturn

(See Para 309 of RAM.)

It should be seen that articles are not purchased from the market if they could be manufactured at cheaper rate in-the Workshops. Similarly articles which can be had at a cheaper rate from the open market should not be manufactured in the workshops.

15.21 Inter Depot Transfers (See Para 311 of RAM.)

The vouchers relating to Inter Depot transfers should be checked to see that issues and receipts are paried and that sufficient action has been taken to watch the acknowledgement of outstanding items.

15.22 Issues Sales (See Para 313 of R.A.M.)

It should be seen that

- (i) The sale is within the powers of the officer sanctioning it.
- (ii) Materials actually required by the Railway Admn. is not sold, especially at a cost lower than the latest purchase rates
- (iii) In the case of Sale of scrap it was declared as such by the General Manager on the recommendation of the Survey Committee.
- (iv) Quantity as per gate pass tally with that shown in the connected sale order.
- (v) Percentage charges viz., freight, incidental and supervision prescribed in the Code have been correctly levied.
- (vi) The purchase money has been paid In advance to the Railway.

15.23 Cloth Manufacturing Account

The fabrication (cuttings and stitching both) of uniforms of the railway employees is generally got done through Mahila Samiti or private contractor. Detailed account kept in respect of cloth issued, number of uniforms stitched and rates paid should be checked with reference to latest orders issued by the Railway Board from time to time.

In the case of contracts for fabrication of garments for railway staff which are let out to outsiders, it should be seen that such contracts are given to private firms only after inviting open tenders. The following points should be further seen in the check of bills for fabrication of garments:-

- (i) That the cloth the other raw materials required are issued from the stroes depot up-to the value of the security deposited by the contractor.
- (ii) That all the material is issued on a proper Issue Note.
- (iii) The cost of the raw material issued to the contractor is debited to Miscellaneous Advance Capital (clothing).
- (iv) That on the receipt of uniforms, the cost of raw materials is credited to Miscellaneous Advances Capital and fabrication charges are debited to Miscellaneous Advance (clothing) which are cleared on the receipt of firm's bill.
- (v) That the unused material is either returned by the contractor to the stores depot or the cost of the same is recovered from him.

15.24 Sales Abstract

(See Para 313 & 317 of RAM & chapters XXIII & XXIV of Stores Code)

It should be seen that each sale has been sanctioned by the competent authority and included in the Sales Register, the percentage charges have been correctly levied and bills preferred against the party concerned and the Stores Tender Committee has been consulted for Sale of Stores amounting to Rs. 10,000/- or over (Para 2322-S).

It should also be seen that the totals agree with the debit to head 'Sale' in the General Books. It may also be seen that the purchase money has been received and accounted for, that there is no tendency on the part of Administration to issue to employees new and good stores which can be readily purchased from the market. Relevant gate passes should be referred to ensure that excessive quantities have not been issued. It should be seen whether materials have been removed within stipulated period and whether penalties have been enforced wherever due.

15.25 Suspense Register

(See Para 317 of RAM & Chapter XV-AI)

All important, old outstanding and irregular items should be examined and accounts and Administration's files studied with a view to see if they provide any material for the Railway Audit Report.

15.26 Purchase Register

(See Para 2809-S to 2816-S & 2924-S & Para 1606-AI.)

All the registers should be divided in 12 units and one unit taken up every month. The analysis of the balances should be carefully checked with the detailed postings and irregularities brought to notice. The balance at the end of each year should be analyzed and agreed with the general books. It should be seen that the registers are periodically inspected by the Stores Accounts Officer. Items outstanding for more than three months and instances of undue delay in payment of bills should be specially scrutinized. Irregular/debit balances should be taken up with the Accounts Officer. It should also be seen that there are no delays in the inspection and account of material in the Stores Depots in cases of payments made for stores in advance.

15.27 Sales Registers

(See Para 2722-S to 2732-S and 2927-S and Para 16-7-AI)

All the Registers should be divided in to 12 units and one unit taken up every month. Credit balances should be specially scrutinized. The balance should be analyzed and undue delays in recovery of the value should be taken up with the Accounts Office. It should be seen that the balances of this Register have been reconciled monthly with the General Books.

15.28 Deposit Misc. & Misc. Advances Registers

(See Para 381 of RAM, Para 1120-A to 1121-A & Para 1611-A & 1616-A)

The Registers should be divided into 12 units and one unit taken up every month. It should be seen that a systematic reconciliation is made with General Books. One month's outstanding should be traced back to the month of origin in addition to the General review of Deposit Misc. & Miscellaneous Registers. It should be seen that deposits are adequate for fulfilling the requirement of contract, that in the case of failure on the part of Contractor to observe the terms of the contract, proper recoveries have been made from the security deposit, that there are no debit items and that all the items are current and rate to works in progress.

The following points should be seen in the review of Miscellaneous Advance Registers:

- (i) That the Register generally contains those items of expenditure the allocation of which is not known and the value of cloth Issued to the contractor and firms for manufacture of garments.
- (ii) That the provisions of Para 1611-A are followed.

15.29 Inter Depot Transfer Register

(See Para 2746-S to 2751-S & Para 311 of RAM.)

It should be seen that the vouchers of issues and receipts are paired and that sufficient action is taken to watch the acknowledgement of outstanding items. It should also be seen that the balances in the Register have been reconciled monthly with the General Books & that proper machinery exists in the Accounts Office to ensure that all the vouchers have been taken into account.

15.30 Stock Sheets

(See Para 324 of RAM Chapter XXXII and XXXIII of Stores Code, Para 1856-S and 1875-S, 1260-S, 1442-S & 2526-S Para 339-A, 340-A and 703-A)

It should be ensured that the programme and arrangements for the conduct of Stock verifications cover all items of Stores. The scrutiny by audit should cover the results of verification of all kinds of stock including charged off stores.

The stock verifiers' reports will be reviewed with reference to the explanations furnished and the orders finally passed thereon, it being seen that all important losses have been adequately investigated. The actual adjustments in the accounts will be scrutinized. Any unreasonable delay in the disposal of Stock Sheets either by the departmental officers or by the Accounts Office should be brought to the notice of Accounts Officer. The arrangements for departmental verification and the important results thereof may also be reviewed. The postings of the excesses and deficiencies after review by

competent authority should be verified in stores priced ledgers. The action taken by the Accounts Office should be watched to see that full Investigation is made in all important cases and that no improper use is made of the stock Adjustment Accounts and In the case of shortage adequate disciplinary action is taken against the person responsible for it.

15.31 Auction Sale Account

(See Para 325,445 & 518-B of RAM and Para 2412-S to 2447-S & 2733-S to 2737 S).

The following points should be seen while auditing the above account:-

- (i) That the list of stores for auction has been made out under proper sanction and reasonable publicity has been given in regard to date and other particulars of auction.
- (ii) That the auction has been personally supervised by a responsible officer of the Stores Department.
- (iii) That the accepted bids have been written by the concerned officer and a certificate has been recorded by him as to his personal supervision.
- (iv) That an accounts representative was also present at the time of auction.
- (v) That the amount of commission charged by the auctioneer is as per his agreement and that there is no delay on the part of auctioneer in remitting the amounts of Railway Administration.
- (vi) That the credits for the values received have been afforded to the correct head of Account.
- (vii) That the total amount realized in auction sale agrees with the total remittance as made. It should be seen occasionally that the materials put up for sale in auction are not serviceable and costly articles are not mixed up with lots of scrap of condemned material. In the case of sate accounts of scrap metals, the reasons for realizing a higher value than 4he book value should be carefully looked into. It should also be seen whether in cases of failure the penalty as per terms of sale is levied; also that no remission or reduction of ground rent on materials sold by auction but not removed within free time is allowed except with the sanction of the competent authority.

In the case of local deliveries, the gate passes should be checked with the delivery for auction sales. It should be ensured that all materials sold in lots are weighed before auction in the presence of an Inspector of Stores Accounts. The lists of weighment of these lots received in Accounts Office should be compared with the auctioneers' Sale Account. The latest schedule of rates for scrap should be compared with the prices obtained in recent auction sates to see if any of them calls for revision.

Yearly Statement of Stores Transactions

(See Para 321 of R.A.M. & 3001 -S)

The annual statement of stores transactions is the statement showing the money value of actual balances of stores in hand expressed in thousands of rupees at the end of each financial year prepared in Form No. S-3001. A copy of this statement is sent to the Railway Board so as to reach them by the 1st November of the year following the financial year. The statement is prepared by the Controller of Stores with the assistance of the Accounts Officer. Detailed instructions of preparation of this statement are contained in Chapter XXX of the Stores Code. The statement is accompanied by three annexures.

Annexure A:- is in the form of questionnaire which should be answered duly certified by the F.A. & C.A.O.

Annexure B:- is a review of balances under materials at site account for the year.

Annexure C:- is a statement of balance of 'charged off' imprest comprising the balance at the end of the year with each category of imprest holder.

The following points should be seen:

(1) The statement has been prepared in the prescribed tot discrepancies, if any, should be brought to the notice of F.A. & C.A.O.

(2) The balances shown in the statement are correct, effective and efficient;

(3) The Railway Administration has not unnecessarily reduced the Stores balances by resorting to the following means:-

(i) Writing down of values without sufficient cause.

(ii) char of stores to works on which they are not required for use immediately.

(iii) Undervaluing returned stores.

(iv) Undue acceleration of the sale of surplus stores.

(v) Keeping off the payment or accountal of receipt of stores towards the end of the year till the next financial year.

15.33 Yearly statement of Stores Purchases

(See Para 322 of RAM & 2943-S to 2946-S)

The statement which shows the details of stores purchased during the year from various sources should be scrutinized generally to see how far the Government Stores purchase policy has been adhered to. The statement may be compared with the previous year's statement and the reasons for important variations investigated.

15.34 Scrutiny of large Contracts & Tenders

(See Para 257 to 266, 297 to 307 of RAM and Para 27 of Secret Memo of Instructions regarding the extent of audit (Railways))

Stores contracts are reviewed quarterly as per item XIII(ii) under “Stores Audit Programme” as given in the Secret Memo of Instructions. The rates etc. of accepted tenders should be compared with works/purchase orders issued against them to see that the work orders/purchase orders have been made out correctly. The execution of accepted tenders for the purchase of stores should also be reviewed to the extent laid down in Para 32 of the Secret Memo of Instructions (Railway Audit).

The general system in force for entering into contracts, the method of calling for tenders, the forms of the contracts and the specific conditions attaching to the supply of stores should also be examined. An intelligent check should be exercised on the tabulated summaries by referring to the original tenders. Interesting cases in which there is doubt that tenders or contracts have been split up to avoid higher sanction should be specially scrutinized and pursued.

15.35 Review of Purchase Orders

(See Para 306 of RAM & 32 of Secret Memo. of Instructions)

The check of Purchase orders should be conducted as per extent of check prescribed against item XIII (i) under ‘Stores Audit Programme’ of Secret Memo of Instructions contained in A.D.A.I (Rlys.) secret letter No. 2965-RAI/8-7/66 (Vol.I) dated 9.8.67. The following points should be seen:-

- (a) That the rates shown in Purchase Order agrees with the accepted tenders.
- (b) That the Stores required to be purchased through the agency of the D.G.S. & D. or other authority are not purchased direct without proper sanction;
- (c) That the Administration has exercised adequate care and checks in the indenting of Stores especially those involving expenditure on foreign exchange.
- (d) That there is no Intentional splitting up of purchases.
- (e) That the financial limits, as laid down by the competent authority, are not exceeded.
- (f) Purchases made are not much in excess of requirements.

15.36 Accounts Custody & Disposal of Scrap Materials

(See Para 323 of RAM & 1207 of Stores Code & Chapter XXIV-S)

The arrangements for the custody of the scrap material the procedure adopted for and during auction of scrap, the rates fixed and those obtained during auctions and the procedure for verification of scrap specially valuable scrap should be seen.

15.37 Stock Adjustment Account Regr.

(See Para 318 of RAM & 2740-S to 2742-S, 2852-S and 2936-S)

It should be seen that items are not carried to stock adjustment account without proper investigation and adequate reasons exist in all cases where clearances are deferred. The transactions of the stock Adjustment Account will generally come under scrutiny in connection with the review of priced ledgers and Stock Sheets etc. As all items are as a rule to be cleared within six months vide Para 2742-S items more than six months' old should be specially scrutinized and reasons for their non-clearance investigated. The total amount placed under Stock Adjustment Account during the year should be compared with the total for the previous year and the difference, if large, should be investigated.

15.38 Stores-In-transit Register

(See Para 317 of RAM & 2746-S to 2752-S)

It should be seen that:-

- (i) The balance outstanding in the stores in transit account is reconciled monthly with the subsidiary Registers.
- (ii) Steps have been taken for prompt clearance of the outstanding items.
- (iii) The register of outstanding items is examined periodically by the Stores Accounts Officer and delays in the acceptance and return of monthly account current are taken up with the departmental officers and the Heads of Departments and that repeated or protracted delays are specially brought to the notice of the General Manager.

15.39 Imported Stores

It should be seen that the receipts are covered by the contracts concluded by the competent authority and include the ocean freight and customs duty in addition to the cost as per the contracts. If there is any under or over valuation, it should be examined whether necessary adjustments have been made on the basis of actual payment made against letter of credit opened.

15.40 Delivery Notes

The delivery notes fall under the following categories:-

- (a) Issues to Revenue and Capital.
- (b) Issues on Sale Account.
- (c) Issues to Workshops.
- (d) Issues to Inter depot transfers and
- (e) Other issue vouchers.

In the audit of issue vouchers, it should be seen that:-

- (i) The postings are correctly made into the ledger;
- (ii) The issue rates are correct;
- (iii) The allocation is not prima facie incorrect.

In scrutinizing Issues on Sales Account it should be seen that:-

- (i) The purchase money is paid in advance if the Sale is made to outsiders.
- (ii) The percentage charges prescribed in the codes have been correctly levied.
- (iii) Only surplus or condemned articles are sold to others.
- (iv) Whether delivery charges at the rates fixed by the Administration from time to time have been recovered from the outsiders/Railway employees. It should be seen that the delivery charges fixed by the Administration are reviewed at least once in a year and revised where necessary.

In the scrutiny of vouchers relating to issues to Workshops the issue notes should be compared with the requisitions to see that supplies are not made in excess of the quantity required and that the prices charged are correct.

The vouchers of inter-depot transfers should be checked to see that issues and receipts are paried and that adequate action is taken to watch the acknowledgement of outstanding items.

After scrutiny of the issue vouchers the issue notes should be traced Into Priced Ledgers.

The monthly reconciliation of receipts, issues and particulars of balances In the general books with class ledgers should be checked to see that the total credit/debit to stores as per general books are correct.

15.41 Priced Ledgers

(See Para 314 of Rly. Audit Manual)

Priced Ledger is an annual item of audit done monthly by dividing the total number of priced ledgers as on 1st April of an year into twelve units and one unit is selected for audit every month. The review of Priced Ledger should be supplemented by a review of the following managerial statements prepared on the computer:-

- (a) Review of non-moved accounts showing the items not moved over two years/one year etc
- (b) Scrap Statement.
- (c) Review on value/volume analysis to pin point accounts having examined balances with reference to the issue of stores as related to the total volume of issue in the depot commonly known as ABC analysis statement.
- (d) Statement showing stock holdings over one years requirement as and when required and for specific items only.

Priced Ledger accounts showing irregular or excessive balances in quantity or value should be reviewed critically. Accounts having

excessive balances with reference to issue of stores as related to the total value of issues in the Depot should be in pointed.

15.42 Reconciliation of Priced Ledger with General Books

In addition to the Priced Ledger, Class Ledger showing the opening balance, receipts, issues and closing balance under each class is also prepared from the transaction file for receipts and issues and up-dated opening balance. The total debits, credits and balances In the class ledger are reconciled with the figures In the account current which In turn is reconciled with the General Books.

Monthly-Statement of Stores Transactions

(See Para 316-RAM)

The Stores account current is a statement prepared monthly by the Accounts Office showing the opening balance, debits during the month, credits during the month and closing balance of all categories of stores. The journal entries of the transactions included in the Stores Account Current are prepared for incorporation in the General Books.

The monthly account current of stores transactions should be examined in full detail by Audit. The opening balance should be compared with the closing balance of the previous month. The debits and credits should be checked with reference to the details available in the Departmental summary of receipt and Issues. The opening balance should be reconciled with the corresponding balances in the General Books on the one hand and with the balance in the class ledger on the other. The total receipts and issues during a month should be similarly reconciled.

15.44 Fund Register

This Register is intended to watch the progress of purchases against grants and is to be maintained in the form and manner prescribed in Para 506-S. Since this is a register maintained to record the progress of liabilities Incurred against budget grant under the appropriate heads, it should be scrutinized whether this record is efficiently maintained and serves the purpose for which it is intended. Para 506-S and 306 of RAM should be referred to while reviewing this register.

15.45 Price Lists

(See Para 320 of RAM and 208-S)

It should be seen that the Controller of Stores is advised of all. the variations between the average and the price list rates as required under the rules to enable him to consider the revision of the price list rates. In case of stores, for which there have been no purchases it should be seen that the enquiries are made as to the prevailing market rates and the price lists revised where necessary. If price lists do not

exist for many classes of stores, it should be taken up and factual statement prepared, if necessary.

The review of Price Lists should be done along with the review of stores ledgers every month. It should also be seen that the alterations in rates etc. issued during one month in each year, to be selected by the Branch Officer, have been carried out in the price lists maintained in the Accounts Office.

15.46 Review of execution of Completed Contracts and Purchase Orders.

All completed contracts exceeding Rs. 5 lakhs should be reviewed by the Gazetted Officer while completed contracts over Rs. 1,00,000/-and up-to Rs. 5,00,000 should be reviewed by the Section Officer to the extent of 20%.

In reviewing completed contracts/purchase orders particular attention should be paid to the following points:

- (i) Supply has been made as per specification and inspected by the Inspecting Authority mentioned in the Contract/Purchase order.
- (ii) The stores have been delivered within the delivery period specified in the Purchase Order. If the delivery period was extended, it should be examined up-to what period and for what specific reasons, the extension was given.
- (iii) Variations In quantities/rates originally ordered have been authorized only by the Competent Authority. The reasons thereof should be examined.
- (iv) Discounts, if any, for prompt and timely payments were availed of without fail.
- (v) Sales Tax/Excise duty and other statutory levies have been correctly levied.
- (vi) Escalation claims on account of increase in cost of raw materials/statutory levies after the stipulated delivery period have not been admitted in cases of delivery of stores due to contractors fault.
- (vii) Whether rejected supplies have been replaced.
- (viii) Whether rectification charges, if any, have been recovered from the supplier.
- (ix) Claims for damages/shortages have been preferred promptly.
- (x) Extra expenditure on risk purchase and liquidated damages has been realized whenever necessary;
- (xi) Security Deposit has been refunded only after complete performance of the contract.

15.47 Ledgers

(See Para 31 4 of RAM & Chapters XIV-S and XXV-S)

It should be seen inter-alia whether the reconciliation of the Priced Ledgers with the Depot Cards is done by the Accounts Office monthly and discrepancies noticed therein are settled forthwith, as far as practicable, and that those which cannot be readily settled are entered

in the Register maintained for the purpose. The Register of discrepancies should also be subjected to review every month. Besides the check of postings in ledgers, they should also be subjected to a review every month. The general review of the state of ledgers should be done in such a way that all the ledgers come under check.

15.48 Reconciliation of Purchase statement with Purchase Register and Sales statement with Sales Register.

The entries in the respective registers should be checked with those in the relevant statements up-to 8.1/3% with a view to verifying the correctness of the entries in the Purchases Register and the Sales Register with reference to the Printed statements (which form the basis for adjustment of accounts).

15.49 Review of Surplus Stores and Non-moving Items

The annual review compares in examining whether there are heavy accumulation of surplus stores and whether adequate steps have been taken by the Administration for their disposal profitably. For this purpose, the statement printed through the computer listing items that are not moved for more than 24 months and surplus items excluding scrap are to be scrutinized. It should also be seen whether the surplus stores are due to incorrect procurement on account of change in design and specification and whether this can provide materials for a potential Draft Paragraph on the subject.

Working of the Accounts Department.

(See Para 139-RAM.)

In conducting the audit of vouchers and documents as prescribed in the programme, audit should generally keep a watch over the progress of work in the Accounts Office and the efficiency of internal check. Any unsatisfactory feature or serious arrears in the Accounts Office should be promptly brought to the notice of the Director of Audit who may arrange for special reviews at such intervals as he may deem necessary. The half yearly progress report of the Accounts Office should be reviewed every half year to see that adequate action is taken in the Accounts Department in the clearance of the arrears.

An annual review of the work of the Accounts office should be carried out as provided for in the Secret Memorandum. This review will be undertaken personally by the Section Officers along with the audit of March Accounts. A report specially brining out all details collected and defects noticed during the review should be submitted to the Director of Audit.

15.51 Contingent Vouchers

(See Para 212 of Rly. Audit Manual)

In the audit of Contingent Vouchers, it should be seen that:-

- (i) Each class of expenditure
 - (a) Is a proper charge against the grant concerned.
 - (b) Has received such sanction as is necessary.
 - (c) Has been incurred only by the competent authority.

- (ii) The canons of financial propriety are not infringed.
- (iii) The bill is in proper form.
- (iv) The amounts in words and figures agree.
- (v) The classification is correctly recorded.
- (vi) The rates are, prima fade, not extravagant.
- (vii) No bills are paid from imprest cash which ordinarily should have been submitted for preaudit and payment like other bills, and
- (viii) bills containing charges for miscellaneous supplies bear a certificate that the articles have been received in good condition and entered in the Stock Account.

15.52 Inspection of the work of the receiving and despatch Sections

- (i) The idea of the Inspection of the receiving and despatching sections of the depot is to check that the section of the depot receives all stores before the, wards take them into stock and the despatch section of the Depot arranges for the despatch of all stores from the depot.
- (ii) Accounts, custody and disposal of scrap materials- (See Para 323 of the Rly. Audit Manual). The check covers the work of the section mentioned in Para 1207-S and includes a scrutiny of the arrangements for the custody of the scrap materials, the procedure adoptee for and during auction of scrap, the rates fixed and those obtained during auctions and the procedure for verification of scrap, specially valuable scrap.

CHAPTER 16

Costing

16.1 Aim & System of Cost Accounting

Costing is the technique and process of ascertaining the cost which enables one to find out the cost of various jobs or processes. The costing system helps to compare the actual cost of a product with the estimated cost and thereby to as the losses and wastages where they are occurring and also to take necessary precautions to minimize or avoid such wastages or losses.

16.2 Object of Cost Accounting

The object and scope of cost accounting are

- (i) To ascertain the cost of components, assemblies, complete engines and complete locomotives, coaches and the special Jobs undertaken for departments, other Railways and outsiders.
- (ii) To ensure an effective control over expenditure on different elements of cost viz, material, labor and overheads;
- (iii) To analyze and interpret cost data, highlight special features and present the same through Managerial Reports for information, guidance and necessary action at different levels.

16.3 Scope of Costing

The system of costing described in this Chapter covers manufacture of-

- (i) Complete locomotives of various types.
- (ii) Spare boilers.
- (iii) Standard boo duplicate.
- (iv) Coaches.

and other miscellaneous jobs executed for departments, other Railways and private parties etc.

While Chittaranjan Locomotive Works has been set up for the manufacture of Steam Locos (since discontinued), Electric locos and Diesel Locos, the Diesel Locomotives Works manufactures the following items

Diesel Locomotives —	Broad Guage (WDM2) Meter Guage (YDM4) Shunting Locos (WDS6)
Power Packs —	WDM2 YDM4 D.G. sets WDM 1

In Integral Coach Factory, all metal light weight coaches from ordinary second class to most complicated types of coaches like A.C. & D.C. EMUs, AC. Express, Rajdhani Express, Metro Coaches etc. are being manufactured.

16.4 Elements of Cost

The expenditure incurred on manufacture comprises (i) Direct labor, (ii) incentives (iii) Direct Stores, (iv) Direct expense, (v) Overhead or Indirect expenses.

(i) **Direct Labour:-** These are the pay and allowances of all direct workers who are directly connected with the manufacture of Locomotives, Coaches etc.

(ii) **Incentives :-** The incentive earnings of direct workers are allocated to the Batch orders concerned.

(iii) **Direct Stores:-** Raw materials, finished components manufactured and components purchased, utilized and identified with production are direct stores.

(iv) **Direct Expenses:-** The only direct expenditure is spraying of coaches & locomotives and requirements with asbestos or fiber glass under contract system. This expenditure is allocated to batch concerned.

(v) **Overheads or Indirect Expenses :-** There are indirect expenses which cannot be charged to jobs but which are included in the cost on certain equitable basis. Indirect expenses account for a large share of the total cost of production and comprises both fixed and variable charges fixed charges does not vary significantly or at all with the volume of production. Variable expenses fluctuate in amount though not exactly in direct proportion to the volume of production but mainly so and in sympathy with it. These expenses are also called overheads,

16.5 In order to ensure proper control, the overhead expenditure has been broken up into groups viz:-

- (i) Factory Overheads (FOH)
- (ii) Administrative Overheads (AOH)
- (iii) Township overheads (TOH)
- (iv) Stores overheads (SOH)

Factory Overheads (FOH) :- These constitute expenditure of the shop concerned and also proportionate share of the expenditure in respect of repairs and maintenance of Civil assets, Technical Training School and Service departments inside and outside the workshops. These also include depreciation of buildings, plants and Machineries of shops etc. F OH charges are levied on the direct labor cost

Administrative Overheads (AOH):- These constitute expenditure of Administrative offices, General department excluding stores Deptt. and a portion of Accounts department (Stores Accounts Branch). The AOH are levied on the direct labor cost.

Township Overheads (TOH):- These comprise expenditure of Civil Engineering, water supply etc.

Stores Overheads (SOH):-These constitute expenditure of stores department and the stores accounts branch. These charges are levied on the direct stores cost.

The expenditure which comprises the above overheads (FOH, AOH, TOH & SOH) are listed below:

16.6 Factory Overheads

- (1) Wages, overtime etc., of supervisory and electrical staff and indirect labor.
- (2) Leave Pay and allowances excluding dearness allowance of direct and indirect labour.
- (3) Wages for paid holidays, Sundays, Voluntary duty, idle time etc.
- (4) Dearness allowance of indirect workers and supervisory staff.
- (5) Injury pay and compensation payable under Workmen's Compensation Act and other compensations.
- (6) Contribution to Provident Fund.
- (7) Pay and allowances of workshop staff on deputation for training in the U.S.
- (8) Other miscellaneous labor charges not allocable to jobs.
- (9) Repairs to machinery, paint, furniture etc.
- (10) Repairs and maintenance of workshop buildings.
- (11) Repairs and working expenses of motor cars, shunting engines, cranes etc.
- (12) Operation of Machinery and power charges.
- (13) Cost of coke, coal, consumable stores etc.
- (14) Cost of small tools, jigs and fixtures, patterns, stationery, uniforms etc.
- (15) Replacements, experimental and defective work.
- (16) Fire protection.
- (17) Maintenance of canteen, meal sheds etc.
- (18) Cost of minor works not chargeable to Capital.
- (19) The Expenditure of service departments, e.g.,
 - (a) Pattern Shop.
 - (b) Tool Room.
 - (c) Transport & Yard.
 - (d) Millwright Shop.
 - (e) Electric Branch Shop.
 - (f) Inspection.
 - (g) Laboratory.
 - (h) Dy. CME's Office (Works Office).

(20) Depreciation of workshop machinery and buildings, Work Office building and share of the depreciation on water works.

(21) Electricity charges apportioned to Shops.

16.7 Administrative Overheads

(1) Expenditure including pay and allowances of the Chief Mechanical Engineers Office and Technical School.

(2) Share of the expenditure including pay and allowances of the following departments relating to General Administration.

(a) General Management including Schools.

(b) Security Establishment.

(c) Medical Department.

(d) Electrical Department.

(e) Accounts Department.

(f) Town Engineering Department.

(3) Electricity supply to General Administrative Office.

(4) Depreciation on Administrative Buildings and a share of depreciation on water works.

(5) Relief on account of school fee receipts and diet charges recovered.

16.8 Township Overheads

(1) Expenditure on the maintenance of township including pay and allowances of the Engineering, Sanitation, Anti malaria, Horticulture and Water Works Department.

(2) Share of the expenditure including pay and allowances of the following departments relating to township

(a) General Management including Schools

(b) Security Establishment,

(c) Medical Department.

(d) Electrical Department.

(e) Accounts Department.

(3) Electricity supply to township.

(4) Depreciation on township.

(5) Relief on account of House Rent, Electricity and water charges recovered.

16.9 Stores Overheads

- (1) Expenditure on personnel and contingencies of the Stores Department
- (2) Share of the expenditure of the following departments relating to Stores Service:
 - (a) Accounts Department.
 - (b) Town Engineering Department.
 - (c) General Administration including departments other than Chief Mechanical Engineer's Office & Technical School.
- 3) Rent on hired building in Calcutta
- (4) Depreciation on Stores Building & equipment.
- (5) Freight and handling charges not allocable directly

16.10 Work Order System

A work order system has been introduced for the collection of costs, for the purpose of effective cost control, in addition to the classification of expenditure by the units or cost centers. This work order system has been classified as Production work order and non-production work order.

16.11 Production Work Orders

These including standing work orders for different types of coaches, locos, etc. items manufactured for stock and subsequent issue to production and for spares manufactured for other Railways.

16.12 Non-production work orders

These are for the collection of indirect expenditure of shops/departments forming cost centre.

16.13 Authority for Manufacture

After the authorization of batch order, route cards are issued which are taken as authorities for manufacture of components or assembly thereof. The route cards contain instructions to shops regarding

- (1) Operation to be carried out in the various centres in their sequence.
- (2) The materials and tools to be issued.
- (3) Time required for setting up machines and operations.

The route card bears all relevant particulars as per work order system and classification as also Drawing No. of the components. Along with the route card documents like job cards, material requisitions, squared job cards, idle time cards are also sent. Almost all these documents are prepared by the computer on advice from Production Engineer.

16.14 Collection of Cost

The cost of each batch order is collected shopwise monthly through the following computer printed documents:-

- (1) Labor Sub
- (2) Main Sub Ledger
- (3) Miscellaneous Sub Ledger.
- (4) Workshop General Register.

In Labor Sub Ledger, the cost is booked batch order wise through the evaluation of job cards based on the hours taken by the direct workers at the average rate determined quarterly for each category of workers. The in paid to the workers is directly allocated to the jobs. The pre-determined overheads are distributed on the Direct Labor Cost.

In the Stores Sub-Ledger the values of the materials drawn from the depots are allocated to the batch Orders concerned at the average rates indicated in the priced ledgers. The SOH charges are levied on the value of direct stores at the predetermined percentage.

In the Miscellaneous Sub-Ledger the charges are allocated to Batch Orders/Work Orders shop-wise relating to J.E. transactions, AM. transactions, direct purchase of materials etc. The charges booked relating to a particular batch order/work order through Labor Sub Ledger. Stores Sub Ledger, Miscellaneous Sub Ledger are compiled in the W.G. P. monthly shop wise under the elements of cost like Labor, incentive, FOH, AOH, Direct Stores and SOH.

16.15 Adjustment of the Cost

As and when coaches, locos etc. after manufacture are despatched to various Railways as per the Board's allotment, the cost of the same at the estimated price as provided in the Budget and Rolling Stock programme is debited to the Railway Board for subsequent adjustment with the allottee Railways concerned. Any difference between the estimated cost and actual cost after the batch orders are closed is also debited to the Railway Board subsequently duly making necessary provision in the Budget.

16.16 Finalization of Cost Reports

After the completion of the manufacture of a batch, completion report is prepared and sent by the Mechanical Department. The batches are closed duly taking into account the expenditure booked up-to the month in which the completion report was received.

In the cost reports the following proforma charges are also included:

- (1) Dividend to General Revenues
- (2) Incidence of S.C. to P.F./Gratuity.
- (3) Share of cost of Railway Board etc.

In the completion report the approximate amount of depreciation charges included in the overheads is also included.

The total cost as per the cost reports are compared with the previous batch cost report, estimated cost, as the case may be, after conducting necessary investigations for the variations in all elements of cost. Then the cost reports are sent to the Railway Board with brief remarks for the variations.

The cost report shows the cost per loco/coach excluding proforma charges as also including proforma charges. The cost of locos is also shown under different elements of cost. The incidence of depreciation charges per loco/coach is also separately indicated.

16.17 Items to be checked (Monthly/Periodically) In Costing Audit Section are as follows:

Monthly Items

1. Workshop Accounts including average rates of wages.
2. Sub-Ledger showing the total labor and stores.
3. Oncost.
4. Work Orders.
5. Cost sheet (Current, closed & Assembly)
6. Cost Cards (Cost statistics or Cost Note)
7. Estimates - chargeable wholly or partly to -
 - (i) Capital.
 - (ii) Other Govt., Public bodies, Workd lines or other bodies.
 - (iii) D.R.F., D.F., OLW(R).
 - (iv) Revenue.

8. Completion Reports.

Quarterly Items

1. Excise duty paid on Iron & Steel Products.
2. Average rate of wages.

The average rates fixed by FA & CAO are revised and difference adjusted to overheads quarterly. The review of the average rates so fixed by the FA & CAO should be done quarterly with a view to seeing that the rate so fixed are not to bear heavy difference on account of over/under charges absorption.

(Authority C&AG's Secret letter No. 2123-162-RAI/8-8/71 dated 3.7.71)

Half-yearly Items

1. Work orders.
2. Deposit Miscellaneous
3. Half-yearly Progress Report.

Yearly-Items

1. Out-turn statement with reference to acceptance of debit and clearance.
2. Workshop Account Current with Schedules.
3. Reconciliation of monthly account current of stores in the sub-ledgers.
4. Transfer statement of mema (Adj. Vouchers).
5. Advice Notes of returned stores.
6. Manufacturing Accounts of Foundries.
7. Cost of Complete loco Foundries.
8. Material spared from Work Order.
9. Administrative reports and manuals.
10. O.M. & P.O.O. of the Accounts Office.
11. Deposit Misc. (Debt Head Report, Appr. Accounts)
12. Workshop General Register recording Capital under each Work Order.
13. Distribution of oncost amongst Work Orders
14. Record of Plant and Equipment

16.18 Average Rate of Wages.

The check is exercised in seeing that the rates were worked out correctly from the Labor Pay Sheets and G.A. Cards and also whether the rates so fixed (on the basis of actuals for the proceeding half year) have adequately covered the actual labor charges during the subsequent half year without having any appreciable amount of under or over absorption. It is also to be seen that there exists a system for reconciliation of the total hours)of the shop as recorded in Muster Rolls (GA. Cards) with that appearing in the job cards.

It should be seen that the hours booked against the work orders are evaluated correctly and corresponds as close as possible to the actual wages and that the reconciliation of the total hours of the GA. Cards and Job Cards has been made.

16.19 Workshop General Register.

As the labor and stores portion would have been checked during the audit of labor and stores sub-ledgers these need not be checked again

16.20 Calculation of Oncost (Departmentalization of Overheads)

There are four types of overheads

(i) Factory, (ii) Administrative, (iii) Township and (iv) Stores.

16.21 Distribution of oncost among work orders.

It should be seen that:-

(i) The rates levied are efficient

(ii) Whether the actual Indirect expenditure is fully absorbed by the levied overheads.

16.22 Transfer Statements or Mema

The adjustments affecting the work orders may arise either through journal vouchers or through adjustment mema. Journal vouchers are audited separately in accordance with the instructions contained in Para 386-of RAM. Adjustment mema are prepared for effecting transfer of charges or credits from one W.O. to another for the same department or group of shops on only one side of the account (Debit and minus debit or credit and minus credit). Such adjustments do not affect general books and will not appear as journal vouchers.

16.23 Reconciliation of Monthly Account Current of Stores with Sub-Ledgers

The check prescribed in Para 333 of RAM is to be exercised at the time of audit of stores issue vouchers and their tracing into stores sub-ledgers. The reconciliation of the figures in monthly account current of stores with the sub-ledgers can also be done at the time of audit of Monthly Stores Account Current when it is seen that the total issues to shops are reconciled with the statements of direct and indirect stores issued.

16.24 Manufacturing Accounts of Foundries Including Balance Sheets

In the General Iron Foundry and Brass & White Metal Foundry (which are parts of the Loco Works) as well as the separately set up Steel Foundry, the system of recording of expenditure through work orders is in force. The system of booking of direct and indirect charges is the same as for the Workshop, with some minor changes and all the items of check described earlier for Workshop costing apply to the Foundry Work Orders also. The selection of vouchers/units etc. should be made so as to cover the Foundry Shops/Work Orders as well.

While the labor charges incurred in operations like moulding, core making and fitting are identifiable are booked direct to the production work order concerned in the usual manner, labor charges (Melting) as well as metal (scrap) cost are not so identifiable and are, therefore, booked initially to a standing order and then distributed on weight basis

to the different castings by evolving a rate per Kg. of outturn (of melting shops).

The audit check of outturn statements should cover the scrutiny of the log sheets, imprest accounts, issue vouchers etc. to ensure that the cost of the molten metal is arrived at correctly. The standing instructions regarding valuation of the rejected casting and levy of overheads should be properly ensured. The debits from outturn statements should be traced into Workshop General Register in about 10% of the items. It should also be seen that necessary adjustment between the Melting Standing Order and imprest standing order has been carried out for the materials issued out of the imprest.

16.25 Route Cards (Loco Works and Steel Foundry)

It should be seen that quantity on order and manufactured is correct with reference to the prescribed quantity per loco and that labor and material charges are properly documented. It should also be seen that the quantity finally passed is acknowledged by the stores or by the Assembly Shop concerned. The check of bookings of labor and stores to work orders are checked separately during audit of stores and labor sub-ledgers. Hence at this stage it will be sufficient if a test check is conducted by tracing a few P.W. Job Cards and issue notes into the labor and stores tabulations of the relevant months

16.26 The functions of the various forms used in reduction Units are explained in the following paragraphs:-

(i) **Process Sheet (Scroll copy)** : The form is compiled by the Planner who first enters the usual information in the different cages on the heading portion of the scroll process sheet from the cost and detail book.

The Planner then details the operations required to manufacture the component or the assembly in their due sequence. Against each operation in the appropriate columns he enters the operation number, the number of the department (shop) and section in which the operation will be performed.

The operation is briefly but precisely stated. The Scroll Process Sheet is checked by the In-charge. Processing Section and initialled in token of his approval. It is thereafter forwarded to the Rate Fixing section. The Rate Fixer fills in the necessary confirmation regarding PA. & AT (preparatory allowance and allowed time) in the appropriate columns. The Scroll Process Sheet, after being initialled by the Chief Rate Fixer in token of his approval moves to the Adrema Section (Production Control). Adrema Section embosses adrema plates from the Scroll Process Sheet for subsequent printing of factory forms.

Process Sheet is the basic record on return from Adrema Section it is filed in the Planning Office. Whenever a change in process is decided, it is noted on the back of the relevant form indicating the authority and the reasons for the change. Each alteration is initialed by the in-charge, Processing Section in token of his record. All alterations to process are advised to the Rate Fixing Section and the Adrema Printing Section.

(ii) **Process Sheet (Master Copy):-** This copy of the Process Sheet is a replica of previously mentioned form. It is a reference copy printed on thicker paper.

(iii) **Route Card (Normal Production Work):-** This document is the authority for the shops to undertake manufacture of the component or assembly for which It Is Issued.

This is an exact replica of the Process Sheet with adequate space provided for the Inspection Staff to record the result of inspection or checking on completion of each operation. The Route Card is issued by the Production Control (through the Progress Office) to the shop initiating manufacture and thereafter it accompanies the material till it is delivered to stores on completion of all operation The Stores Depot acknowledges on the Route Card receipt of the component/assembly sent to the depot from the shops. The shop Foreman thereafter passes the Route Card to the Progress Office. The Progress Office sorts out the Route Cards by batches of locomotives and boilers after scrutinizing that necessary reference to material requisition and piece work cards have been entered therein and forward them to the Costing Section of the Accounts Office. Normally only one Route Card is issued to the component/assembly required for a batch but in exceptional cases more than one Route Card may be issued splitting up the batch quantities.

(iv) **Route Card (Replacement):-** This document is exactly the same as stated in the previous Para except that its use is confined to replacement work and is of pink color for easy identification.

This document is issued for the manufacture of components in replacement of rejections on the authority of Inspection Form issued by the Inspector. As far as possible replacement orders are issued along with a normal production order for the component so that additional preparatory time otherwise required is save.

(v) **Job Card (Normal Production Work):-** On this card is booked the time worked direct by workman (other than squands) on individual operations. Job Card are printed by the Production Control (Adrema Section) separately for each operation indicated on the Route Card and sent direct to the Shop concerned simultaneously when the Route Card and other forms are handed over to the Stage Progress Section. When a job is taken up, the operator punches ON' (the time of commencement) on the job card with the aid of the time recording clock installed in the Time Booth. Similarly when the Job Is finished, the operator punches 'Off' time on the Job Card. The particulars of

ticket number, total time allowed and taken are filled in by the Time Booth Clerk. On completion of the operation, the job card is passed on to the Shop Inspector for certifying the quantity passed on the Job Card under his dated initials and then to the Rate Fixer for necessary scrutiny and dated initials in token of the scrutiny. The Job Card is then allotted a serial number by the Time Booth Clerk and passed to the Accounts Office within 48 hours of the completion of the job. In respect of jobs which remain incomplete during the month, the time put in during the month is transcribed by the Time Booth Clerk on Proceeding Time Card and the Proceeding Time Card passed on to the Accounts Office by retaining the original Job Card till it is completed.

(vi) **Job Card (Replacement):-** This form is exactly the same as for Job Card except that its use is confined to the replacement work and is in pink color for easy identification.

(vii) **Material Requisition:-** This form serves as an authority for the shop superintendent to draw raw materials as specified therein for manufacture of components etc. This form is printed with the aid of Adrema plates and shows all particulars as shown on the top portion of the Route Card. Necessary cages are provided on the reverse of the form for the particulars and value of the material issued. Only one copy is prepared and sent to the Stores Department for reservation of material before it is passed on to the shops through Progress Office. The shop superintendent signs the material requisition form and the Route Card before surrendering the form to the Stores Department while taking delivery of the raw material.

The Stores Depot posts the quantity issued, as mentioned in the form, in the numerical ledgers and forwards the same to the Stores Accounts Office for posting in the Priced Ledgers and further accountal.

(viii) **Material Tag:-** This form also is printed with the aid of the same Adrema plates with which the top portion of the Route Card is printed. The form remains tagged with the material right from the time raw material is drawn till the component/assembly is delivered to the Stores Department, so as to identify the batch to which it relates. It serves as the receipt voucher and is posted in the numerical ledgers in the Stores Depot and Priced Ledgers in the Stores Accounts Office. Where part supplies are made, hand written Material Tags are used.

(ix) **Workshop Issue Slip:-** These forms are issued in block pads to the Shop Progress and are used for drawl of finished components held in the Stores Depot under Stock Suspense. The engine or boiler batch no. for which the material is required is indicated on the form. The forms are filled by the Shop Progress Section and signed by the Shop Superintendent. The forms are prepared in three copies—one being retained as office copy and two handed over to the Stores Depot. Of the two copies one is retained as Stores copy and the other forwarded to the Stores Accounts Office. All the three copies shall be signed by DSK/ASK in token of having issued the material and by the Shop Superintendent as token of having received the material.

(x) **Inspection Form:-** These forms are issued in block pads to the Shop Inspectors and are used as follows:

(i) In the case of jobs requiring rectification the Inspectors prepare on Inspection form in three copies. One copy is retained as Inspector's copy and one handed over to the Progress as an advance Intimation. The third copy is passed on by the Inspector to the Shop Superintendent who after his signature and counter signature of the Works Manager makes it over to the shop progress for arranging necessary rectification order.

(ii) In the case of rejections requiring replacement the Inspector makes five copies of the Inspection Form. One copy is retained by the inspector and one copy passed on to the Progress Office as an advance intimation. The three copies shall be passed on to the Shop Superintendent who after his signature and counter signature of the Works Manager returns two copies to the Progress and retains one copy for record. The Shop Superintendent also indicates reference to the relevant Advice Note for Returned Stores on each of the three copies.

The Shop Progress forwards one copy of the Inspection Sheet received from Shop Superintendent to the Production Control Office for the issue of a replacement Work Order and one copy to the Accounts Office. The copy retained by the Shop Superintendent is sent to the Stores Depot along with the necessary Advice Notes of Returned Stores and the rejected material. The Stores Department takes necessary action for the replacement of materials from the supplying firm in case the rejection is due to faulty material supplied by a firm.

(xi) **Advice Note of Returned Stores:-** This form is used for return of rejected materials to Stores. It is prepared by the Shop Superintendent in triplicate of which one copy is forwarded to the Stores Depot with the material, one copy to the Accounts Office for the forwarding necessary credit and the third is retained for record.

(xii) **Material Tag 'Replacement':-** The use of the form is confined to replacement work. This is in pink color for easy identification.

(xiii) **Material Requisition 'Replacement':-** The use of this form is confined to replacement. It is in pink colour for easy identification.

(xiv) **Squad Summary Card:-** This Card is used for booking labor on jobs for which a gang of work men is employed. The heading of this card is adrema printed and one such card is issued for each operation. This card is punched ON' by the leading hand at the time of starting the job and punched Off by him again on its completion.)

(xv) **Job Card for Squad Work:-** This card is used for booking time spent by each of the workmen (including the leading hand) in a gang. When a gang operation is to be taken up, the Supervisor (Chargeman or Mistry) fills in the particulars of ticket number, batch number. C&D

number and operation number in separate job cards for each man. The leading hand punches 'ON' the job card for each man along with the squad summary card and hands over the cards to the Time Booth Clerk. Similarly when the work is completed the leading hand punches 'Off' the job cards for each man in the gang along with the squad summary card.

The completed job cards are sent to the Accounts Office within 48 hours of completion of the job.

(xvi) **Proceeding Time Card:-** This card is used for indicating time spent on a job during a month which remains incomplete at the end of the month to enable Accounts Office to include time worked by workmen in the accounts for the month. The time booth clerk transcribes on these cards the time put in by each workman in respect of all job cards in progress on the last date of the month. All such cards are given a separate serial number and sent to the Accounts Office (Machine Section) by the end of the first week of the following month. The original job cards of squad summary cards remain with the time booth clerk till the jobs are completed.

(xvii) **Process/Time Alteration:-** On completion of investigation into the proposal made by Shop Foreman 'this form is issued by the Planner or Rate Fixer wherever the alteration suggested is justified and acceptable.

(xviii) **Request for Investigation:-** This form is used whenever the Shop Superintendent desires to have investigation carried out in respect of any process or time laid down in the process sheet. He submits two copies of the form to the Processing/Rate Fixing Section depending upon the nature of investigation required. The forms are required to be signed by the Shop Superintendent personally.

Investigation, as required, is undertaken by the Planner/Rate Fixer and the result recorded on the two copies. One of the copies is forwarded to the Shop Superintendent and the other retained in the Office for record.

(xix) **Duty Certificate:-** In the case of a man going on official duty (and not for his personal work, such as obtaining passes and PTOs etc.) outside the Workshop, he is provided by the Shop Superintendent office with a duty certificate. On presentation of the duty certificate, the time clerk issues a gate pass. When the workman returns to the Shop along with the duty certificate, he is allowed to punch 'ON' his Gate Attendance Card. All Duty Certificates are attested by the Shop Superintendent/Assistant Shop Superintendent when the workman goes out on duty and returns to Shops. The duty certificates are filed (in the order of date of return from duty) with the time clerk. The time booth clerk sees that the Work Order, to which the period of time covered by the duty certificate is chargeable, is clearly indicated by the Shop Superintendent without which no duty certificate can be entertained for issue of a Gate Pass. In cases when a worker returns to

the Shop in the same period in which he left for duty no punching 'IN' will be necessary.

(xx) **Idle Time Slips:** The idle time slips are issued in block pads to the shops whenever any operator is idle for any of the various reasons indicated on the idle time card the and Chargeman concerned shall prepare the idle time slip. The operator who has to be idle for the reasons indicated by the Supervisor on the idle slip delivers the slip personally to the time booth clerk. The booking of idle time is done on idle time cards.

Idle time cards are issued to enable the Chargeman to book idle time as and when necessary due to the reason stated on the reverse of the Card. These cards should be scrutinized and countersigned by the Shop Superintendent. The Shop chargemen/Mistries are directly responsible for (a) Lack of work, and (b) a lack of tools. For idle time arising out of these two causes, proportionate deductions should be made from the piece work profits earned by the Chargeman/Mistry concerned.

(xxi) **Suspended Job:-** This form is issued in block pads to the shops whenever a job in operation is required to be suspended for any reason. The Sectional Chargeman fills in this form and gives It to the operator for presentation to the time booth clerk. On the authority of this form, he time booth clerk gives the relevant job card to the operator for punching 'Off' and also permits punching 'ON' in another card for the next operation to be taken in hand as indicated by the Sectional Chargeman on Suspended Job Cards.

(xxii) **Resumption of Suspended Job:-** This form is issued in block pads to the shops. The sectional chargeman shall prepare this form and hand It over to the operator or the head of the gang as the case may be, for presenting to the time booth clerk whenever a suspended job is to be resumed. The time booth clerk shall give the relevant suspended job cards as well as the current job card to the operator for punching 'ON' and 'Off respectively.

(xxiii) **Entrusting job In progress to another operator:-** This form is issued in block pads and i prepared by the shop chargeman who hands it over to an operator to whom the job is to be entrusted, for presentation to the time, booth clerk. The time booth clerk notes down the ticket number of the operator on the job card of the job in progress, and books time put in by the new operator from day to day till completion. Job in progress shall be entrusted to another operator only when the operator who had previously booked time on the job card is absent or when the job has to be transferred to some other machine for reasons of plant break down or other unavoidable contingencies. In the case of squad work, a separate "Job card for squard work" is opened by the chargeman and the leading hand presents this card duly punched 'ON' along with form "Entrusting job in progress to another

operator” at the time booth. The time booth clerk shall attach this card to the “Squad Summary Card” concerned.

(xxiv) **Gate Attendance Cards and job required for night shift:-** This form is issued in block pads to the shops and is used only when there is no time booth clerk on night shift duty. The shop chargeman supervising the night shift fills up this form giving details of all the jobs to be done by the night shift staff and obtains from the time booth the Gate Attendance Cards and Job Cards (normal production work) of the operators concerned.

The chargeman opens “Job Card (normal production work)” and “Job Card for Squad Work” of all the operators who have to start work during night shift and after due punching ‘ON’ by the operators shall connect relevant “Job Card for Squad Work” to the “Squad Summary Cards”. The Squad summary cards and Job cards (normal production work) shall be punched ‘ON’ only in case jobs started in the night shift for the first time and in the case of resumption of suspended jobs. On completion of the shift all the Squad summary cards and Job cards (normal production work) along with the Gate Attendance cards duly punched shall be put in the overtime box by the chargeman. The time booth clerk shall, on the following morning, post time put in each job card with reference to the attendance punched on the corresponding job card. The Squad summary cards, Job cards for squad work and Job cards (normal production work) completed during the night shift shall be punched Off by the leading hands/operators and the letters ‘NS’ will be insisted against the T. No. on the Squad summary cards and Job cards (normal production work) to distinguish night shift from day shift.

(xxv) **Essential Indirect workers:-** Blank cards are issued to the shops for booking of time of all essential indirect workers. The sectional chargeman fills in the work order number and category of the staff etc. and authorizes punching ‘ON’ these cards at the beginning of the month. The cards are punched ‘Off’ at the end of the month and reconciled by the time booth clerk with the respective GA. cards.

(xxvi) **Idle Time Cards:-** Blank idle time cards are issued to the time booth clerks. On production of the idle time slip the time booth clerk enters the operator’s ticket number, W.O.No. etc. on the Idle time card and hands over the same to the operator for punching ‘ON’. The idle time cards are signed by the chargeman and the Shop Superintendent in token of authorization. The relevant reason for booking of the idle time is indicated against each booking by the time booth clerk and the authority of idle time slip form.

To avoid wrong bookings against idle time, all idle time cards are countersigned by the Works Manager/Asstt. Works Manager in token of approval. Whenever idle time is booked for reasons of machine repairs and lack of tools indicated on Idle Time cards, necessary intimation is sent by the Shop Superintendent concerned to the Shop Superintendent, Mill Wright and Tool Room Shops respectively.

Whenever idle time is booked against reason like no power or waiting for cranes, necessary intimation is sent by the Shop Superintendent concerned to the Electrical Foreman. The idle time cards punched 'ON' is attached to the current job cards of the operators concerned and both the cards remain with tray of idle time cards kept with the time booth clerk. When the idle time is over, the time booth clerk allows punching 'Off' the idle time card and punching 'ON' the relevant job card when the operator brings another idle time slip indicating that the idle time is over.

The time booth clerk scrutinizes all idle time cards daily before recording booking of time worked in the job cards of each operator. They ensure that the time booked on the job cards for a day is equal to the time as per Gate Attendance Card minus that booked idle time card.

16.27 Standing Work Orders for Manufacture of Locomotives & Boilers, Coaches etc.

The erection of locomotives, coaches and manufacture of all wholly shop manufactured components of the engine/coaches and tender are undertaken on Standing Work Order (SWO) No. suffixed by order and batch no. The assembly of boilers and manufacture of all wholly shop manufactured components of boilers are undertaken under Standing Work Order suffixed by order and batch no. The manufacture of all balancing Items (i.e., partly manufactured and partly purchased) on engine, tender and boiler which are borne tender stores suspense is taken up on SWO suffixed by order and batch no. When the materials manufactured under SWO are deposited in stores suspense, credit is afforded to the SWO at the priced list rates. The balance left under the SWO represents under and over charges for manufacture for the batch and are adjusted against the cost of the batch.

16.28 Reconciliation between Financial and Cost Accounts (compiled Accounts of Workshop Manufacture Suspense)

In the General Books, the expenditure incurred on the manufacturing operations and other works incidental thereto is debited, and the cost of locomotives, boilers, spare parts etc. supplied to Railways and recoveries made on account of work done for other Govt. Departments outsiders etc. is credited to Capital to Capital IX-9600 Workshop Suspense.

A monthly reconciliation is effected between this Suspense Account in the General Books and the monthly account current.

16.29 Reconciliation of compiled Accounts of Workshop Manufacture Suspense with the General Books.

The procedure followed for the reconciliation of the compiled accounts of Workshop Manufacture Suspense with that of the General Books is as follows:

(a) Transactions are included in the Workshop Manufacture Suspense Account through (i) Cash, (ii) Journal Slips and (iii) Adjustment Mema. Transactions made through cash either payment or receipt and journal slips debit or credit are required to be included both in the compiled accounts and the General Books (except in cases where journal slips are made for adjusting discrepancies in the General Books). The transactions through adjustment mema made for adjustments between one work order and another for the same department or group of shop are only one side of the account viz, debit or credit. In other words, adjustments through adjustment mema are made between shops and within individual departments as debit and contra minus debit or credit and contra minus credit. For these reasons such adjustments do not affect the General Books and therefore, adjustment mema are not included in the General Books.

(b) The tabulations for each transaction paid voucher and cash receipt show the amount by each CO7 and CR. allocated to WMS Account which have been included in the compiled accounts. The CO7s and C.Rs. are summarized by the Books and Budget Section daily on the basis of which the journal for different accounts are posted. These two sets of figures in the tabulations and the daily summaries are reconciled separately for debit and credit sides of the account and discrepancies, if any, are noted down. When reconciliation is completed for the whole month, the total transactions in the two sets of records are reconciled after taking the discrepancies into account. The vouchers when discrepancies are noticed are referred to see as to which set of records is correct with a view to carrying out necessary adjustment either in the compiled accounts or the General Books.

(c) Similarly, the tabulations for journal slips show the accounts allocated to WMS account by individual journal slips which are included in the compiled Section. In the journal compiled by the Books and Budget Section, the amounts are posted by Individual journal slips. These amounts as appearing in the sets of records are compared separately for debit and credit and discrepancies are noted. When the comparison is completed for the whole month the total amounts of the journal slips in the two sets of records are reconciled after taking into account the discrepancies. The journal slips, when the discrepancies have been noticed, are referred to see as to which set of records is incorrect with a view to carrying out necessary adjustment either in the compiled accounts or the General Books as the case may be.

(d) The items of discrepancies noted in respect of cash and journal slip transactions are summarized in a statement, quoting references, to the vouchers, C.O.7 and cash receipts, so as to indicate the amounts of discrepancies in columns (1) more in compiled accounts and (2) less in compiled accounts. Suitable remarks are given against each entry to indicate how discrepancies are proposed to be rectified. The statement, besides showing the discrepancies for the month, also shows the unadjusted discrepancies up-to the previous month under

the respective columns. The net amount of the two cols is struck which represents the difference between the compiled accounts and the General Books up-to the accounts for the month under reconciliation. The closing balances as per the compiled accounts and the General Books and the difference between two are shown in the statement. The amount of difference is the same as the net total of the two columns "more in compiled accounts" and "less in compiled accounts".

(e) The discrepancy statement as also the subsidiary register showing the balances as per the compiled accounts and the General Books together with the difference between the two accounts are put up to the Accounts Officer for signature duly verified and attested by the Accountant of the Books Section.

16.30 Reconciliation of Cost Accounts with the Financial Accounts

The procedure for the reconciliation of the compiled accounts of the Workshop Manufacture Suspense with that of the General Books is as follows. Separate folios are maintained for each work order in the Workshop General Registers in which monthly charges are posted and progressive totals are struck. This Workshop General Register, therefore, represents ipso facto, the cost account which are reconciled monthly with the financial accounts.

Charges incurred for a batch are tabulated by groups and assemblies separately from punched Cards and that the totals of groups and assemblies are reconciled with batch totals. The charges for the batch are posted In the Workshop General Register and those for the groups and assemblies in separate cost sheets, under different elements of costs and direct man-hours. The monthly figures posted for groups and assemblies for each batch under different elements of costs and direct man hours as also the total cost are reconciled with' the corresponding figures available by batches in the Workshop General Registers and discrepancies, if any, are set right.

CHAPTER 17

Efficiency Cum Performance Audit

17.1 Introduction

Efficiency-cum-Performance Audit is a technique of audit adopted to assess and evaluate the economy, efficiency and effectiveness of developmental schemes! projects/organizations.

- (1) Economy means operation at the lowest possible cost.
- (2) Efficiency is effective out-put without unnecessary waste of resources including adherence to time schedules.
- (3) Effectiveness is achieving programmed objectives and goals and ensuring that intended benefits arise in real term.

The audit encompasses both financial and social aspects. The financial aspects would be to see that:-

- (i) The agency maintains an effective control over its income, expenditure, assets and obligations.
- (ii) The agency is responsible for its resources obligations and operations.
- (iii) The agency reports include specific true and useful data, whereas the social aspects to be seen are how far
 - (a) The goals/targets set have been achieved, and
 - (b) The intended benefits to the community/area have accrued.

In view of its all embracing nature, this type of audit is also known as Economy, Efficiency and Effectiveness audit.

17.1.1 Lay-out for are view can be

- (1) Introduction-description of the organization, scheme/project.
 - (2) Finances, resources, expenditure.
 - (3) Targets-Physical, Financial.
 - (4) Use of financial assistance/resources.
 - (5) Utilization of materials/equipment.
 - (6) Utilization of man-power.
 - (7) Components of scheme-goals, achievements, short-fall.
 - (8) Inventory.
 - (9) Operational costs-variable, fixed.
 - (10) Assets-targets/fixed.
 - (11) Social objectives-how far met.
 - (12) Summary of findings.
- (Authority: Audit Guide Series No. 3 Issued by the O&M Division of the Comptroller and Auditor General of India, New Delhi).

17.2 Standards of field Investigation in efficiency-cum-performance audit

The reviews on schemes/projects should be prepared after Intensive study of the schemes/projects and they should be audit based covering both financial and social aspects. A review is essentially a vertical study. Unlike the audit of regular inspection parties, the review parties should visit all the important offices/units connected with the scheme wherever feasible taking into account organizational set right from the secretariat down to the field formations and should get a comprehensive and balanced picture.

ECPA is directed to examination of the systems, procedures, planning, implementation and operational performance of programmes, activities etc. and bringing out among other things weakness and deficiencies as also lapses of various types including those relating to individual transactions for appropriate action.

Some of the broad guide lines enlisting the steps to be taken for field investigation are given below:

(a) Identify the objectives and the targets fixed-physical as well as financial.

(b) Check whether sound systems exist in respect of all disciplines of management control and monitoring mechanism.

(c) Co-relate achievements with targets prescribed under the scheme.

(d) Whenever the performance prima-fade appears to be less than efficient, ascertain the reasons there-of, not in a mechanical way but with an analytical eye. Consult the concerned departmental authorities, if further probing is found necessary.

(e) See whether technical estimates, detailed programmes and cost schedules are being framed and whether the same are adhered to by the executing departments.

(f) See whether there have been any serious avoidable delays in the progress of work resulting in increase in the total cost of the scheme or any loss of revenue due to delayed execution or holding up of other connected schemes.

(g) Analyze the reasons for delay in execution of projects and identify the bottlenecks, if any.

In this connection, the Audit Guide Series No. 4-standards of field investigation in Efficiency-cum Performance Audit may also be referred to.

17.3 Duties of ECPA Section

The duties of the ECPA Section are outlined in Para 56 to 59 of the Comptroller and Auditor General of India's Manual of Standing Order (Technical) Volume I and Chapter XXIV of Railway Audit Manual. The main functions of the section are as under.

1. To undertake, investigations on important topics. List of topics for investigation is given in Annexure to Chapter 2 under Section II of C&AG. Manual of Standing Orders (Technical) Vol. I and Chapter XXIV of Railway Audit Manual.
2. To review the periodical reports viz. General Manager's annual report, reports of different committees set up by the Central Government, Railway Budget, Appreciation and other reports sent by various departments of the Railway to the Railway Board, Reports of the economy committees etc.
3. To conduct scrutiny of contracts exceeding Rs. 1 lakhs whenever there is a deviation from the standard approved form of contract. (SA/HO/HA/IX/I(b) 9665 dated 9.11.1966).
4. To look into Instances of important special adjustments carried out towards the close of the financial year, suggested for Investigation by auditing sections.
5. To deal with the inspection reports on the inspection of office by the Director of inspection.
6. Items for investigation by ECPA Section are selected by the Director of Audit, in accordance with para 99 of Railway Audit Manual.
7. Submission of monthly summary of domestic statistics Part I, Part II-Section A, Part II-Section B&C to the Director of Audit for onward transmission to Additional Deputy Comptroller and Auditor General of India (Rlys) as and when received from the statistical branch of Railway.
8. Annual verification of service books i.e., leave accounts and service verifications of the entire audit staff including group 'B Officers.
9. Salary entitlements of Gazetted Officers as on 31st March every year.
10. Review of daily news-papers purchased by the office for selecting press clippings, if any worth reporting to Headquarters Office on subjects relating to railway working.
11. To receive all letters of headquarters office relating to central/local reviews and distribute them among concerned officers for execution

after obtaining Director of Audit's approval. The topics for local reviews are to be sent by unit offices by may each year and ECPA should itself also identify topics for the purpose. The selected topics with guidelines are to be sent to headquarter by July each year.

17.4 Progress Register of Investigations

A central register as indicated in Annexure A to this chapter is maintained by the ECPA Section to watch the progress and completion of items of investigation by ECPA and, Reviews section as well as other auditing sections/Divisions from time to time,

17.5 Suggestions for Improvement In audit and accounting practices and procedures

Suggestions from departmental personnel at all levels for the simplification or betterment of accounting and audit practices and procedures which may strike them in the course of their actual work as feasible and necessary are welcomed by the C&AG. Any such suggestions made by members of staff will be first examined by the respective Branch Officers to decide whether they would merit further consideration and those worth further examination reported to the ECPA Section. The suggestions so reported by the Branch Officers are to be examined by ECPA Section and put up to the Director of Audit for consideration.

17.6 Special Investigations based on published railway statistics

The published railway statistics received in ECPA section is also to be circulated among the Gazetted Officers to enable them to initiate investigations and also for suggesting fruitful topics for investigation. The list of statistical subjects is at Annexure B of this chapter.

17.7 Review of progress report of economy

The report on the subject submitted by the General Manager to the Railway Board should be reviewed by ECPA Section and interesting points, if any, reported to the DA for transmission to Additional Deputy Comptroller & Auditor General of India (Rlys), if considered fit.

17.8 Perusal of vigilance cell cases and review of periodical reports of the Vigilance Cell

(i) The nature of duties to be performed by the Vigilance cell is indicated in the Railway Board's letter No. E(L) RP/ 12 dt 9.7.1957.

(ii) The periodical reports on the working of the Vigilance Cell made to the Railway Board should be reviewed and comments, if any, submitted to Director of Audit for reporting to DAI (Rlys) if considered necessary.

(Authority: C&AG's letter No. 1590-RAI/4-24/57 dt. 11.6.1959 No. 1483-RAI/24/57 dt. 1.6.60 No. 479-RAI/4/24/57 dt 14.2.1961, No. 2954-RAI/A 17-4/61 dt. 2.8.1961).

17.9 Efficiency-cum-performance Audit Review

See Para 56 to 58 of C&AG's Manual of Standing Orders (Technical.)

17.9.1 For the purpose of certifying the accounts, routine checks have to be carried out to ensure that the accounts are correct and give fair view of the financial results for the year. Apart from taking care of the regularity of expenditure aspect, it is also necessary to examine whether the expenditure has been incurred with "Wisdom, Faithfulness and Economy".

17.9.2 As under the decentralized divisional set up, the relevant initial records of the works are maintained at the Divisions/Construction units etc. the Efficiency-cum-Performance Audit Review of works is under taken by the Divisional Audit Officers/Branch Audit Officers concerned to assess the actual performance both technical and financial in relation to the original planning and anticipations. A record of such works reviewed should be kept by the respective Division/Section. Reports on review alongwith full particulars of the schemes taken up for review should be furnished to the ECPA section on prescribed date.

17.10 Other Periodical Reviews

17.10.1 Review of General Manager's Annual Report

ECPA Section should review the General Manager's Annual report to the Railway Board and submit a note to the Director of Audit, bringing out important points, if any.

17.10.2 Railway Boards annual report should also be reviewed and interesting points, if any, pertaining P.U. s & M. Railway should submitted to the Director of Audit.

17.10.3 Digest of important and interesting cases appearing in the Audit Bulletin.

These reports should be review by ECPA section with a view to selecting items there from for further investigation either by ECPA section itself or by the auditing units as may be directed by the Director of Audit

17.10.4 Appreciations and other reports sent by various departments of the Railway Administration to the Railway Board etc.

Monthly appreciation and other periodical reports submitted by Commercial, operating, Safety and Statistical Departments, Fuel economy reports etc. should be reviewed and a note bringing out interesting cases/aspects if any, should be submitted to the Director of Audit by the Audit Officer (ECPA) during the last week of the second following month/quarter to which the reports relate.

ANNEXURE 'A'

Sl. no. of the case	Date of orders by the Director of Audit for investigation by the ECPA section	Name of the Section from which the case has originated	Subject matter of the case with a brief History	Progres s of the case	Final decision
1	2	3	4	5	6

- I Rules
- II Audit and Accounting Procedure
- III Suggestions for economy in expenditure
- IV Suggestion towards development of earning
- V Audit of Sanctions
- VI Audit of Contracts
- VII Audit of Pay and Allowance other than TA.
- VIII Audit of TA.
- IX Audit of Contingencies.
- X Investigation of cases of serious Financial Irregularities including frauds and embezzlements.
- XI Works Expenditure
- XII Miscellaneous.

Note: I to XII should be opened as separate sections in the register.

ANNEXURE 'B'
(Pars 17.6)

List of statistical, subjects:

I. Operating Statistics

- (1) Fuel consumption
- (2) Engine usage
- (3) Engine Failures
- (4) Lubricating oil consumption
- (5) Repairs and maintenance cost of roiling stock per engine kilometer coaching vehicle/wagon online
- (6) Rolling stock under repairs or awaiting repairs
 - (a) Locos
 - (b) Coaches
 - (c) Wagons
- (7) Average kilometer run by engine undergoing POH, since last POH
- (8) Engines held up in sheds for want of repair material from the Mechanical department
- (9) Cost of special repairs/POH per standard unit of repair in workshop
- (10) Detention to wagons.
 - (a) In yards
 - (b) At terminal stations
 - (c) In transit
 - (d) At transshipment points
 - (e) At sick lines
 - (f) In workshops
- (11) Utilization of wagons
- (12) No. of wagons dealt with per shunting hour
- (13) Average time taken in sending out a wagon from station after being released or re-loaded quick turn round of wagons

II. Maintenance

- (i) Cost of maintenance per unit of track, building, bridges etc. on different Railways or on the same Railway over same years

III. Claims

- (i) Examination of statistics of compensation claims vis-a-vis the cost of commercial staff, RPF staff and efficiency of the arrangements for handing traffic

IV Traffic

- (i) Tonne kilometre per engine hour (to serve as an Index of efficiency) for different Railways and for the same Railways over some years

V. Financial Results

- (1) Financial results including operating ratios of the different Railways or of the same Railway for the past years
- (2) Economies of some selected sections of the Railways e.g. Branch lines, suburban system etc. to examine the cost of operation vis-a-vis the earning
- (3) Money value of the traffic, seasonal and standing concessions vis-a-vis the cost of operation for examining the propriety of the concessions

Internal Audit

The internal audit procedure has been explained in detail in Manual of Standing Orders (technical) Part I at Para 563 to 566.

- 17.11** The internal audit wing will conduct a test check of the work of other sections of the office with a view to check whether
- (a) The procedural rules and regulations are being followed
 - (b) The various registers prescribed have been maintained properly.
 - (c) The returns are submitted on the due dates, and
 - (d) The sections function as efficient units of the office.
- 17.12** One more section will be selected by the Director of Audit for internal audit every month. The internal audit of all the sections of the office will be completed in a cycle of two years. The results of review by Internal Audit should be put up to the Director of Audit soon after the party returns to head quarters. These objectives shall be achieved in the following manner.
- (i) By investigating important arrears and verifying whether the periodical arrear report etc. submitted to the Director of Audit faithfully represents the actual position of arrears in that Branch/
 - (ii) By verifying whether returns shown as having been sent on the dates mentioned in the calendar of returns were actually sent on those dates.

(iii) By reporting whether the files and other records are maintained in a neat and systematic manner.

(iv) By bringing to the notice of the Director of Audit, the number of audit objections issued during the previous quarter.

(vi) By watching implementation of important Procedure office orders, issued from time to time

(vi) By seeing whether the prescribed programme of audit is being correctly followed and scrutinizing the adequacy or otherwise of the arrangements for audit and review.

(vii) By verifying whether that audit work has been done adequately and intelligently and if absolutely necessary, by a test audit of vouchers and other documents already audited.

(viii) By checking the man-hour statistics prepared by the section represent the work done in the section. A test of this statement should be carried out (Authority: C&AG's letter No. 589-RAI/8-2/68 dated 2.3.1968).

(ix) By looking into the cases of delay in receipt and issue of inspection reports and review of inspection reports. The existence and proper maintenance of the register of receipt and issue of inspection reports should also be checked.

(x) By test checking the returns. Test check of returns should be done in such a way that all returns should be covered by test check once in a year. Authority: (C&AG's circular No. 16 O&M/85 letter No. 1440-O&M/107-85 K.W. dt. 18.11.85 circulated by Ao-Admn vide endorsement letter No. SA/HO/Admn/I/30 dt. 27.12.1985)

(xi) By checking that the listing of vouchers done by Auditors for selection has been checked cent percent and found correct and the monthly/quarterly certificate certifying that the extent of checks prescribed for audit and percentage fixed for current review/post review has been verified and corrections carried out. (Authority secret letter No. SA/HQ/ECPA/VI/7/84/DOI/-dated 4.12.1984)

(xii) By verifying the Imprest Accountal/Recoupment.

17.13 After the review is completed, the Section Officer/Asstt. Audit Officer will discuss his findings with the Section Officer/Asst. Audit Officer of the section concerned and also with the concerned Branch Officer, if available and submit his final report to the Audit Officer who will then submit the same to Director of Audit for information. The report will then be sent to the concerned Branch Officer for necessary action. The Branch Officer concerned will send his remarks on the points raised in the report within a period of two weeks to the ECPA Section and Audit Officer will obtain the approval of Director Audit for such action as may be necessary before closure of the report.

17.14 The following interns of works also devolve on the internal Audit Section.

(i) Independent check of leave accounts and service books of all non-gazetted staff of the office:

The check should be carried out during the month of March to April and a report submitted to the Director of Audit through the Deputy Director of Audit (Headquarters).

(ii) Check of entitlements of Group 'B' Audit Officers: Consequent on decentralization of work relating to the preparation of Salary Bills of Group B Officers of the Indian Audit and Accounts Department, the internal Audit section should test check the entitlements of the Officers Authority: (C&AG's letter No. 1325-TAI/298-71 dt. 12.9.1972)

(iii) Review of Rosters for Scheduled Castes/Tribes etc. maintained by the Administration Section Rosters for scheduled caste/tribes etc. maintained by section are required to be checked every year and remarks intimated to the Administration section by the 15th of February (C&AG's letter No. 2164-NGEII/58-70(1) dt. 17.12.1970).

(iv) Scrutiny of Job-Analysis

(v) Efficiency of Weeding and destruction of records.

17.15 Internal Inspection by the Director of Inspection:

The Internal Audit Section should act as liaison between the Director of Inspection party and other sections of the office. The inspection-report issued by the Director of inspection should be dealt with by the internal Audit section in consultation with other sections and necessary instructions should be issued from the internal Audit section to ensure that the irregularities pointed out by the Director of inspection do not recur.

CHAPTER 18

Inspections

18.1 General

The instructions contained in Paras 767-769 of MSO (Technical) Volume 1 chapters XXI of Railway Audit Manual and Chapter VI and Paras 64 and 68 of Secret Memorandum of Instructions should be borne in mind by the Inspecting Officers and the staff while conducting the local inspections. The general rules and regulations applied in the test audit at headquarters will apply mutatis mutandis during inspections also.

18.2 inspection objectives

The primary object of local inspections is to apply test audit to such accounts, voucher and other initial records which are not audited in Central audit or cannot be completely audited except at the place of their origin. It should be seen that the initial documents from which the bills and accounts are rendered by the local officers or on which they are based are properly maintained and that the financial rules and orders on the subject are being implemented faithfully. It is also meant to test the degree of care exercised by the departmental authorities responsible for keeping the accounts over the accuracy of the original records.

18.3 Programme of Inspections

18.3.1 Instructions given in Para 415 of Railway Audit Manual should be borne in mind while preparing the programme of inspections for each year. The inspection section should maintain a comprehensive list of all executive offices, sub-offices, stores depots schools, hospitals, etc., coming under its audit control and should maintain a complete list updating it every year before preparing the annual inspection programme. After conducting inspection of a particular office/sub-office a mention should be made in this list, indicating the month and year in which a particular office is inspected, so that it may serve as a ready index. The programme of inspection for the ensuing year should be prepared with reference to this list, after consulting the previous year's Inspection programme as well as the programme of the accounts office. It should be borne in mind that the same sub-office is not visited by the inspection party frequently leaving some offices uninspected for a long time. The inspection programme should be submitted in the prescribed proforma (Annexure) to the Co-ordination section by end of December every year for obtaining the approval of the Pr. Director of Audit. An approved copy of the inspection programme is to be sent to Additional Deputy Comptroller and Auditor General of India (Railways) by the 28th February each year. Any change in the inspection programme or the periodicity of the inspection should be done only with the prior approval of the Director of Audit through co-ordination section.

No inspection should be undertaken without prior approval of the Pr. Director of Audit.

18.3.2 Inspection of new offices

Proposals for inspection of new offices which are opened after the finalization of the annual inspection programme should be submitted to the Director of Audit for approval with the following information:

(1) Name of Office proposed for inspection during the month of _____

(2) Date of opening of new office

(3) Justification for opening the office

(4) Number of gazetted and non-gazetted staff in that office

(5) The duration for which the new office is likely to continue

(6) In case of work charged establishment, the following further information may be given:

(i) Name/Names of work/works for which the office is opened.

(ii) Total sanctioned/estimated cost of work/work

(iii) Establishment Charges provided in the sanctioned estimates

(iv) Number of Gazetted and non-Gazetted Staff posted in the office and name and place of Accounts Office maintaining the accounts

(v) Likely duration of the office

(vi) Budget provision made as per works programme for 2/3 years.

(vii) Budget up to date expenditure booked in the month on which the proposal for inspection is submitted

(viii) Any other important/special feature noticed by unit Audit Officer.

18.4 Periodicity of Inspections

The local inspections of accounts of different railway offices, stores depots, workshops, etc., are conducted by the respective auditing sections responsible for the test audit of their accounts. However, the inspection of the accounts of the branches having headquarters office at Calcutta are conducted by Inspection section at headquarters. The frequency of inspection of various offices has been fixed as under.

Annual

(i) Inspection of all important executive offices and H.O.Ds of all branches, such as Electrical, Mechanical and Civil Engineering, Signal and Telecommunication, Ways and Works branch, Commercial, Operating, Security, Medical, etc.

(ii) Receipt and despatch section of stores depots and D.S.—8 yards.

- (iii) Executive offices of construction organization.
- (iv) Works manager's office.
- (v) Base depot of catering
- (vi) All hospitals under administrative control of JA. grade officer and above.
- (vii) Surprise verification of each one of the cashiers.

Biennial

- (i) Personnel Branch with one handicraft centre
- (ii) General Branch with one primary school
- (iii) Divisional Paymaster/Cashier's offices
- (iv) Compilation office
- (v) Superintendent Railway Telegraph office
- (vi) ACOs

Once In 3 years

- (i) Railway Power House
- (ii) Superintendent-Government Railway Police with one subordinate (pass accounts)
- (iii) Shops in workshops
- (iv) Hospitals under the Administrative control of Sr. Scale officer

Once In 4 years

- (i) Every Gazetted officer in independent charge outside divisional office
- (ii) Every Railway Training school, subsidized Hostel, every Railway Education school, (other than primary or middle schools), technical training school.

18.5 Procedure for taking up of Inspections

18.5.1 Initiating the inspection proposals: The detailed proposals regarding inspection of offices, showing inter alia the office/offices to be inspected, the date of inspection, the members of the inspection party should be submitted by the concerned MUO or S.C. to the Branch Officers in the 2nd week of the month preceding the month of inspection to permit timely advices being issued to the concerned offices.

18.5.2 Selections for inspection: The month of accounts to be checked in detail should be got selected by the Branch Office and in addition one more month should be got selected for tracing of direct delivery bills into ledgers. The selection of items of work for original audit by the Supervising Officer and AAUO/S.O. during the inspection will be done by the Supervising Officer concerned. The AAUO/SO in-charge of the Inspection should mark the list of items to be done during inspection by the auditors nominated for the inspection. The items so marked should be noted by each member of the party. In the matter of distribution of items, it should be borne in mind that the more important items are done by the supervising officer and the AAUO. The supervising officers

are advised to take the responsibility of seeing more important items by themselves so that no important irregularities escape from the audit scrutiny.

18.5.3 Documents and records for inspection

18.5.3.1 The inspection party should take all the relevant vouchers like pay bills, TA bills, contractors bills, etc., for the month selected for their detailed scrutiny with reference to the basic records. The vouchers/records which cannot be taken from Headquarters may be referred to in the executive offices themselves. One of the auditors should be made responsible for safe custody of the records during inspection and their ultimate return to the concerned office. It is not advisable to send audited vouchers by Railway Free Service way-bills.

18.5.3.2 The staff associated with inspections should maintain a diary of references of important orders, circulars etc., with their number, date and summary of contents and should invariably take it to the site of inspection to serve as a ready reference in drafting of objections.

18.5.3.3 Register of points to be seen during the Inspection.

A register of points to be seen during inspection should be maintained for noting the points noticed during central audit or as a result of review of certain case or as observed from Para of audit activities etc., which can only be verified during local inspection. This register should be submitted at the end of each inspection to the Supervising Officer/Branch Officer with remarks on each point relevant to the office inspected.

18.5.4 It should be ensured that all papers and documents required by the inspection party are made available by the Executive/Accounts. If for any special reason any document is not available for scrutiny, the fact may be specifically mentioned in the Part I Inspection Report. This is of great importance as any laxity in this may lead to defalcation or loss to the Railway. The previous audit and accounts inspection reports should also be studied by the inspection party and in respect of important items if adequate action has not been taken or the irregularity is found to be persisting, the point may be specifically brought out in the current inspection report in an emphatic manner.

18.5.5 Register of Items audited during Inspection

The AAUO or S.O. concerned should ensure that all the items marked to the members of the inspection party have completed in all respects before the inspection party returns to Headquarters and the inspection is closed. A register should be maintained in each section for indicating the dated initials of the members of the party against each item marked to the person concerned in token of completing the work. Such register shall be seen by the internal audit party during their visit. A record

should also be kept of all vouchers, service sheets, leave accounts etc., audited during a particular inspection with the initials of the persons who audited them.

(Para 421 RAM)

18.5.6 The main duties to be performed in connection with the conduct of local inspections are as under.

- (i) Preparation of annual inspection programme of general offices (other than Stores, Workshop, Stations etc.)
- (ii) Collection of vouchers after obtaining necessary selections and their ultimate returns after the inspection is over.
- (iii) Maintenance of an up to date and complete list of office and sub-offices to be inspected.
- (iv) Issue of inspection advises to officers concerned.
- (v) Determining the personnel of each party under Audit Officer's Orders.
- (vi) Selection of items for original audit by Audit Officer and for Section Officer/Asstt. Audit Officer by the Audit Officer and for various Auditors by Section Officers/Asstt. Audit Officer.
- (vii) Comparison and issue of inspection Reports.
- (viii) Disposal of Part I and Review of Part II Inspection Reports.

18.6 Progress register of inspect 416 of Railway Audit Manual

18.6.1 Inspecting unit should maintain a register of inspections indicating the details of the inspections carried out, dates of inspections, members of inspection party, the details of the inspection' reports issued and finalized etc., as per the proforma prescribed vide Para 416 of RAM. This register along with summary sheet shall be put up to the Branch Officer during the first week of each month. A sheet of progress report on inspections carried out during the previous month shall be prepared and submitted to the sub-ordination section every month by each inspecting unit. This progress sheet shall indicate the name of the office inspected during the previous month, the dates proposed for inspection, the actual date of inspection and the details of the inspection reports issued or under finalization. This inspection report shall also indicate the position in respect in inspections and inspection reports relating thereto carried out earlier than the month to which the progress report relates.

18.6.2 The reasons for delay in the issue of the inspection report if any should be indicated against each office inspected. This progress sheets should be sent to Co-ordination section by 5th of every month.

18.6.3 The Co-ordination section will receive such progress sheets of inspection and after compilation thereof make necessary entries in the register of inspections maintained in the co-ordination section and submit the same to the Director of Audit by 15th of each month.

18.7 Supervision of Inspections by Branch Officers

The extent of supervision by the Branch Officer has been prescribed as under:

Category	Composition of party	Extent of Branch Office's supervision
Executive Offices and Offices of HODs	MO/SO-i Ar/Sr. Ar.- 1 or 2	Non Personnel 75% to 100 Personnel- Nil (Note: In case of office of CPO, Sr. DPO/DPO this will be 75% to 100%)
Minor Executive Offices	AAO/SO- 1 Ar/Sr. Ar- 1	Nil
Very Big Stations	AAO/SO- 2 Ar/Sr. Ar- 1	100%
Major Stations	AAO/SO- 1 Ar/Sr. Ar- 2	75%
Minor Stations	AAO/SO- 1 Ar-1	Nil

The annual inspection programme submitted by inspecting units for obtaining Director of Audit's approval should clearly indicate the offices proposed to be supervised by the Branch Officers.

18.8 issue of inspection reports

18.8.1 The inspection notes should be written after complete examination of voucher and records and should be drafted in most polite and impersonal language. The objections should contain complete particulars regarding name, designation, reference to voucher numbers, date, amount etc., so as to enable the office to trace the basis of the objections. If possible, copy of important relevant letters may also be kept along with the Inspection notes. The inspection notes should be written and handed over daily by the members of the inspection party to the Asst. Audit Officer or Section Officer in-charge, who should then hand them over to the Supervising Officer after verifying the facts mentioned therein and editing the rough notes. The Asstt. Audit Officer/Section Officer should also hand over the Inspection notes written by him to the Supervising Officer as promptly as possible. The officer in-charge after scrutinizing the inspection notes should discuss them with the officer in-charge of the office Inspected and in case of his unavoidable absence the notes should be discussed with the next officer. On no occasion, the discussion should be postponed resulting in delay in the Issue of the inspection notes. Cases where the Executive Officers do not make themselves available for such a discussion may be brought to the notice of the Director-of Audit.

18.8.2 The Supervising Officer should seriously carry out the work of drafting and editing the objections at his personal level and should in no case leave this work to his AAUO/SO. The Supervising Officer should ensure that the language used in the notes is polite, impersonal,

unambiguous and unequivocal. It is of utmost importance that any statement of criticism is accurate, fair, moderately worded and dispassionate. There should not be any hint of a matter which cannot be substantiated readily. Supervising Officer should also ensure that the statements and figures, in support of the objections are compiled correctly. The remarks of the Executive Officers may be mentioned in each of the report for information of the Dy. Director of Audit/Director of Audit.

18.8.3 The inspection notes should be classified as Special letter, Part-I Inspection report and Part II Inspection report in accordance with the instructions contained in Para 461 and 462 of Railway Audit Manual. In no case, part-I inspection report or special letter should be issued without prior approval of the Pr. Director of Audit. (Para 468 RAM). It must be ensured that the inspection reports are issued within one month from the date of completion of the inspection (vide Hd. Qr's letter no.799-74-1/83-84 dated 18-07-83 under Circular no.125 Audit(AP)109-95 dated 2-08-04). The Branch Officer should ensure that the inspection reports are finalized and issued without delay. Special care should also be taken to ensure that minor matters are not included in Part-I. Inspection Report or TA Notes (Para 452 RAM). In respect of Part I Inspection reports, the top sheet should invariably be sent along with the Part I Inspection Report to the Co-ordination section for obtaining approval of the Director of Audit. A copy of the Special letter or Part I Inspection report/Part I T.A. Notes, should be forwarded to Co-ordination Section for record. When the objection is proposed to be issued as a special letter, care should be taken to ensure that they are well drafted and are self-contained giving complete information so that they can be issued as a Draft Para straightaway, if necessary. Current position of outstanding Para of the pending Inspection Reports may be included in the current Inspection Report.

18.8.4 Disposal of audit objections

The reply to special letter or Part I Audit objections received from the Railway Administration should be scrutinized with considerate approach. No useful purpose will be served by keeping the untenable/trifling objections pending. The Branch Officer should send the proposal for closure of the special letter to the AUO(Co-ord) in duplicate for obtaining the approval of the Director of Audit. Such proposals should contain brief resume of the cases, the main arguments given by the Railway Administration which are considered satisfactory to close the case.

In regard to Part II Inspection reports and audit notes the instructions contained in Para 470 and 471 of RAM may be borne in mind.

18.9 Distribution of Inspection Report

18.9.1 The inspection Reports should be dealt with as under:

(A) Unit Offices

Inspection Reports Part I

These will be prepared In five copies and will be dealt with as shown be

(i) Two copies will be sent direct to the office inspected who will retain one copy and return the other one to the A.O. with his remarks for transmission to Audit Office.

(ii) One copy will be sent to the AO. concerned

(iii) One copy will be retained as office copy and another sent to the Audit Officer (Co-ord) for record.

Inspection Report Part II

These will be prepared in quadruplicate and disposed of as under:

(i) Two copies will be sent to the office inspected who will retain one copy and return the other copy to the A.O. with replies.

(ii) One copy will be sent to A.O. concerned and

(iii) One copy will be retained as office copy and will be reviewed disposals made in the Accounts Office.

(B) Non-Divisionalised Offices

Inspection Reports Part I and II

The procedure indicated above for Part I and II will also apply mutatis mutandis in case of inspection reports of the offices which have not been divisionalised. These reports will be dealt with by the concerned Accounts Officer.

(C) Station Inspections

Five copies of Part I and II will be prepared and disp

(a) Two copies, incorporating therein the remarks of the Station Masters concerned will be sent direct to the D.C.M. concerned with the request that one copy may be returned with the replies through Dy. C.A.O (TA),

(b) One copy will be sent to the Dy. CAO(TA), and

(c) One copy will be retained as office copy and another sent to Director of Audit for perusal.

18.9.2 In respect of inspections of sub-offices which are inspected independently of the main office,

Inspection Reports should be issued to the officer in-charge of Sub-Office incorporating therein the remarks of the subordinate office inspected. The number of copies of the Inspection Report would be as indicated in A and B above according as the Inspection Reports are Part I or II.

18.9.3 Each fair copy of the Inspection Report should bear the signature and designation of the Inspecting Officer who conducted the inspection or any officer locally available, after the last Para of the report, and in

addition, the forwarding endorsement also should like-wise be signed. The forwarding endorsement should be in the following form:

The Inspection Report Part I/Part II on the Accounts of _____ is forwarded herewith along with _____ spare copy/copies of the Report for information and return of one copy with remarks to the

- (i) PA & CAO (AJ),
- (ii) Dy. CAO (TA),
- (iii) Concerned Accounts Office for transmission to the

- (1) Pr. Director of Audit, RPU & M. Rly Calcutta
- (2) Audit Officer (TA),
- (3) Sr. Audit Officer. Audit Officer for disposal by Accounts Officer concerned.

18.10 Subsidiary Instructions for Audit

18.10.1 Review of inspection reports: It should be seen that when an office, the inspection report for which is outstanding at the time of its next inspection is being inspected, the report should be carefully reviewed at that time and all important points should be included in the latest report and the old report should be closed. However, where the entire or almost the entire report is outstanding, a special mention of this fact should be made in the subsequent report and the fact also be brought to the notice of the Director of Audit for special action at higher levels.

18.10.2 Leave Accounts and service Sheets

During local inspections, the leave accounts of all the employees due to retire prior to the end of the year in which the next inspections is due, and the service sheets, if available should be checked completely. If the total number thus checked does not work out to the required percentage of the total number of employees in that office, a further selection to make up the required number should be made.

18.10.3 The Cash Imprest and Postage a should be checked at the start of the inspection by closing the account and physical verification of the cash and postage stamp balance.

18.10.4 The verification of Initial records e.g. Muster Rolls, Attendance Registers, Service Registers, Leave Accounts, Work Orders, Measurement books, etc., on the basis of which the various returns and accounts are submitted to the Accounts Offices for payment, should be done carefully and systematically. A general review with particular reference to the selected months' transactions in respect of registers of Miscellaneous cash receipts and remittances; Measurement Books/Level Books, Numbered Books, Lease sidings, Tress, Rest houses, Occupation Register, Material at Cite account, Motor vehicle log books, Services rendered to outsiders etc., should be made. These are important records and should on no account be over looked on the ground that they involve routine checks only.

18.10.5 Progress report in the issue of Inspection Reports

The inspection reports should be issued within three weeks after the completion of the inspection (Central secretariat's Circular (E. Rly), letter No. C/2-3A/86 dt. 25.3.87).

Proforma for-annual Inspection Programme for the Year _____ of _____ (of Para 18.3.1)

SL No.	Name of office to be inspected	Frequently	Month & year of last inspection		Month of proposal inspection		No. of party days Main office	
			acco unts	Audit	acco unts	Audit	Perso nnel	Non-perso nnel
1	2	3	4	5	6	7	8	9

Sub office		Total time (No. of days) Column 8 to 11	Percentage of Branch office supervision and No. of days	Sub office selected for Branch officer Supervisi on	Sub office proposed for inspection	Rem arks
Pers onne l	Non person nel					
10	11	12	13	14	15	16

CHAPTER 19

Co-ordination

19.1 Main Functions

The functions of the Co-ordination section shall mainly be as under:

- (1) To consolidate the material received from the branch offices/sections in connection with various returns due to be submitted to DAI (Rlys) or Pr. Director of Audit excepting those relating to the Office Administration, Finance accounts, Capital and Revenue accounts, Appropriation Accounts, etc.
- (2) To deal with important references received from DAI (Rlys) relating to more than one section of the office and requiring collection of information from the various branch offices/sections.
- (3) To circulate to the branch offices/sections concerned, copies of important circular letters received from Railway Board, General Manager, FA&CAO, etc on matters relating to audit.
- (4) To deal with matters concerning periodical meetings of the Audit Officers and the meetings of the Heads of Departments of the Railways.
- (5) To scrutinize and submit to the Director of Audit, the paras for register of audit activities received from the branch office and to circulate to other Railway audit offices, the pares selected by the Director of Audit from this register. The co section has also to circulate to the branch offices the extracts of Important results of audit received from other Railway audit offices and the digest of important and interesting cases received from the of lice of the ADA (Rlys).
- (6) To deal with the tour notes of the DAI (Rlys), the Pr. Director of Audit and Dy. Director of Audit
- (7) To deal with the charge report of DAI (Rlys), Director of Audit and Dy. Director of Audit.
- (8) To maintain copies of charge reports of all Audit Officers.
- (9) To scrutinize monthly tour programmes of Audit Officers on receipt from the Administration section and send them back to Administration section for obtaining the approval of the Director of Audit
- (10) To scrutinize and consolidate the monthly arrear reports and quarterly arrear reports received from the branch offices/sections.
- (11) To prepare agenda for Director of Audit's conference and to maintain correspondence thereof.

(12) To scrutinize the annual inspection programme of the Divisional offices, Workshop and Stores offices, 6&C offices, etc and also the quarterly inspection programmes of Traffic audit units and submit them to Director of Audit for approval.

(13) To call for and consolidate the statistics of volume of work done in the office and submit the same to the offices of DAI (Rlys).

(14) To receive proposals from Branch Officers and to obtain sanction from Director of Audit for review of major works (completed and in progress) and to advise the same to the concerned Branch Officers.

(15) To review the cases of losses on the Railways reported by the branch offices and to submit the necessary report to the DAI (Rlys).

(16) To review the frequency of local Inspections and to examine the need for any change in the frequency or the time allocation so as to ensure that the time allowed is according to the quantum of work involved.

(Authority: ADAI (R)'s letter No. 1294/RAI/A-8-10-62, dated: 18.04.62).

(17) To scrutinize draft Part I Inspection Reports, Part. I.T.A. Notes and Special letters received from auditing units and to submit them to the Director of Audit for approval.

(18) To issue correction slips to the office manual from time to time and keep it up-to date.

(19) To deal with all technical matters pertaining to audit.

(20) To compile and furnish material for C & AG's Activity Report and Ranking of Audit Office.

(21) To deal with the complaints (other than those relating to administration) allegations, grievances, etc., received from various sources.)

(22) To prepare Annual Audit Plan.

19.2 Circulation of Important results of audit and maintenance of register of important results of audit See Para 484 of Railway Audit Manual:

19.2.1 A register should be maintained in the Co-ordination section wherein a copy of all the epitomes indicating the results of important objections raised in audit duly approved by the Director of Audit, would be pasted. The register shall be put up to the Director of Audit by the Co-ordination Section for selection of important Para to be circulated to Directors of Audit of other Railways/ADAI (Rlys)/Divisions/Branches of this Railway in the months of January, April, July & October. A note shall be kept in the register that the paragraphs were circulated to the other Railways. The register shall be submitted to the ADAI (Rlys) for his perusal during his tour.

19.2.2 Extracts of important results of Audit

Copies of the extracts of Important results of audit received from other Directors of Audit shall be circulated to all Divisions/Branches for information and guidance.

Note: Each Division and Branch shall maintain a sectional register of important results of audit in which approved copies of epitome prepared by that Division/Branch shall be pasted. This register shall be put up to the Branch Officer quarterly.

19.3 Meeting of Audit Officers

19.3.1 The meeting of Audit Officers with Director of Audit is arranged for discussion of important matters of the office. The exact date of the meeting and the Agenda for the meeting as officially approved by Director of Audit shall be circulated to all the Branch Officers in advance of the date of meeting.

19.3.2 A record of the minutes of the meeting shall be maintained by CO-ordination section and copies of the same forwarded to all units for Information and necessary action. The action taken on various Items by the concerned officers shall be intimated to the Co-ordination section who shall then put up the papers to Director of Audit for perusal and orders.

19.3.3 The minutes of meeting are to be submitted to ADA (Rlys) during his visit.

19.4 Meeting of Heads of Departments (HODs) of Railway PUs. &M. Rly

19.4.1 The Intimation regarding the date and venue of the meeting of the HODs of Railway P.U.s & M. Rlys, is received from the Secretary to the General Manager. This intimation letter shall be submitted to the Director of Audit along with the briefs of various departments as and when received from the Railway Admn. for information.

19.4.2 The Co-ordination section In collaboration with the Reports sections shall prepare a brief for the meeting which should be submitted to the Director of Audit well in advance of the meeting, The brief shall contain the position of Draft Para issued to the Railway administration long awaited documents, records and outstanding important Audit objections along with any other important matter to be discussed in the meeting of HOD by Director of Audit

Charge Reports of the ADAI (Rlys) and Director of Audit

19.5.1 Necessary material for the charge reports of the Director of Audit shall be obtained by the Co-ordination section from the branches or unit offices as and when there is any change in the incumbency. The

charge report as prescribed under the Comptroller and Auditor General of India's letter No. 1557-I-AO-TAIL/75, dt. 14.08.75 and E 2789-GEII/254-84, dt. 19.09.85 will be prepared in 5 parts and submitted to the Directors of Audit for signature and to his successor for counter signature. Material for the charge report of DAI (Rlys) is prepared from the information available at Head quarters.

19.5.2 The charge report of other officers will be prepared by the respective sections. Copies of such charge reports shall be received by the Co-ordination section for reference and record.

19.6 Submission of monthly Arrear Reports to Director of Audit and Quarterly Arrear Reports to ADAI (Rlys.).

19.6.1 The monthly arrear reports in the prescribed proformas showing, interaila, the position of arrears due to arrears in accounts office, non-supply of vouchers by accounts office, arrears in audit office together the position of inspection and inspection reports etc. will be sent by unit offices to the Co-ordination section by the 5th each month. These arrear reports are to be scrutinized and consolidated position will be submitted to Director of Audit by 15th of each month.

Form A-I Arrears in Audit and Review
Form A-II Resume of important items of Arrears
Form B-I Statement of outstanding Objections
Form B-II Yearwise Breakup of outstanding Objections
Form C Statistics of letters received (General) and their disposal
Form D Statistics of letters received from the C & AG of India and their disposal
Form E-I Statistics of Inspections
Form E-II Statistics of Review of Major Woke
Form F Statistics of Pending Cases

19.6.2 The quarterly arrear reports in the following proforma prescribed by the office of the DAI (Rlys.) (See appendix I) shall be received from the units by the Co-ordination section and submitted to the ADAI (Rlys) by the 20th of January, April, July and October each year in respect of quarters ending December, March, June and September in computerized form the unit officers shall send quarterly arrear reports. by the 2nd working day of the month so that the time schedule prescribed by the ADA1 (Rlys) is maintained. The unit officers shall also send a brief resume of important objections noticed during the inspection and having Draft Para potential or involving recoveries of more than Rupees one lakh in each case which shall be sent to ADAI (Rlys.) along with quarterly arrear report.

A. Proforma 'A'

- | | | |
|----|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Section-I:
Details: Form I
in | Statistics of External and Internal Arrears
Statement showing details of arrears |
| | Form II
arrears | Man-days in Railway Audit Offices
Brief resume of more important items of |
| 2. | Section-II
Details: Form III
Form IV | Inspections
List of important objections noticed during
Inspections and having draft Para potential
Statements showing inspection Reports not
issued within one month |
| 3. | Section-III
Details: Form IV | Audit of Tenders and Contracts including
completed contracts
Brief particulars of cases having draft Para
potential in audit of Tenders and Contracts |
| 4. | Section-IV | Audit of Railway Board's sanctions |
| 5. | Section-V | Contractors bills and stores bills |
| 6. | Section-VI | Progress of Reviews |
| 7. | Section-VII | Other matters |
| 8. | Section-VIII
Details Form VI | Recoveries effected at the instance of Audit.
Brief details of case with amount
recovered/agreed to be recovered - |

B. Proforma 'B'
received

Statement showing outstanding letters
from C& AG (Railway)

C. Proforam 'C'
destruction

Certificates regarding weeding and
of records

D. Proforma 'D'
30.9/31.3

Statement of outstanding objections as on

19.6.3 While sending the quarterly arrear report for the quarter ending March and September, a statement of audit objections shall be enclosed with the quarterly arrear report to be sent to ADAI (RIys).
(Authority: ADAI (RIys) letter No. 151 -RAIV/ 10-1/88, dated: 14.03.88)

19.6.4 A note giving critical appreciation of the work In the office should also sent to ADAI (RIys) along with the quarterly arrear report
(Para 22 of MSC (Admn) Vol. I)

19.7 Statistics of volume of work done in audit offices

19.7.1 For the purpose of collection of suitable statistics to serve as a fair index of the volume of work done In Railway audit offices, information in the proforma -shown in Annexures A & A (I) shall be sent by the units to the Co-ordination section by 15th of July each year. The Co-ordination section shall consolidate It and send to ADAI(Rlys) by 10th August each year.

19.1.2 Items of any special & or peculiar character which can not normally be grouped under any of the prescribed heads should be indicated separately.

19.8. Progress of Inspections

A report showing the position of inspections conducted, the inspections in arrears and the position of issue of inspection reports at the end of the previous month should be sent by the unite so as to reach CO-ordination section by the 2nd of every month in the proforma prescribed vide Para 416 of Railway Audit Manual. The Co-ordination section will consolidate the Information and 'submit it to the Director of Audit by 10th of each month.

19.9 Periodical D.O letters to DA, FA&CAO & C&AG

19.9.1 Monthly confidential D.O. letters from the Branch Officers to the Director of Audit

Each Branch Officer except Reports, Administration and Co-ordination shall send a confidential D.O. letter to the Director of Audit so as to reach in the first week of each month. The D.O. shall include (i) Significant audit activity (ii) Problems/Constraints (iii) Major local events (iv) Cases sent/references made to Headquarters where the reply is due for more than two months (v) material for D.O. to FA & CAO (vi) Material for quarterly D.O. to C & AG (to be included only in DO. for month of March, June, September & December). Points of major importance need only be mentioned in the material to FA & CAO/C & AG.

19.9.2 Monthly D.O. letter to FA & CAO

Instructions contained in Para 446 and 462 of Railway Audit Manual are to be followed.

19.9.3 Quarterly confidential D.O. letters to the Comptroller and Auditor General of India

On the basis of material/Information furnished by Branch Officers In their monthly D.O. letters, the Director of Audit shall send quarterly D.O. to the Comptroller & Auditor General of India) so as to reach him by 15th of Feb. May. August, November. The D.O. to C & AG shall

contain Feb, May, events or cases worth bringing it to the personal notice of the C & AG. in case of 'Nil' information, the D.O. letter need not be sent

(Authority: C & AG letter No. 384/O&M/ 118-84/KW dated 30.03.88)

19.10 Tour notes of Director of Audit/Deputy Director of Audit

Tour notes of Director of Audit/Dy. Director of Audit are received in Co-ordination section. Copies of these tour notes are forwarded to the branch offices/sections concerned for sending their report as expeditiously as possible. The reports in respect of each item of the tour notes should be put up to Director of Audit/Dy. Director of Audit, as the case may be. The tour notes are to be submitted to ADAI (Rlys) during his visit.

19.11 List of cases/registers to be submitted to the ADA (Rlys) during his visit

The following registers and files should be collected and kept ready for submission to DAI (Rlys) during his visit:

- (1) Results of original audit by Audit Officers (all Branch Officers)
- (2) Results of post review by Audit Officers (all Branch Officers)
- (3) Register of Draft Para for Railway Audit Report (Report section)
- (4) Register of important events of audit (Co-ordination section)
- (5) Register of cases being dealt within ECPA section (ECPA section)
- (6) Tour notes of Director of Audit (Co-ordination section)
- (7) File regarding minutes of meetings of Audit Officers (Co-ordination section)

19.12 Procedure office orders issued by Director of Audit-Issue and up-keep of the files

The orders issued by the Director of Audit/Dy. Director of Audit from time to time, affecting the work of the department involving change in the procedure or laying down the procedure will be circulated to all Branch Officers/sections in the form Of P.O.Os., Draft P.O.Os. as and when necessary will be submitted to the Director of Audit for approval through Co-ordination section. After their approval by Director of Audit, these will be allotted serial not by Co-ordination section and circulated to all unit officers. One copy will be pasted In the register of P.O.Os.

19.13 Procedure office orders Issued by the FA&CAO

All P.O.Os issued by the FA&CAO are received in Co-ordination section. The Co-ordination section should distribute the P.O.Os to the concerned sections/Divisions for information and necessary action. The scrutiny of P.O.Os issued by the FA&CAO devolves on the concerned Headquarters audit section.

19.14 Arrear list of outstanding letters

19.14.1 A list of letters received from C&AG during fortnight together with the detailed particulars mainly letter no. & date, subject & action taken/final replies sent should be furnished by the concerned units to the Co-ordination section for compilation and, submission to the Director of Audit. The letters received from C&AG's office should not be shown as cleared unless a final report has been sent. This list should be appended to the monthly arrear report.

19.14.2 The endorsement on the Railway Board's letter by ADAI (Rlys) should be studied carefully. The letters with endorsements calling for special reports should be separated and immediate action should be taken to address the audit sections concerned for necessary action and report. A separate case file should be maintained for each such letter on which report is to be made to the ADAI (Rlys).

19.15 Reference received from the ADAI (Rlys), other Rlys., P.Us., Divisional Audit Offices, FA&CAO etc.

Important references received from the ADAI (Rlys), other Railways, Divisional Audit Offices, etc., which call for collection of information from different Branch Offices/Sections and Issue of a consolidated reply, are marked to Co-ordination section. On receipt of such references immediate action should be taken to address the various branch offices/sections concerned to collect the required information. A separate file for each subject should be maintained.

19.16 Review of manuals published by the Railway administration

1. The manuals issued by the Accounts department and the Railway administration in so far as they affect financial accounting and audit procedure are to be scrutinized by this office in terms of Para 116 of Railway Audit Manual. In order to have the work evenly distributed, the Director of Audit has fixed the responsibility for scrutinizing the manuals and books on the sections.

2. The concerned section should complete the scrutiny and take up the discrepancies directly with the FA&CAO. The completion of check should be intimated to the Co-ordination section.

3. Correction slips to these manuals will also be scrutinized by the sections who will intimate to all branch offices/sections that the same have been scrutinized and accepted in audit.

4. Three copies of all Manuals will be supplied to the ADAI (R), by Co-ordination section.

19.17 Receipt and supply of copies of the general orders and advance correction slips to reference books issued by the C&AG, Railway Board, G.M. and FA&CAO

See instructions contained in paragraph 418& 431 of Chapter on 'Office Procedure'

19.18 Reporting of cases of losses due to frauds/ thefts/ embezzlement etc.

19.18.1 All cases of losses due to fire, theft, frauds, embezzlement, etc exceeding Re. 50,000/ each may be reviewed by the unit officers and report thereon may be submitted to Co-ordination section by 15th July every year, indicating the details of cases revealing interesting points worth including in the Audit Report,

19.18.2 Where the detailed report is not forthcoming immediately from the Railway administration, the Branch Officers should intimate the cases to the Co-ordination section along with the preliminary report and a draft resume of the case to be included in the letter from Director of Audit to the ADAI (Rlys). A detailed report may be sent subsequently on receipt from Railway administration for submission to the ADAI (Rlys). The Railway administration may however, be pursued vigorously for expediting the outstanding detailed reports.

Annexure 'A'
(cf Para 19.7)

**Statement of volume of work done in the Metro
Railway Audit Office for the year 1988-89**

Sl. No.	Particulars	Figures as reported previously	Final Figures after closing of accounts	Current year
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Section I

1. No. of offices departments, stations, etc., whose accounts are audited.

2. No. of construction

3.	Inspec tion	Total Inspec tion	Nos. Inspec ted	Total of Inspection	No. of Inspec ted	Total No. of Inspec	No. of Inspected
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- (i) Executive Offices
- (ii) Stations
- (iii) Stores Departments
- (iv) Workshops
- (v) Others

Section-II

1. No. of Letters (i) Receipt (ii) Despatch
2. No. of estimates checked as per Railway Audit programme
3. Completion Reports.
4. (i) No. of Pay bills-NGOs
(ii) No. of TA bills-GOs
5. (i) No. Pay bills-NGOs
(ii) No. of TA bills-NGOs
6. Leave A/C's of GOs of Accounts and Other than Accounts Office.
7. No. of contractor's bills
8. No. of Labor pay sheets/ERs
9. No. of application for pension, SC to PF Gratuity checked in a year.
10. PF Accounts
(i) No. checked
(ii) No. of payments
11. No. of JVs and adjustment Memo
12. No. of other bills
13. No. of Reviews
(i) Suspense Register
(ii) Allocation/Works Register
(iii) Exchange & remittance
(iv) Others
14. No. of compiled accounts.
15. No. of stations accounts
(i) Local
(a) Coaching
(b) Goods
(c) TTE's return
(ii) Foreign
(a) Coaching
(b) Goods
(c) TTEs return
(iii) Refund lists overcharge sheets
(iv) Compensation claims
(v) No. of collected passes.

16. No. of stores vouchers including bills

- (a) (i) Receipts
- (ii) Issues
- (iii) Priced Ledgers
- (b) (i) Manufacturing A/c's
- (ii) Suspense A/c's.

17. Workshops A/cs.

- (i) Work Orders
- (ii) L.P. Sheets
- (iii) Stores Bills
- (iv) Time Sheets
- (v) Bonus and piece work bills
- (vi) Job costing sheets.

Annexure-A (I)
(cf Para 19.7)

Sl. No.	Particulars	Figures as reported previously	Final figures after closing of a/cs.	Current year
		(A)	(B)	

The following items are done but not shown in the above proforma.

- (i) Leave Accounts of NGOs
- (ii) Overtime bills
- (iii) Sales Abstract etc.
- (iv) Stores adjustment Sheets
- (v) Sanctions
- (vi) Tracing of JVs into works and Allocations register and Journals
- (vii) Service sheets of Accounts staff
- (viii) Deposit linked insurance scheme
- (ix) Review of purchase orders.

CHAPTER 20

Report

20.1 Introduction

The section is under the charge of Audit Officer (Report). The main function of the section is processing of Draft Para for the report of CAG. Chapter 23 of RAM contains detailed instructions on processing of cases for inclusion in the Audit Report.

20.2 Duties of the section

The duties of the section the important records to be maintained etc. are explained in the following paragraphs:

- 20.2.1 Processing of Draft Para-** Normally the suitability of a case for comment in the Audit Report is assessed by the Branch Officer after scrutiny of the administration's reply to an audit objection. Cases where complete replies are not received within a reasonable time are also to be considered for issue of Draft Para on the basis of the facts known to audit. Branch Officers are to send Draft Para on all such cases in duplicate alongwith copies of all correspondences (key documents) in support of the facts and figures in the Draft Para. Draft Para on topics selected for review/appraisal are submitted to Report section by the AUO nominated by DA to conduct such review/appraisal. The issue of such DPs by the target date fixed by ADAI (Rlys) is to be ensured by the section by monitoring the progress of the review from time to time. Annexure and Statements prepared by audit are to be signed by AAUO or SO and copies of other documents are to be certified as true copies. Scrutiny of the Draft Para in Report section involved a verification of the facts and figures sentence by sentence with the help of key documents. A thorough check of statistics compiled by audit is an integral part of such verification as any mistake can lead to incorrect conclusions. The cases which are found suitable after such verification are duly edited and submitted to DA for approval through the DDA. The cases not considered fit or ripe for issue of Draft Para are returned to the concerned section pointing out the deficiencies or weak points of the case. Copies of approved Draft Para together with a list of key documents and copies of Annexure/Statements compiled by audit are sent to GM, FA&CAO and other concerned HODs for obtaining railway administration's remarks. Simultaneously, copies of the Draft Para together with all key documents are endorsed to Director, Accounts (BC), Ministry of Railways (RBd) and ADAI (Rlys), New Delhi. Draft Paras and all correspondence thereon are treated as confidential. The Railway administration has to send the reply to the Draft Para within 8 weeks. The reply of the administration of its receipt is examined and further comments are forwarded to ADAI (Rlys). A Para which is tentatively approved by the ADAI (Rlys) for inclusion in the report is sent to the Railway Board as a Provisional Para and a copy of it is also sent to DA. The verification of the facts and figures in the provisional

Para is to be done promptly, advising the results to DAI (Rlys). Modifications in the figures, if found necessary are to be got verified by the Rly. Admn. before advising the DAI (Rlys).

Draft Para on Recoveries at the instance of audit and statistics of audit objections (Issued up to 31st March but outstanding on 31st August) are issued by the DAI (Rlys) to the Railway Board. Necessary details to be incorporated therein are to be sent DAI (Rlys) duly verified by FA&CAO by 31st August and 1st week of October respectively. The Branch Officers have to send the information duly vetted by Accounts deptt. by 15th of July and 2nd week of September respectively. Synopsis of individual cases involving recovery of Rs. 1 lakh and above is to be furnished in duplicate alongwith the 'Statement of recoveries at the instance of Audit'.

20.2.3 The DAI (Rlys) can circulate the Draft Para of any railway to other Directors of Audit for investigation and issue of Draft Para. On completion of such investigation undertaken through Branch Officers, further action as directed by ADAI (Rlys) is taken.

20.2.4 A monthly report on issue of Draft Para in the proforma shown in Annexure is sent to the DAI(Rlys) by 10th of every month.

20.2.5 Audit Report- Para 501 RAM deals with action to be taken by RA on Audit Report, Certain numbers of copies of Audit Report received in this office are sent to Rly. Administration for their reference. The remaining copies are distributed amongst the various officers of this office.

20.2.6 Maintenance of Registers

(1) Potential Draft Para register- Potential cases of Draft Para identified from draft audit objections received for DA's approval are noted in this register to ensure their quick processing for issue of Draft Para. The register is to be put up monthly to Branch Officer and half yearly to DDA & DA.

(2) Draft Para register- The section has to maintain a register of Draft Para (Para 486 of RAM) and submit it to DA by 10th of every month. The register will indicate the progress of Draft Para from time to time. The register is also to be put to ADAI (Rlys) during his visit to the office.

20.2.7 Memoranda for Public Accounts Committee

Action to be taken on Railway Board's memoranda for Public Accounts Committee is indicated in Para 504-RAM.

ANNEXURE
(Para 20.2.4)

Progress Report on the Issue of Draft Paragraphs and Review notes for the month of.....

- (1) Number of Draft Paragraphs and Reviews outstanding.
 - (2) Number issued during the month
 - (3) Total (1+2)
 - (4) Number for which replies are due
 - (5) Number for which replies have been received
 - (6) Number approved for inclusion in the Report
 - (7) Number closed or settled
 - (8) Balance outstanding (3-6-7)
- (Authority-ADAI (Rlys) letter No. 289-RAI RR2- 10/87 dt. May 1967)

CHAPTER-21

Computer Audit

21.1 Computerization on P.U.s. & M. R.

Various applications have been taken up on computer for processing major ones being Passenger traffic accountal and statistics, Stores accounting and inventory controll, Workshop incentive bonus bills and payroll, general payroll, operation statistics, financial management system etc. Chapter VI of Indian Railway Administration & Finance- An introduction may also be referred to for general information on Electronic Data Processing in Indian Railways. The changes in audit procedures as a result of mechanization have been discussed in detail in Headquarter's letters mentioned below:

(1) Payroll & PF Accounts

ADAI (Rlys)'s secret letter No. 2038-161 -RAI/8-7/71-1 dated 22.06.1971

(2) Traffic Accounts:

ADAI (Rlys) secret letter Nos. 1941-160.RAI/8-6/71, dated 10.06.71, No, 896-OSD (C)/42/71 dated 14.03.72 and No. 1007-OSD/(C) 44/71,dated 30.03.72

(3) Workshop & Stores Accounts

ADAI (Rlys)'s secret letter No. 3055/RAI/8-8/71, Vol. I

21.2 Audit Jurisdiction

With the installation of mini-computers/micro-computers in various Railway Divisions, Workshops, Stores depots, Sheds, Survey and construction etc., several applications are being taken up in these units for processing of various types of data including financial applications like payroll, financial management systems, inventory accounting & control etc. It is therefore, necessary that EDP audit should be taken up for the various installations on a continuous basis to be done by the audit units where computers have been installed.

21.3 Introduction to EDP Audit

EDP audit is part of comprehensive audit of an organization EDP audit principles are the same as those which govern all other spheres of audit. The difference is only in the application of these principles. While computerization is often viewed in terms of changes in the way things are done, an automated system does not necessarily require any new ideas. An automated system simply applies the processing abilities of a computer to the task. By using the computer, the limitations of human processing abilities are eliminated, With proper systems design, the tasks can be performed in much the same manner but more efficiently by using the computer as a processing tool. Computers do not alter the

basic concepts or objectives of systems controls. However, the technique & points of control must be adopted to the changing conditions and responsibilities of an EDP environment.

21.4 EDP Audit objectives

- to review whether computer based systems incorporate adequate procedural controls and these are not Invalidated by subsequent amendments
- to review the adequacy of controls governing development and maintenance of computerized systems
- to review the adequacy of administrative and organizational controls which ensure safe and. expedient day to day operation of the installation
- to review the acquisition of computer facilities, and
- to review the use of resources and to appraise and report on waste and extravagance and inefficient administration or poor value for money

The can be covered under seven functional headings:

- (1) Audit review of planning and acquisition of EDP facilities and use of resources.
- (2) Audit Review of installation controls
- (3) Audit review of systems under development
- (4) Audit review of production systems
- (5) Audit review of data base systems
- (6) Audit review of micro-computer systems/office automation
- (7) EDP audit techniques

The extent and scope of EDP audit under the above headings will depend upon the state of development of computer organization and more importantly, the technical expertise of the audit personnel.

(EDP Audit Guide-New Audit Guide Sense No. 1)

21.5 EDP Audit

21.5.1 The overall work of computer auditing may be divided into:

- ascertaining the system and reviewing the organizational and operational controls of the computer department

- ascertaining and reviewing application systems which are under development or being run
- carrying out audits of live data and results for systems in use
- carrying out efficiency and effectiveness audit.

21.5.2 While the responsibility for designing, implementing and operating accurate, reliable and secure computer systems of all types rests with the computer management, the auditor can provide the computer manager with an independent evaluation of procedures and systems. Care must be taken to ensure that the auditor does not assume management responsibilities, become involved in the design stages, or lose the ability to make an independent and critical review. Nevertheless, the auditor should be aware of all systems developments which are likely to have significant Impact on the audit process, and should-consider providing specific comments on the following:

- Internal controls in the light of weaknesses noted in the existing system; and
 - audit needs such as data retention, retrieval facilities and audit trail
- The auditor is usually involved in ensuring that adequate controls are incorporated into the system for audit purposes.

21.5.3 Organizational and operational controls should provide a secure environment in which to develop, maintain and operate computer-based system, and should incorporate following:

- provision of a secure and orderly processing environment
- prevention or detection of unauthorized access
- ability, in the event of equipment failure, to ensure reconstruction of lost data and to provide continuity of processing for critical functions

21.5.4 Application control requirements cover documentation standards, input controls, processing controls, output controls and audit requirements. Thus application controls should ensure that

- all and only valid data are authorized for input
- the input, processing and output of data is complete and accurate
- the system files are securely held and accurately maintained
- there is an adequate audit trail to facilitate

- the tracing of any given transition backwards or forwards through the processing cycle
- the linking of computer records and output documents to associated Input

21.5.5 During the early stages of computerization, when batch processing was widely used, the computer was regarded as an accounting machine and audit was carried out by the use of input documents and output printouts which were compared with pre-calculated results. This type of audit is termed 'audit around the computer' because it looks at the inputs and outputs of the system without any consideration of the processing done by the computer. Various techniques have since been developed for carrying out audits of live data and the results of computerized systems 'through the computer'. These Computer Assisted Audit Techniques (CAATs) can be broadly categorised as

- CAAT programmes, and

- test data techniques.

CAAT programmes are used for substantive testing of computer processing, by providing the facility to read computer files and perform selective test through

- statistical selection of records
- summarisation and/or stratification of data files
- selection of key items
- mathematical calculations

Test data techniques are used for basic compliance testing of the applications system through test decks, which can be designed so that each transaction tests some aspect of a critical field, particularly testing marginal values.

21.6 Audit Approach to Computers

- (1) The Vouching Approach and Audit Trails
- (2) The Verification Approach
- (3) The Systems Approach

21.6.1 The auditor must have AUDIT TRAIL in order to pursue the Vouching approach and with computer systems this may be inadequate. The vouching approach when applied to computer auditing is often called 'The Black Box Approach'.

Audit Trail, Implies the preparation and retention within an organisation:

- (a) For an adequate period
- (b) In a reasonably accessible form, and
- (c) In enough detail to enable the auditors, of records which allow each detailed element of any transaction to be tracked from its source through each intermediate state to its final disposition and vice-versa i.e., the facility to use records to trace back in detail from the final outcome through the intermediate stages back to the initial source of the transaction.

It should be realised that the information that auditors call Audit Trail is also the information that management needs for detailed control and hence is also Management Trail.

21.6.2 With Verification Approach, the auditor devises independent means of 'verifying the existence, ownership and valuation of cash and assets. Verification techniques can also be used for other balance sheet and Income and Expenditure accounts items. Under this approach, the auditor visits computer centre frequently to verify whether the laid down procedures are correctly being followed & checks 'what being done' instead 'what has been done'.

21.6.3 The Systems Approach

21.6.3.1 Under the Systems Approach, the auditor asks three questions:

- (i) What is the official system?
- (ii) Is it operating according to plan?
- (iii) It is adequate?

To answer the third question, he also needs to keep three things in mind

- (i) What should happen (to achieve the objectives of the system)?
- (ii) What can go wrong (in view of the way the system has been designed)?
- (iii) What has been to stop it?

The systems auditor will use vouching and verification techniques as subordinate tools to his systems approach. For Instance, he will conduct limited to confirm his understanding of the system by checking the process of a limited number of transactions through the system. These are sometimes called WALK THROUGH or CRADLE to GRAVE

tests as they usually trace the processing of data right through the system. The testing may not be feasible if audit trail is defective.

21.6.3.2 Testing:

The auditor should therefore conduct compliance tests of apparently strong controls upon which he hopes to place reliance. These will be performed after the evaluation of the system and are designed to discover whether these controls have in fact operated throughout the period under review.

Where the auditor has identified a weakness, in control either during his review of the system or due to an unsatisfactory result of a compliance test, then he will conduct checks on weakness of substantive tests, which are designed to identify and assesses the effects of control weaknesses or control violations.

21.6.3.3 Risk Analysis:

One very productive variant of the systems approach is known as Risk Analysis. In summary the issues to be addressed in risk analysis are INTEGRITY, SECURITY & PRIVACY.

Integrity means completeness and accuracy.

Security means guaranteeing continued Integrity.

Privacy means protection from unauthorized access.

All systems have good and bad, deliberate and unintended, characteristics or design features, unsatisfactory characteristics (i.e., weaknesses) may result in unacceptable consequences which are often called CONTINGENCIES. Sensible enterprises will develop a contingency plan to reduce or eliminate the weaknesses and risks and to facilitate recovery if a contingency nevertheless does occur. RECOVERY simply means restoring integrity, security & privacy. To avoid degradation of either, there must be a pattern of monitoring in order to review these arrangements independently and objectively, and this monitoring must itself be formally provided for.

Restricted entry to authorized personnel only in the Computer Centre, Fire prevention, back up procedure for data & program files, proper distribution of output, etc. are procedures required for preventing the risks involved & may be reviewed.

21.6.3.4 Systems Audit:

Systems Audit includes all activities undertaken to evaluate a computerized system at any stage of its life cycle, from acquisition or development through operation and maintenance and ultimately, replacement. The basic objectives in auditing computerized systems include evaluation:

(1) System effectiveness: Does the system fulfill the aims for which it was acquired or developed? Does it perform the intended functions correctly? Does it provide the information needed by users in a convenient format and timely fashion?

(2) System economy and efficiency: Is the use of system resources (hardware, software, people, and money) optimised?

(3) Data Integrity: Are the internal controls adequate to ensure that errors are not introduced while entering, communicating, processing, storing or r data?

(4) System security: Are the internal controls adequate to ensure that data cannot be altered maliciously or accessed by unauthorized personnel? Are the system resources adequately protected against theft, waste, fraud and natural disasters?

(5) System regularity: Are system activities (e.g., acquisition, development, operations, maintenance) compatible with applicable laws, regulations, policies, directives and guidelines? These objectives are broad, and cannot be optimised simultaneously (e.g., increased security can only be obtained at the expense of economy and efficiency). Therefore, the auditor must refine the objectives to reflect the Issues that are essential during each stage of the system life cycle and evaluate the system as a whole in the context of its aims and operational constraints.

21.7 The following may also be referred:

1. Computer & Audit- Audit Bulletin- December 1982.
2. Performance Evaluation of Computer System- Audit Bulletin March 1983.
3. System Analysis- Journal of Management and Training Vol. 5 No. 1, April 1987.
4. Computer & Audit Journal of Management & Training Vol.8 No. 4, January 1969.
5. I T Audit Manual 2007 issued by the IT Audit wing of office of C&AG of India.

CHAPTER – 22

Preface to Performance Activity

Definition: - Performance Audit is an independent assessment or examination of the extent to which an organization, programme or scheme operates economically, efficiently and effectively (vide Regulation on Audit & Accounts, 2007).

The new concept of Performance Auditing has been introduced within IA & AD and it will certainly replace the concept of existing auditing principle of Efficiency – cum – Performance Audit. The salient features of Performance Audit undertaken within IA & AD will exist, among others, of Strategic Planning in pursuit of realization of the strategic goals and objectives, risk based planning act selection of subjects and attainment of the ultimate objective of value addition to the Public Sector Programme. The concept of performance audit inter-alia provides for a high degree of interaction with auditees. Close interaction with auditees is essential for realizing value addition to the Public Sector Programme through Performance Audit.

The Performance Audit is directed to the examination of the systems, procedures, planning, implementation, operational performance and monitoring of the programmes, activities etc. It brings out other things, weaknesses and deficiencies as also lapses of various type including those relating to individual transactions for appropriate action. The audit envisages a comprehensive review of the Project/Scheme/Programme/Organisation to ascertain: -

1. The achievement of physical and financial goals/targets;
2. The attainment of social and economical objectives envisages;
3. Whether appropriate systems and procedure are in place and practiced to ensure economy in operation;
4. Whether the utilization of the resources is in accordance with the Projected outlays and
5. Whether there are any cases of overpayments, loss, extravagances, avoidable, excess or in-fructuous expenditure due to improper planning,

improper sequencing of activity and operation, delays in completion of project, over staffing, over capitalization, overstocking, unsound pricing policy etc.

Comptroller & Auditor General of India issued a guideline on the Planning & procedure of Performance Audit in May 2004, which was based on the broad principle laid down in Section – III, Chapter 8 of the Comptroller & Auditor General of India's Manual of Standing Order (Audit) – 2nd Edition, further taking into account the Performance Audit guidelines issued by ASOSAI & INTOSAI.

Objectives: -

The main objectives of the Performance Audit may be summarized as follows:-

- The quality of information and advice available to government for the formulation of policy;
- The existence and effectiveness at administrative machinery to inform the government whether programmed objectives & targets have been determined with a view to fulfilling policy objectives;
- Whether & to what extent, stated programme objectives have been met;
- The economy, efficiency & effectiveness, equity & ethics at the means used to implement a programme/activity;
- The intended & unintended, direct & indirect other impacts of programmes/activities, for example, the environmental impact of government activity;
- Compliance to applicable laws & regulations in the context of the Performance Audit objectives.

Steps to perform Performance Audit: -

The following are the broad guidelines for conducting Performance Audit in Railway Production Units: -

1. Strategic Planning:

Selection of subjects for Performance Audit is the most critical step to improve the ability of IA & AD to add value to the programme. For this

purpose, the unit offices need to prepare strategic plans consistent with the IA & AD Perspective Plan 2003 – 08.

2. Risk Analysis & Risk Assessment:

As per Performance Audit guidelines, a Risk Analysis should be carried out with reference to various parameters of auditee organizations to facilitate determination of audit thrust areas, audit objectives & most appropriate audit criteria. In the context of Indian Railways, the major activities can be broadly classified into the following four categories: -

- a) Care/Business operations,
- b) Repair & Maintenance of assets,
- c) Creation of assets,
- d) Procurement of Stores.

The risk associated with all these activities can be analyzed with respect to various criteria viz. financial materiality, criticality of these activities in achieving overall organizational goals, developmental & strategic initiatives undertaken by the organization for socio-economic reasons, their significance, internal control of the organization and past audit experience.

3. Evidence & Documentation:

Good report on Performance Audit depends on the collection and documentation of Audit evidence which is the information collected, authorized and used to support audit findings. It is, therefore, important that the nature, quality & amount of evidence collected should endure the criteria for audit evidence. For this purpose SAI India's Auditing Standard may be followed.

4. Responsibility for Development of Measurable objectives, Performance Indicators:

The responsibility for development of measurable objectives & performance indicators as also the system of measurement rests with the Principle Director of Audit.

5. Interaction with auditable entity during Performance Audit:

Performance Audit envisages a high degree of interaction with the auditable entities, right from the selection of subjects for review to all subsequent stages like definition of audit objectives & criteria, preparation of

detailed audit programme, development of audit findings, formulation of recommendations and other related matters.

6. Holding of Entry Conference:

Before commencing detailed work of Performance Audit, the Principal Director of Audit should hold an entry conference with the appropriate level officers of the concerned departments. The discussions at the entry conference shall include the scope & coverage of audit, audit objectives & criteria, proposed techniques of evidence collection, overall timeframe & tentative time schedule. A written record of the proceedings of entry conference, duly signed by both parties shall be kept on record.

7. Holding of Exit Conference:

The Head of the Department shall, after the Draft Performance Audit report is ready, hold an exit conference with the appropriate officer. A written record of the proceedings shall be maintained.

Appendix-I
Monthly Arrear Report (Clause 19.6.1)
FORM-A-I
SHOWING ARREARS IN AUDIT AND REVIEW

Section Station For the month of

Sl. No	Functional group/Subfunctional group	Arrears in Accounts Office			Arrears due to non-availability of vouchers			Arrears in Audit Office			Total		
		Arrears at the end of	Arrears at the end of	Increase (+) Decrease (-)	Arrears at the end of	Arrears at the end of	Increase (+) Decrease (-)	Arrears at the end of	Arrears at the end of	Increase (+) Decrease (-)	Arrears at the end of	Arrears at the end of	Increase (+) Decrease (-)
Total													
SECTION OFFICER				ASSISTANT AUDIT OFFICER				BRANCH OFFICER					

FORM-A-II

SHOWING RESUME OF IMPORATNT ITEMS OF ARREARS

Section **For the month of**

Name of Functional Group/Sub-Functional Group	Category of Arrears i.e. whether the Arrears are due to Accounts office or due to non-availability of vouchers or arrears due to arrears in audit office proper	Item of Arrears	Arrears expressed in terms of mandays	Period to which arrears relate	Detailed reasons for the existence of arrears	Steps taken or proposed to be taken for clearance of arrears (In case of chronic arrears it may be specifically stated whether the matter is required to be taken up at Hqrs. Level).	Date by which the arrears are likely to be cleared (In this column specified date is to be indicated)
1	2		4	5	6	7	8
<div style="display: flex; justify-content: space-between; margin-top: 100px;"> <div>Section Officer</div> <div>Assistant Audit Officer</div> <div>Branch Officer</div> </div>							

FORM 'B' –I
STATISTICS OF OUTSTANDING OBJECTIONS

Section Station for the month of

SI No.	Nature of objection	Number/Items outstanding at the beginning of the month	Issued during the month	Closed during the month	Outstanding at the close of the month	Agewise analysis of the number outstanding as per column. 6 more than one year old.	More than 6 months but less than 1 year.	More than 3 months but less than 6 months.
1	2	No. Item 3	No. Item 4	No. Item 5	No. Item 6	No. Item 7	No. Item 8	No. Item 9
1.	Special Letters							
2.	Pt.I Inspection Reports							
3.	Pt.-I T. A. Notes							
<p>Note : In respect of Special Letters closed during the month under report, a statement should be attached with the form indicating the result of the closure, viz. recovery waived or effected, staff responsibility etc. (Interim replies, rejoinders etc. need not be duplicated to this office).</p>								
Section Officer/Audit Officer						Audit Officer		

FORM-B-II

(i) SHOWING YEARWISE BREAKUP OF OUTSTANDINGS OBJECTIONS

Section **Station** **for the month of**

Sl. No.	Nature of objections	Prior to (1985-86) (Mention the year to which pertain) No. Items	86-87 No. Items	87-88 No. Items	88-89 No. Items	89-90 No. Items	90-91 No. Items	Total No. Items
1.	Special letter							
2.	Pt. I Inspection Reports							
3.	Pt.I T. A. Notes							
(ii) Details of Special letters issued during the month								
Sl. No.	Subject	Reference No./Date			No. of Paras		Money Value	
(ii) Details of special letters closed during the month								
Sl. No.	Subject	Reference No./Date			No. of Paras		Money Value	

FROM-E-I
SHOWING DETATILS OF INSPECTIONS

.....Division/Section

Station.....

For the Month of

Sl. No.	Particulars	Number of Inspections	Number of Inspections	Remarks
1.	Total number of inspections during the year			
2.	Number of inspections conducted upto the preceding month.			
3.	Number of inspections conducted during the month under report.			
4.	Number of inspections remaining to be done.			
5.	No. of inspections conducted upto the end of preceding month for which Inspection Reports have not been issued.			

(Remarks for non-issue in each case should be specified in the remarks column.

Section Officer
Asstt. Audit Officer

Audit Officer

FROM-E-II
SHOWING DETATILS OF REVIEW OF MAJOR WORKS

Sl. No.	Particulars	Number of works in progress/completed works	Number of mandays	Remarks
1.	Total number of reviews due during the year			
2.	Number of Reviews conducted upto the preceding month.			
3.	Number of Reviews conducted during the month under report.			
4.	Number of Reviews remaining to be done.			
5.	No. of Reviews conducted upto the end of preceding month for which Inspection Reports have not been issued.			

(Remarks for non-issue of Inspection Report)

Section Officer
Asstt. Audit Officer

Branch Officer

FROM-F
SHOWING DETAILS OF CASES PENDING IN THE SECTION

Section Station Month

Sl. No.	Subject	Reference No. and date	Reasons for pending the case	Action taken for clearance.
---------	---------	------------------------	------------------------------	-----------------------------

(A) More than 1 year old

1

2

3

(B) More than 6 months

1

2

3

(C) More than 3 months old

1.

2

3.

Section Officer
 Asstt. Audit Officer

Branch Officer

Appendix-II

PROFORMA-‘A’

QUARTERLY PROGRESS REPORT FOR THE QUARTER ENDING

Section I

- A. Statistics of External and Internal Arrers: See FORM I & II for details
- B. **(i)** Brief reasons for
- (a) Internal Arrears:
- (b) External Arrears:
- (ii)** Steps taken/proposed for clearance of arrear:

Section-II

		Hdqrs Audit	Divl. Audit	Constn. Audit	W/Shop Audit	Stores Audit	Traffic Audit	Other Audit
		1	2	3	4	5	6	7
A.	INSPECTION							
1.	Number of Inspections due during the quarter							
2.	Number of Inspections conducted							
3.	No. of Inspections carried over (including balance from previous quarter)							
B.	Important Objections issued during inspections and having draft para potential or involving recoveries in excess of rupees one lakh. * Note:- Summary on each such case to be enclosed).							
	Form III							
C.	(i) Special letters							
	(ii) Arrears in issue of inspection reports (Details of inspections and brief reasons for delay in issue of inspections reports (over one month) may be indicated- Form-IV).							

Section-III

		1	2	3	4	5	6	7
AUDIT OF TENDERS AND CONTRACTS INCLUDING COMPLETED CONTRACTS								
A.	Major points having Draft Para potential noted during Audit of Tenders & Contracts (Form V)							
B.	Number of contracts due for Audit							
C.	Number audited							
D.	Balance due for audit							
E.	Brief reasons for arrears							

Section-IV

AUDIT OF RAILWAY BOARD'S SANCTIONS

(i) Number due for audit

(ii) Balance audited

(iii) Balance due for audit

(iv) Brief reasons for pendency

(v) Important objections noticed in the course of audit to be
narrated in brief.

(in the form of Annexure)

Section-V

CONTRACTORS'S BILLS AND STORES BILLS

1	2	3	4	5	6	7
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- A. Major objections noticed during audit of contractors Bills and Stores Bills.
- B. Arrears in audit of contractors bills and Stores Bills with brief reasons and steps taken to clear arrers.

Section-VI

PROGRESS OF REVIEWS

1. Number and details of reviews (including Central Reviews) selected.
2. Details of Reviews finalised
3. Position in respect of other Reviews (Item-wise progress to be indicated).

Section-VII

1	2	3	4	5	6	7
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OTHER MATTERS

1. Other important matters taken during audit in the form of Part-I Test Audit notes of ordinary letters.

Section-VIII

EFFECTED AT THE INSTANCE OF AUDIT

1. Brief details with amount recovered/agreed To be recovered (Form-VI).

Audit Officer

FORM-I (OF SECTION-I – PROFORMA ‘A’

Statement showing details of Arrears in terms of Man-days in Railway Audit Office for Quarter ending

		Arrears due to Arrears in Accounts Office				Arrears due to non-availability of Vouchers/records				
	Functional Group of General Group	Arrears at the end of	Accretion during the Quarter	Clearance during the Quarter	Arrears at the end of	Increase (+) Decrease (-)	Arrears at the end of	Accretion during the Quarter	Clearance during the Quarter	Arrears at the end of
	1	2	3	4	5	6	7	8	9	10
1.	General Divisional Audit									
i.	Establishment Audit									
	Headquarters									
	Divisions									
ii	Expenditure Audit									
a.	Other than Catering									
	Headquarters									
	Divisions									
b.	Catering Audit									
	Headquarters									
	Divisions									
iii	Books & Budget									
	Headquarters									
2.	Stores									
3	Workshop Audit									
4.	Traffic Audit									
5.	Construction Audit									
6.	Others-W&S/RE etc.									
TOTAL										

Contd. on next page

In continuation with pre-page

Railway Audit Office for the Quarter ending										
Records arrears in Audit Office (Internal Arrears)						TOTAL				
Increase(+) Decrease(-)	Arrears at the end of	Accretion during the Quarter	Clearance during the Quarter	Arrears at the end of	Increase(+) Decrease(-)	Arrears at the end of	Accretion during the Quarter	Clearance during the Quarter	Arrears at the end of	Increase (+) Decrease (-)
11	12	13	14	15	16	17	18	19	20	21

TOTAL										
-------	--	--	--	--	--	--	--	--	--	--

ASSISTANT AUDIT OFFICER/SECTION OFFICER

AUDIT OFFICER

FORM-II (of Section-I – of Proforma ‘A’)

Unit.....

Brief resume of more important items of arrears including Arrears in Audit Office at the Quarter ending

Name of functional group/Sub-functional Group	Category of Arrears i.e. whether the arrears are due to Arrears in A/c office or due to non-availability of vouchers.	Items of Arrear's	Arrears (Col.3) expressed in terms of man-days	Period to which the arrears relates	Detailed reasons for the existence of arrears	Steps taken or proposed to be taken for clearance of arrears (in case of chronic arrears it may be specifically stated whether this is taken up with the Railway Board).	Date by which arrears are likely to be cleared (in this column specific date is to be indicated).
1	2	3	4	5	6	7	8

Asstt. Audit Officer
Section Officer

Audit Officer

FROM-III (of Section II of B- Proforma 'A')
LIST OF IMPORTANT OBJECITONS NOTICED DURING INSPECTIONS AND HAVING DRAFT PARA
POTENTIAL (Summary of each case to be enclosed).

Sl. No.	Ref. Number	Subject	Amount involved
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Asstt. Audit Officer
Section Officer

Audit Officer

FORM-IV (Section II C (ii) of Proforma 'A')

Unit

Statement showing Inspection Reports not issued within one month

Sl. No.	This quarter No. of Inspection Reports		Previous quarter No. of Inspection Reports		Arrears in terms of man-days (internal)	
	More than one month old	More than three months old	More than one month old	More than three months old	This quarter	Previous quarter

Asstt. Audit Officer
Section Officer

Audit Officer

FORM V (Section III A of Proforma 'A')

Unit

**BRIEF PARTICULARS OF CASES HAVING DRAFT PARA POTENTIAL
IN AUDIT OF TENDERS AND CONTRACTS**

Sl. No.	Brief Particulars	Amount involved
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Asstt. Audit Officer/Section Officer

Audit Officer

FORM VI (Section VII of Proforma 'A').

Unit.....

Brief details of case with amount recovered/agreed to be recovered during quarter ending

Sl. No.	Particulars (Ref. to objection No./para No. and subject including Accounts Office's letter of acceptance).	Amount involved	
		Above Rs.1 lakh (for Traffic Audit Section)/Above Rs.50,000/- (for other units).	Below Rs. 1 lakh (for Traffic Audit Section) Below Rs.50,000/- (for other units).

- Note :** (i) In case of traffic earnings and undercharges – recoveries of one lakh and above each are to be given itemwise in brief.
- (ii) In case of recoveries relating to establishment and other matters – the cases of Rs.50,000/- and above each are to be itemized giving brief details of each case.
- (iii) Other recoveries below the limits specified in (i) & (ii) above may be lumped together, giving details of total amount recovered/agreed to be recovered.

It is to be ensured that the total number of cases and the amount of recoveries for all the four quarters agrees with the yearly return on the same subject, for inclusion in the report to be sent to Deputy Comptroller & Auditor General of India in the month of August of each year.

PROFORMA – ‘B’

Statement showing letters received from Comptroller & Auditor General of

India (Railways) upto the periodand not cleared upto

Part-I – Letters more than 6 months old

Sl. No.	Headquarters office letters No. and date	Subject	Brief reasons for non- disposal	Date by which likely to be disposed off.
---------	---------------------------------------------	---------	------------------------------------	---------------------------------------------

Part II – Letters more than 2 years old

Sl. No.	Headquarters office letters No. and date	Subject	Brief reasons for non- disposal	Date by which likely to be disposed off.
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Assistant Audit Officer/Section Officer

Audit Officer

FROM 'C'

Statement to arrears in disposal of letters (GENERAL)

Section Station Month

Balance as per last month's report	Letters received from the 16 th preceding month upto the 15 th of the month of the report	Number of letters disposed	Balance outstanding	Details of outstanding letters	Remarks
------------------------------------------	-----------------------------------------------------------------------------------------------------------------------	-------------------------------	------------------------	-----------------------------------	---------

Note: Details of all letters outstanding for more than one month alongwith the reasons for their non-disposal should be given.

SECTION OFFICER

ASSISTANT OFFICER

AUDIT OFFICER

FROM – D

SectionStation

Statistics of letters received from Comptroller & Auditor General of India and Railway Board and their Disposal. To be submitted twice a month (Once with the Monthly Arrears Report and on the 16th each month).

Opening Balance	Letters received upto the date of preparation of report	Letters disposed upto the date of the report	Outstanding Balance	Remarks
1	2	3	4	5

Note : Full particulars of letters outstanding for more than seven days should be shown with reasons thereof.

Section Officer

Assistant Audit Officer

Audit Officer

Note of posting of corrections

Serial number of Correction	Para affected	Date of posting	Serial Number of Correction	Para affected	Date of posting

		Index	
A		Charge Report	19.5
Audit of rent rolls	8.14	Cases of losses	19.18
Audit of Honorarium	8.15	D	
Audit of T. A. Bills	8.18	Draft Para	7.7
Audit of Overtime	8.20	Pension payments	9.9
Audit of Pension	9.9	DCRG	9.11
Audit of sanctions	10.2	Debt Head Report	13.17
Audit of completion report	10.4	Dividend Payable to General Revenues	13.19
Accounts of Residential Buildings	10.11	Dating Machine	11.29
Assisted Siding Account	10.20	Duties of the Section	20.2
Account of Hospitality fund	10.24	Duties of ECPA Section	17.3
Arbitration Awards	10.30	E	
Audit of Appropriation Accounts	13.27	Encashment of Leave	8.13
Audit certificate	13.33	Estimates, Audit of	10.3
Audit of sanction A/c at Hqrs.	11.2	Efficiency Audit	10.27
Audit approach to computers	21.6	Excess Fare Tickets & Returns	11.8
B		Examination of Tan	11.36.2
Block Account	10.33	ECPA Review	17.9
C		EDP Audit objectives	21.4
Current Review	7.9	EDP Audit	21.5
Children Educational Assistance	8.6	F	
Contingent charges	8.19	Final withdrawal, Audit of	9.7
Computerization of Rly. A/cs.	8.22	Family Pension	9.13
Commutation of pension	9.15	Finance Accounts	13.16
Contractor's Bill	10.6	G	
Contingent Vouchers	10.9	Grant of Advance, Audit of	8.10
Contractor's Ledger	10.12	Grants-in-aid	10.25
Court Cases	10.30	General Cash Book	13.7
Conservancy Charges	10.32	Goods Balance Sheet	11.19
Check of on-account bills	12.5	I	
Check of Cashier's Cash Book	13.8	Income Tax deductions	8.3.1
Cap. and Revenue Account	13.15	Inspection of Construction Offices	12.7
Control over Expenditure	13.31	Inspection Objectives	18.2
Computerisation of Passenger Ticket System	11.6	Issue of Inspection Reports	18.8
Credit Notes	11.7	Important Results of Audit	19.2
Coaching Balance Sheet	11.9	Introduction of ECPA Audit	21.3
Collection of ticket	11.28		
Cash Remittance Notes	11.31		
L		Reconciliation of Accounts Register	13.14

Leave Account, Audit of	8.25	Review of Registers	13.22
Labour Pay sheets	10.14	Re-appropriation Statement	13.25
List of Stations	11.2	Rate Circulars	11.14
List of Cases/Registers	19.11	Reference received	19.15
M		Review of Manuals published	19.16
Medical Attendance Bill	8.3.2	Register of investigation	17.4
Meeting of the Heads of Department	19.4	S	
Monthly Arrear Report	19.6	Section, Audit of	8.2
Monthly Confidential D.O.	19.9	Salary Bill, Audit of	8.3
N		Subsistence Allowance, Audit of	8.7
Non-practicing Allowance	8.12.1	Special Pay, Audit of	8.12
O		Service Sheet, Audit of	8.26
Original Audit	7.8	Serious irregularities	10.22
Outturn Allowance, audit of	8.8	Statement of deferred dividend	13.20
Objectionable item	10.23	Subsidy from General Revenues	13.21
P		Scope of Audit	11.1
Programme of Audit	7.1	Station Cash Books	11.12
Post Review	7.10	Stock Books	11.30
Potential Draft Para	7.12	Supervision of inspections	18.7
Payment Authority	8.3.11	Special Investigations	17.6
Productivity Linked Bonus	8.32	T	
Provident Fund Account	9.1	Temporary Withdrawal, Audit of	9.6
Private Siding Account	10.20	Terminal/Death Gratuity	9.12
Performance Audit	10.27	Train Occupation Ratio	10.39
Property Account	10.37	Transfer between Railways	13.13
Programme of Inspections	11.3	Ticket Collectors report	11.4
Periodicity of Inspections	18.4	Traffic book and Accounts Office Balance Sheet	11.10
Perusal of vigilance cell	17.8	Traffic Suspense Accounts	11.13
R		Tariff Charges	11.14
Requisition of Vouchers	7.3	Tour Notes of DA/DD	19.10
Register of Recoveries	7.13	V	
Relations of Audit with Accounts	7.16	Vouchers, Audit of	10.5
Revision of Pay	8.3.9	Verification of Cash Balance	13.9
Review of Court Cases	8.33	Volume of work done	19.7
Revenue Allocation Register	10.18	W	
Register of losses	10.22	Workmen's Compensation Act	8.24
Register of Buildings	10.28	Works Registers	10.18
Review of Tenders	12.10	Warrants	11.7

