

HELLO FRIENDS

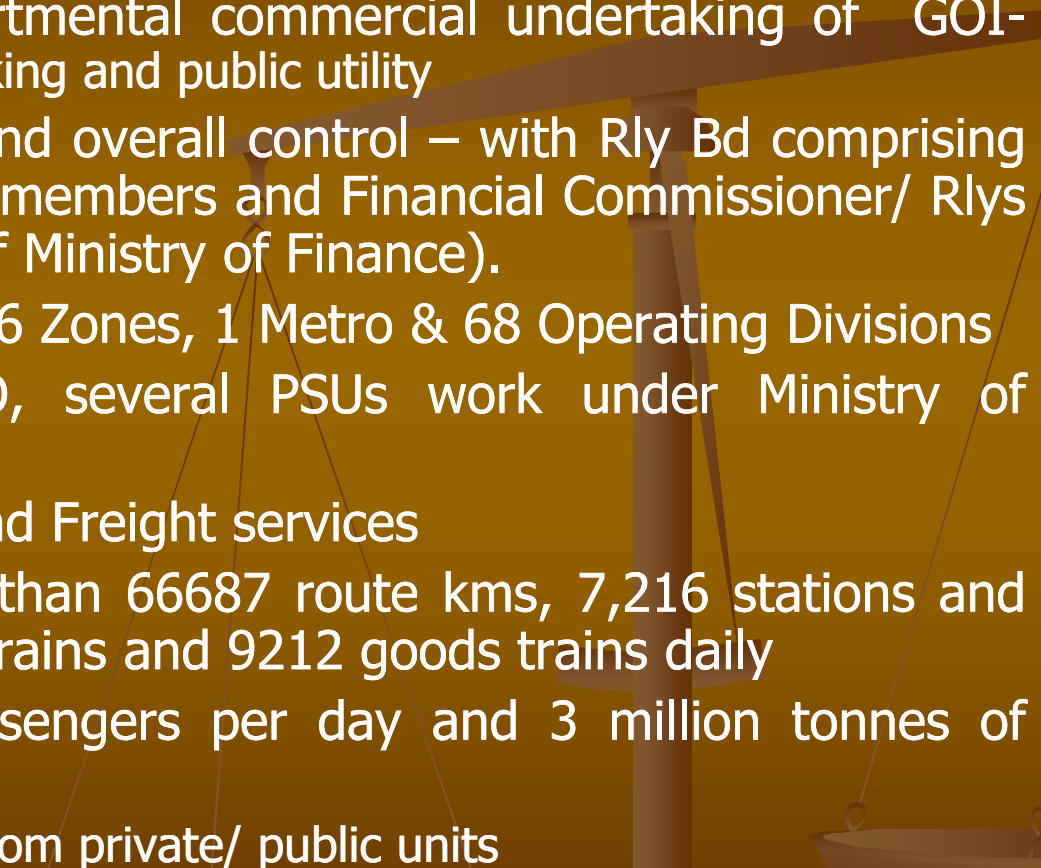
A very warm welcome to you all
from

Sanjeev Sharma, IRAS
Director, Accounting Reforms
Railway Board



FINANCES ON IR

General

- Indian Railways – departmental commercial undertaking of GOI- Both a commercial undertaking and public utility
 - Formulation of policies and overall control – with Rly Bd comprising Chairman and five other members and Financial Commissioner/ Rlys (acts as representative of Ministry of Finance).
 - IR is managed through 16 Zones, 1 Metro & 68 Operating Divisions
 - Production Units, RDSO, several PSUs work under Ministry of Railways
 - IR provides Passenger and Freight services
 - Operates through more than 66687 route kms, 7,216 stations and about 13313 passenger trains and 9212 goods trains daily
 - Carries 22.4 million passengers per day and 3 million tonnes of freight per day
 - Capital structure different from private/ public units
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FINANCES ON IR

Financial Management of Railways- Review

- Started in 1853 as guarantee company-Fixed return on investment guaranteed
- 1869- another phase started of departmentally run railways by Govt. of India
- 1883- Again private railways allowed to build and run railways
- 1890- Railway Act passed- to regulate construction, operation and inspection from safety angle etc.
- In next decade Govt. of India took over the ownership of many of private railways but left their management with same companies.
- Railway Board set up in 1905 to formulate policy and oversee performance of railways
- Upto early twenties, government had limited stake in running of railways. But Acworth Committee in 1924 recommended that Govt should own and manage railways

FINANCES ON IR

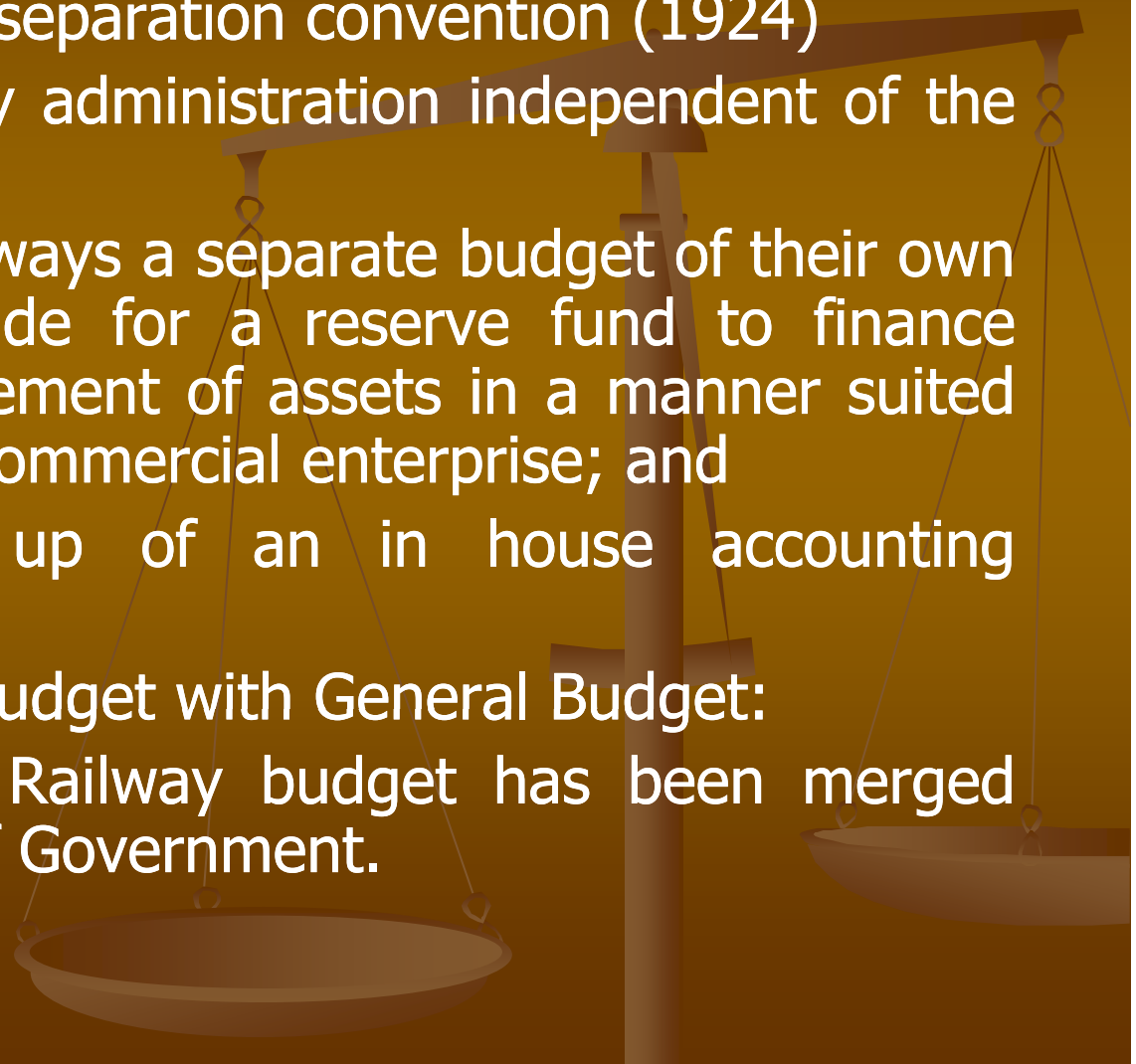
Link between Railway Finances and General Finances

Acworth committee- separation convention (1924)

- to render the railway administration independent of the Finance department.
- to secure for the railways a separate budget of their own to be able to provide for a reserve fund to finance renewals and replacement of assets in a manner suited to the needs of the commercial enterprise; and
- to ensure setting up of an in house accounting organization

Unification of Railway budget with General Budget:

- W.e.f 2017-18, the Railway budget has been merged with Union Budget of Government.



Railways, Public Accountability and Parliament

Public Accountability

- Since Railway is owned and managed by Government of India, railway management is accountable to Parliament

Accountability to Parliament

- By means of Annual Appropriation Accounts

Accountability to Users

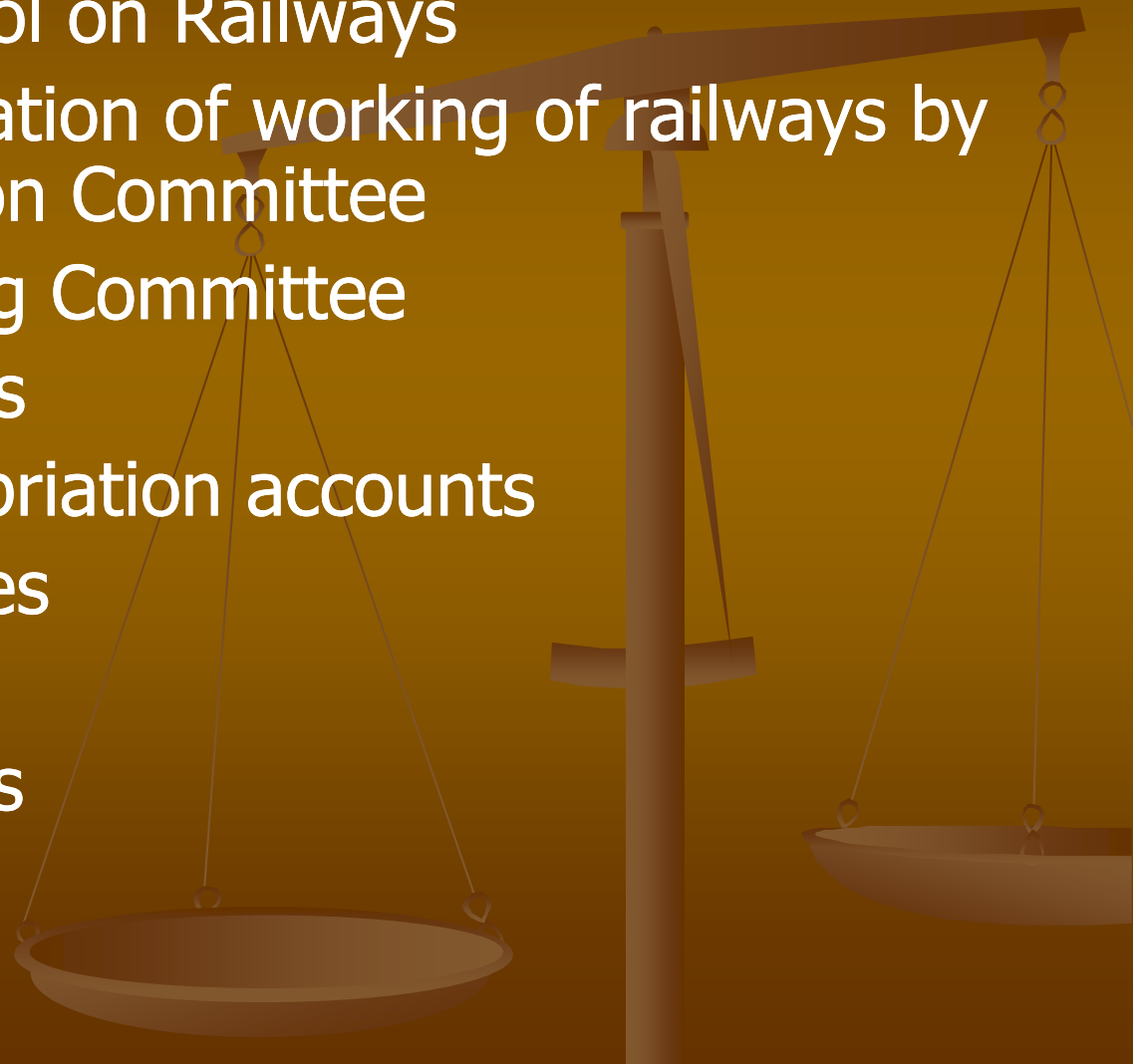
- Public Relation Office
- Public Grievance Cell
- User Consultative Forums
- DRUCC,ZRUCC,NRUCC



Railways, Public Accountability and Parliament

Parliamentary Control on Railways

- Periodical examination of working of railways by Railway Convention Committee
- Estimate/ Standing Committee
- Budget discussions
- Scrutiny of Appropriation accounts
- Various committees
- Questions by MPs
- References by MPs



Railways, Public Accountability and Parliament

Committee System of Parliamentary Control

- Railway Convention Committee, National Railway Users Consultative Council, Public Accounts Committee, Estimates Committee, Committee on subordinate legislation, Standing Committee on Railways

Parliamentary Financial Control

- Annual Budget, Cut motion

Questions in Parliament, Types of Questions

Discussions on urgent matters

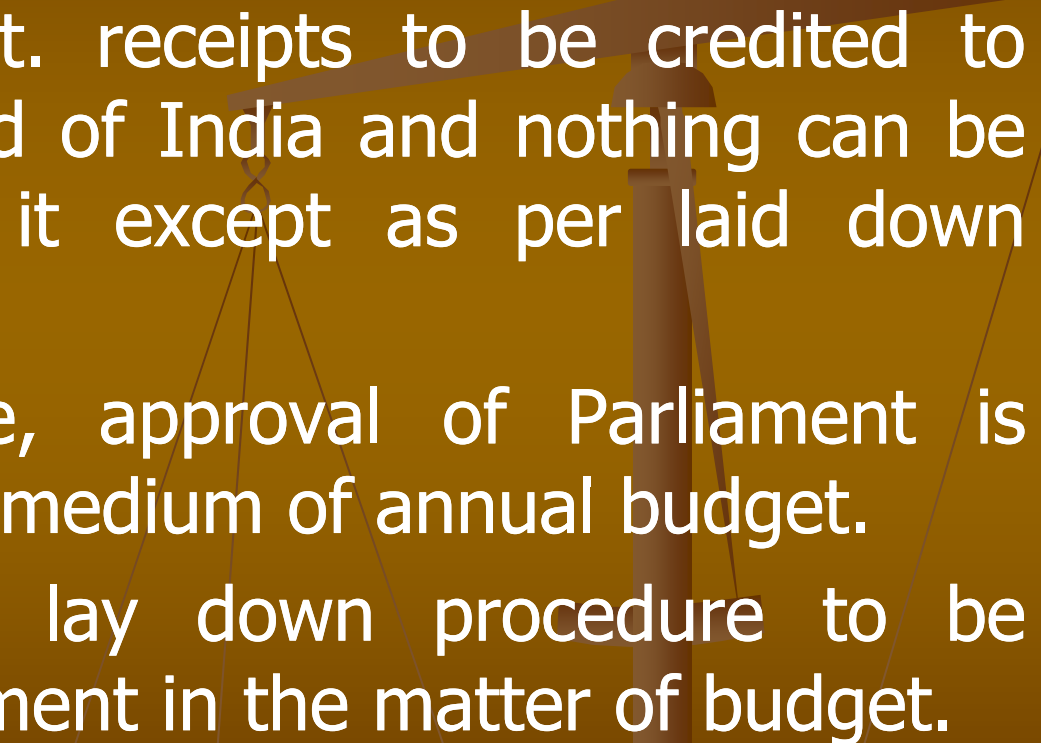
- Adjournment motion, Calling Attention Notice

Reference from Members of Parliament



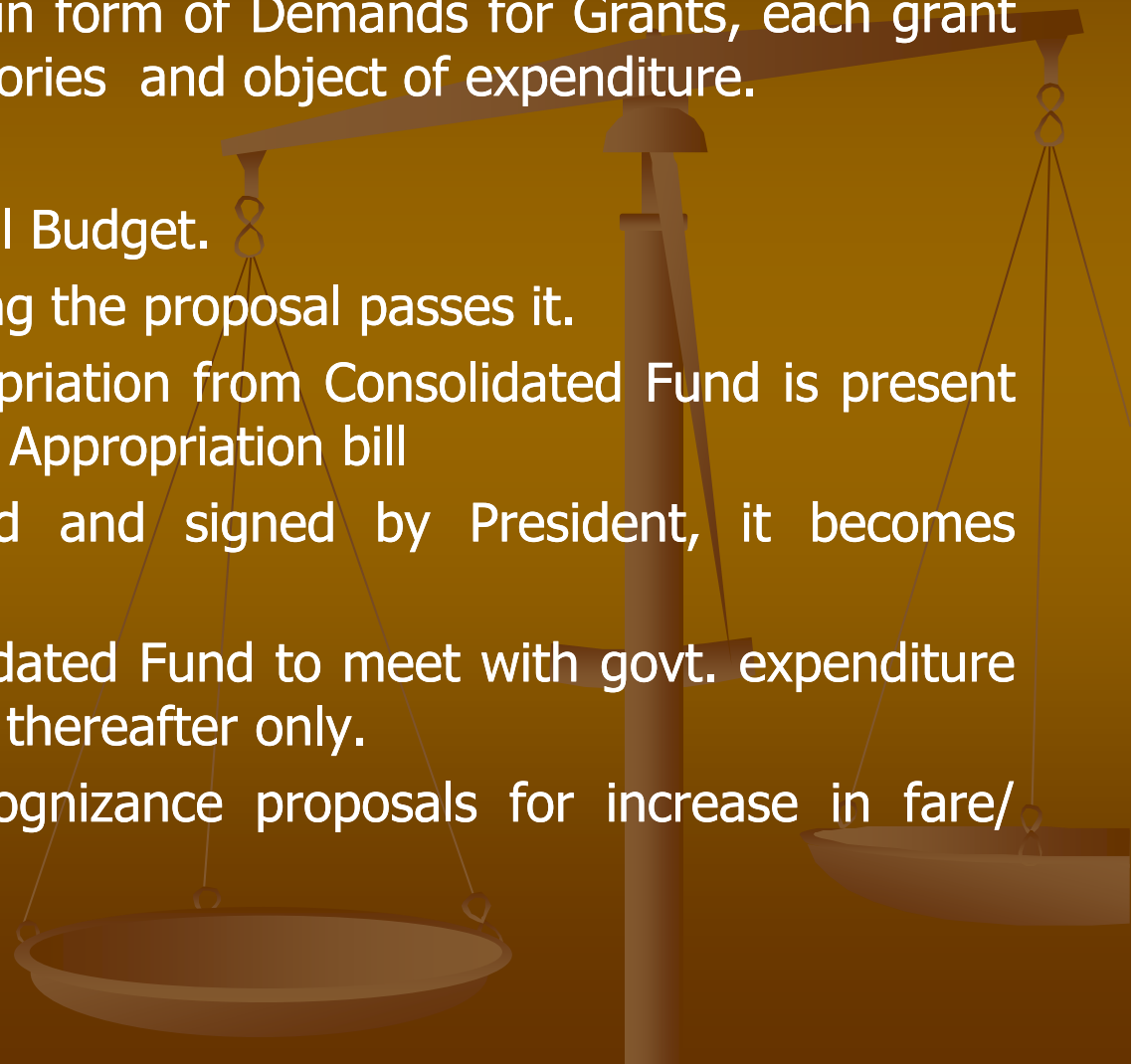
Budgetary Process

Budget

- Art 226- All govt. receipts to be credited to Consolidated Fund of India and nothing can be withdrawn from it except as per laid down procedure.
 - For this purpose, approval of Parliament is obtained through medium of annual budget.
 - Art 112 to 114 lay down procedure to be followed in Parliament in the matter of budget.
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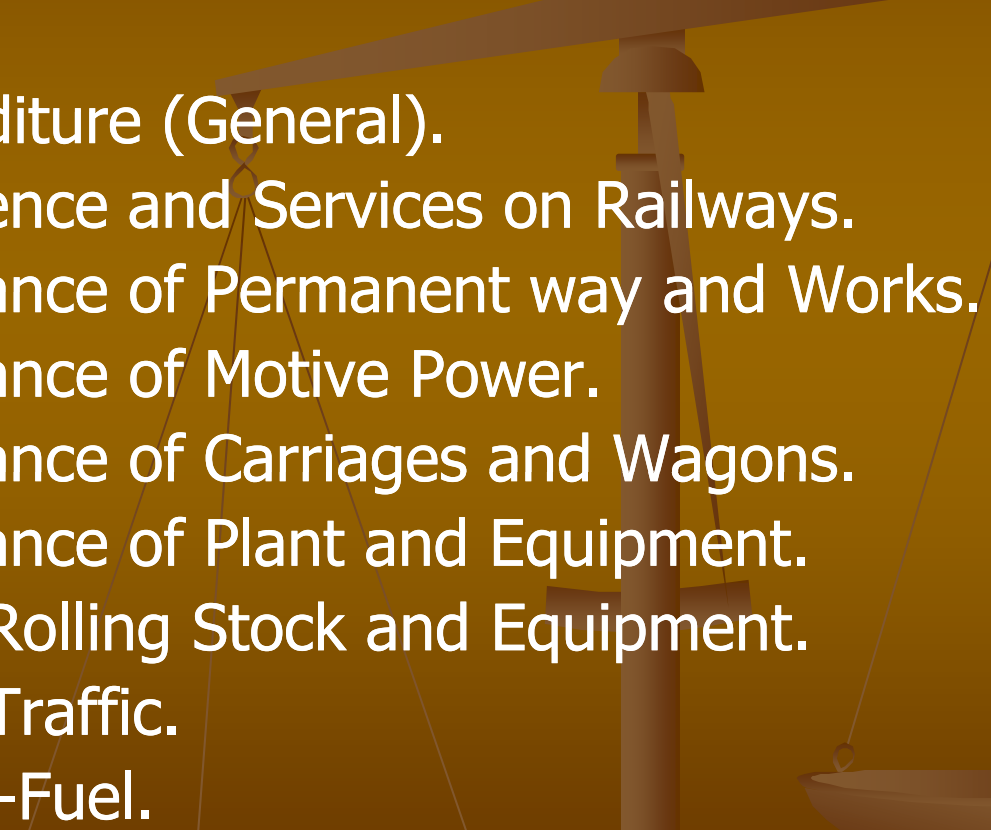
Budgetary Process

- Every year estimates of receipt and expenditure (Budget) to be presented to Parliament in form of Demands for Grants, each grant representing major categories and object of expenditure.
- 16 Grants.
- Now presented in General Budget.
- Parliament after discussing the proposal passes it.
- Finally request for appropriation from Consolidated Fund is present to Parliament in shape of Appropriation bill
- After this bill is passed and signed by President, it becomes Appropriation Act.
- Withdrawal from Consolidated Fund to meet with govt. expenditure during a year is possible thereafter only.
- Parliament also takes cognizance proposals for increase in fare/freight.



Budgetary Process

Demands for Grants:

1. Railway Board
 2. Miscellaneous Expenditure (General).
 3. General Superintendence and Services on Railways.
 4. Repairs and Maintenance of Permanent way and Works.
 5. Repairs and Maintenance of Motive Power.
 6. Repairs and Maintenance of Carriages and Wagons.
 7. Repairs and Maintenance of Plant and Equipment.
 8. Operating Expenses-Rolling Stock and Equipment.
 9. Operating Expenses-Traffic.
 10. Operating Expenses-Fuel.
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Budgetary Process



11. Staff Welfare and Amenities.

12. Miscellaneous Working Expenses.

13. Provident Fund, Pension and other Retirement Benefits.

14. Appropriation to Funds.

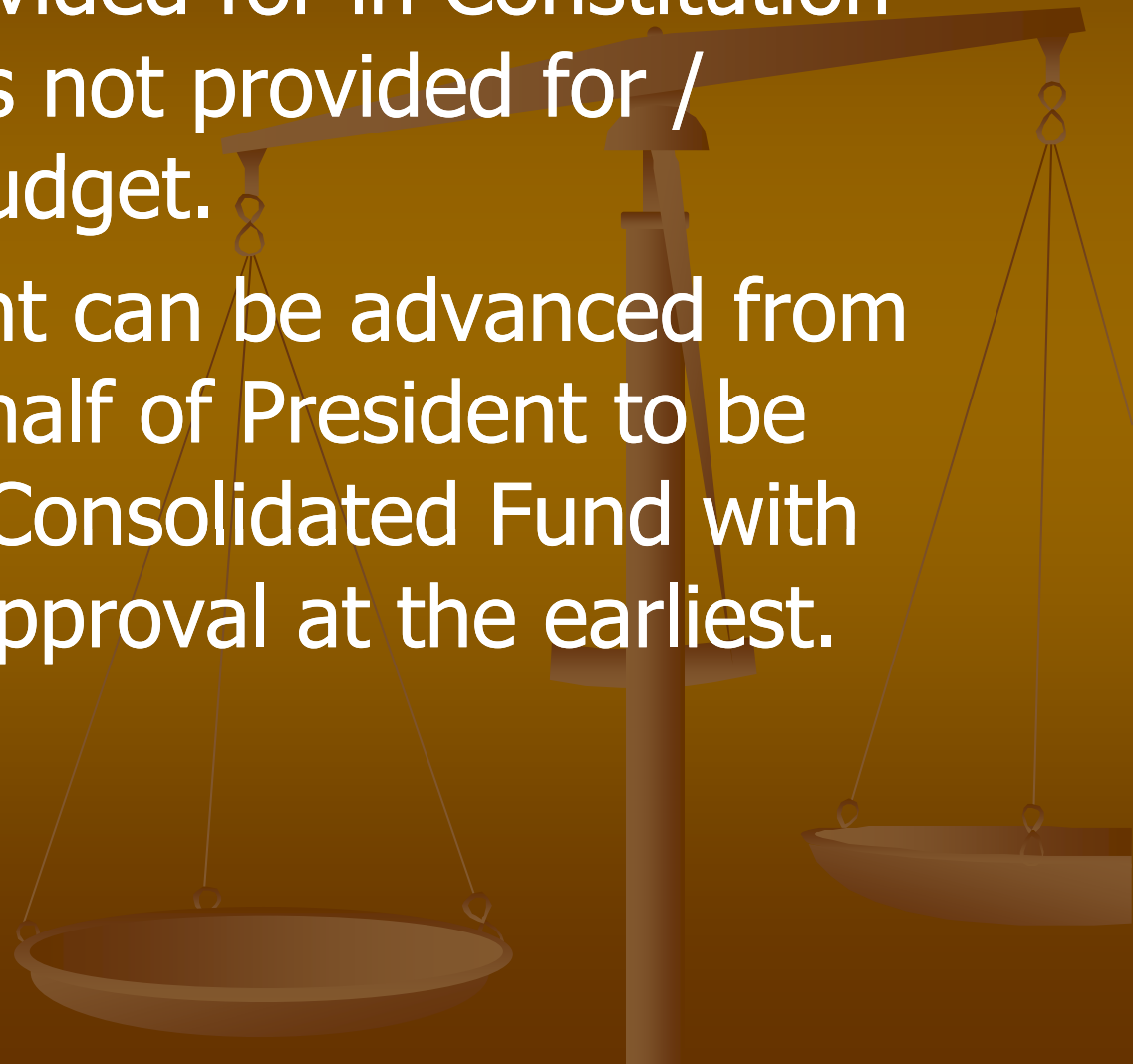
15. Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of over capitalisation.

16. Assets - Acquisition, Construction and Replacement.

- - Voted Exp.- Requires vote of Parliament
- Charged Exp.- includes charges representing constitutional and legal commitments – do not require vote of Parliament.
- On Account Budget

Contingency Fund of India

- This fund is provided for in Constitution for new services not provided for / sanctioned in budget.
- A limited amount can be advanced from this fund on behalf of President to be recouped from Consolidated Fund with Parliamentary approval at the earliest.



Audit of expenses and earnings

Internal Audit

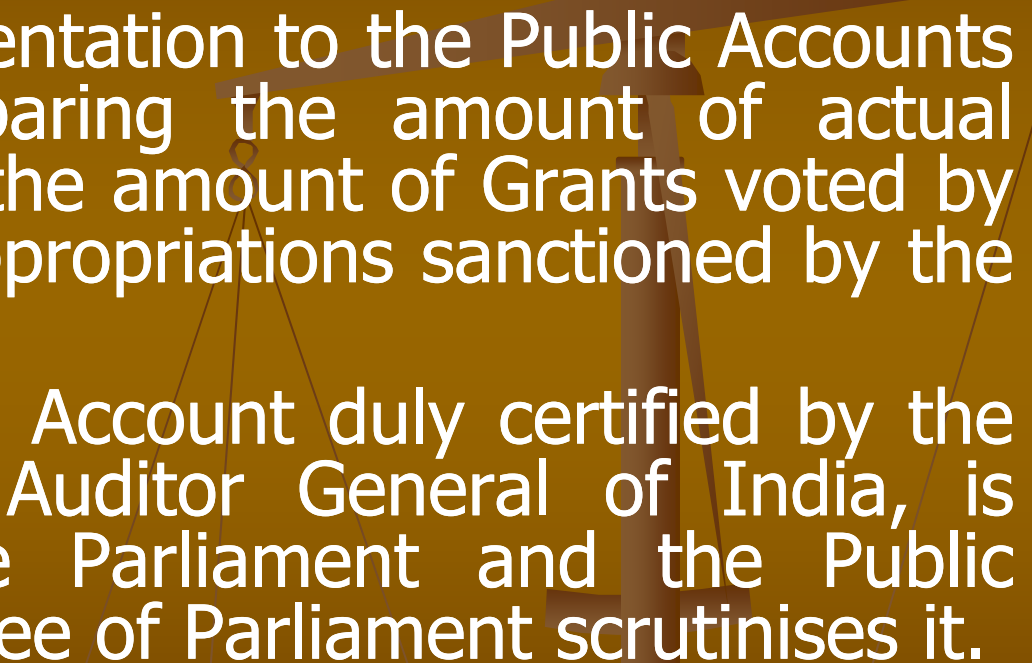
- Check of the initial documents in the offices of the executives which compile returns for submission to the Accounts Office for check and consolidation in the accounts

Statutory Audit

- Conducted by the C&AG under Articles 149 to 151 of the Constitution of India- Objects:
 - Accountancy audit- arithmetic accuracy, vouchers and adequacy of the accounting system and the system of internal check
 - Appropriation audit- correctness of classification, as per parliamentary approval
 - Administrative audit- as per prescribed rules, competency of sanction

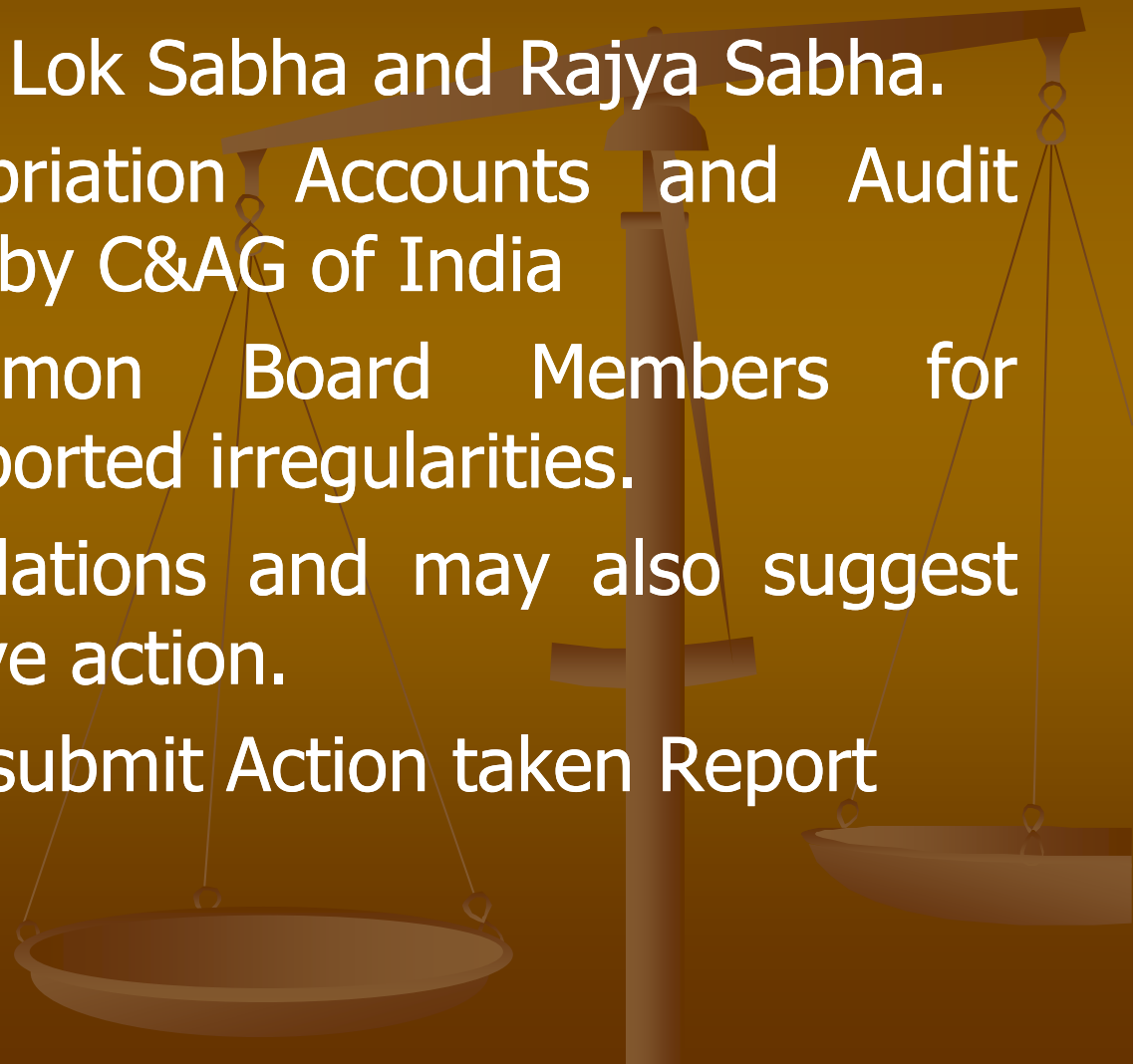
Audit of expenses Annual Reviews of Financial Performance

Appropriation Account

- prepared for presentation to the Public Accounts Committee, comparing the amount of actual expenditure with the amount of Grants voted by Parliament and appropriations sanctioned by the President.
 - The Appropriation Account duly certified by the Comptroller and Auditor General of India, is presented to the Parliament and the Public Accounts Committee of Parliament scrutinises it.
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Public Accounts Committee

- Parliamentary Committee
- 22 Members from Lok Sabha and Rajya Sabha.
- Examines Appropriation Accounts and Audit Report submitted by C&AG of India
- May also summon Board Members for clarification on reported irregularities.
- Gives recommendations and may also suggest changes/ corrective action.
- Railway Board to submit Action taken Report



Railway Convention Committee

- Instrument for financial control by Parliament on railways particularly in respect of relationship between railway and General Finance of Central Government,
- Appointed by Parliament every 5 years
- Reviews and recommends annual contribution to DRF, PF and allied matters.
- Recommendations take effect after these are approved by Parliament.
- Dividend / subsidy not payable/ receivable post merger of budget-Loss on strategic lines borne by General Revenues

FINANCIAL BURDENS ON IR



Social Costs (Rs.27027 cr 2015-16)

- Essential commodities carried below cost
- Passenger and other coaching services
- Operation of uneconomical branch lines (Rs.1895 cr 2015-16)
- New lines opened for traffic during the last 15 years.
18 lines ; 18 in loss

Money Flow



For financing investment in assets and works:

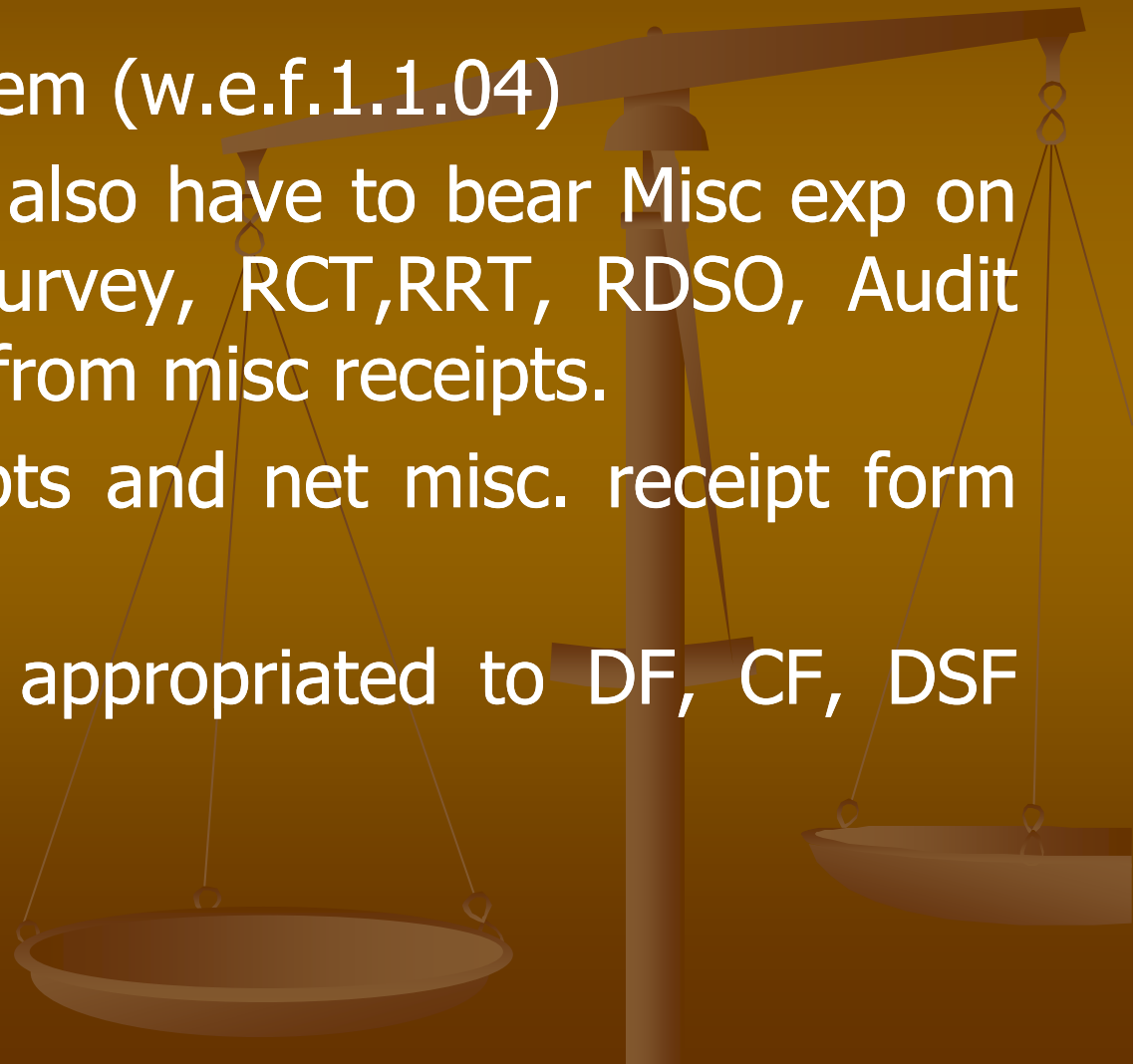
- Commercial undertaking- share capital/ debt
- IR- Central Government through perpetual loan as budgetary support- dividend paid and internal generated resources

For producing service:

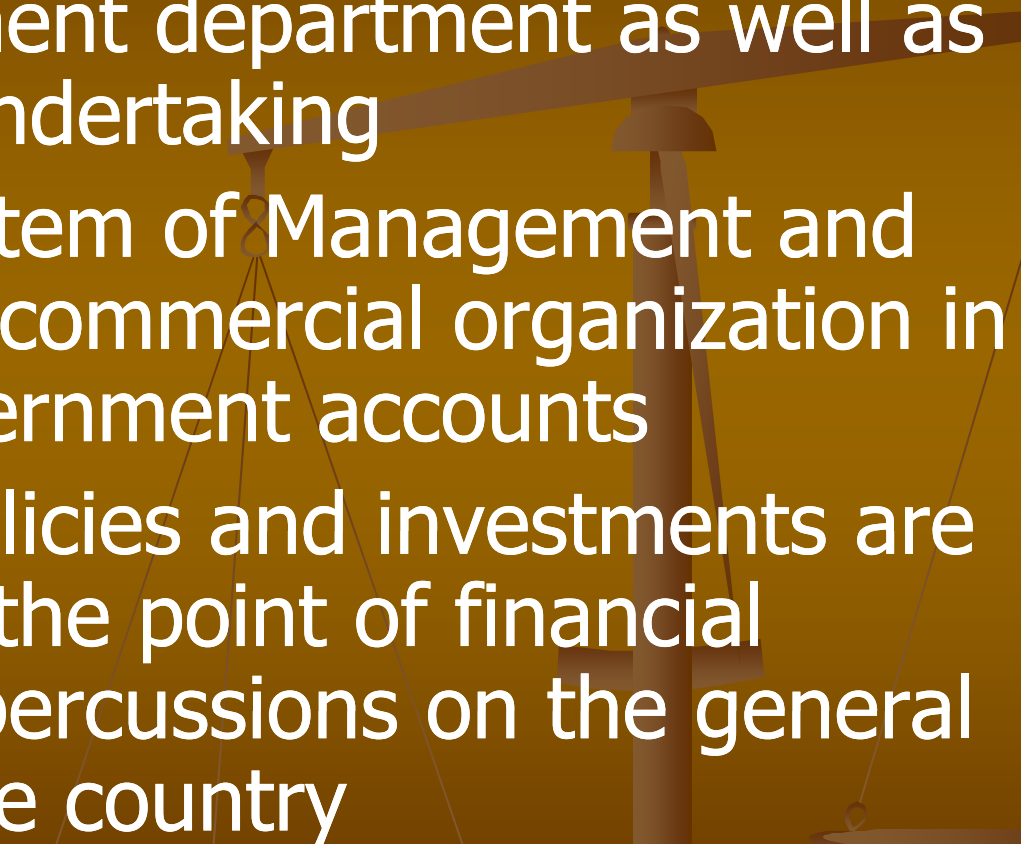
- Traffic revenues and Miscellaneous receipts and costs include- general superintendence and services, Repair & maintenance of permanent ways and works, rolling stock and other plants and equipments, Operating Expenses on rolling stock, stations and fuel, staff welfare, miscellaneous services like security, health, retirement benefits, compensation claims.

Also have to provide for :

- Depreciation Reserve Fund and
- Pension Fund
- New Pension System (w.e.f.1.1.04)
- Besides above IR also have to bear Misc exp on Railway Board, Survey, RCT,RRT, RDSO, Audit etc. which is met from misc receipts.
- Net Traffic Receipts and net misc. receipt form net revenue.
- Surplus if any is appropriated to DF, CF, DSF and RRSK.



Accounting of earnings and expenditure

- IR is a government department as well as a commercial undertaking
 - Has its own system of Management and Accounts like a commercial organization in addition to government accounts
 - Decisions on policies and investments are governed from the point of financial viability and repercussions on the general well being of the country
- 



❖ Governed by Government Accounting Rules

❖ Kept on single entry system

❖ Maintained on cash basis

❖ Only Statement of Receipts & Expenditure prepared

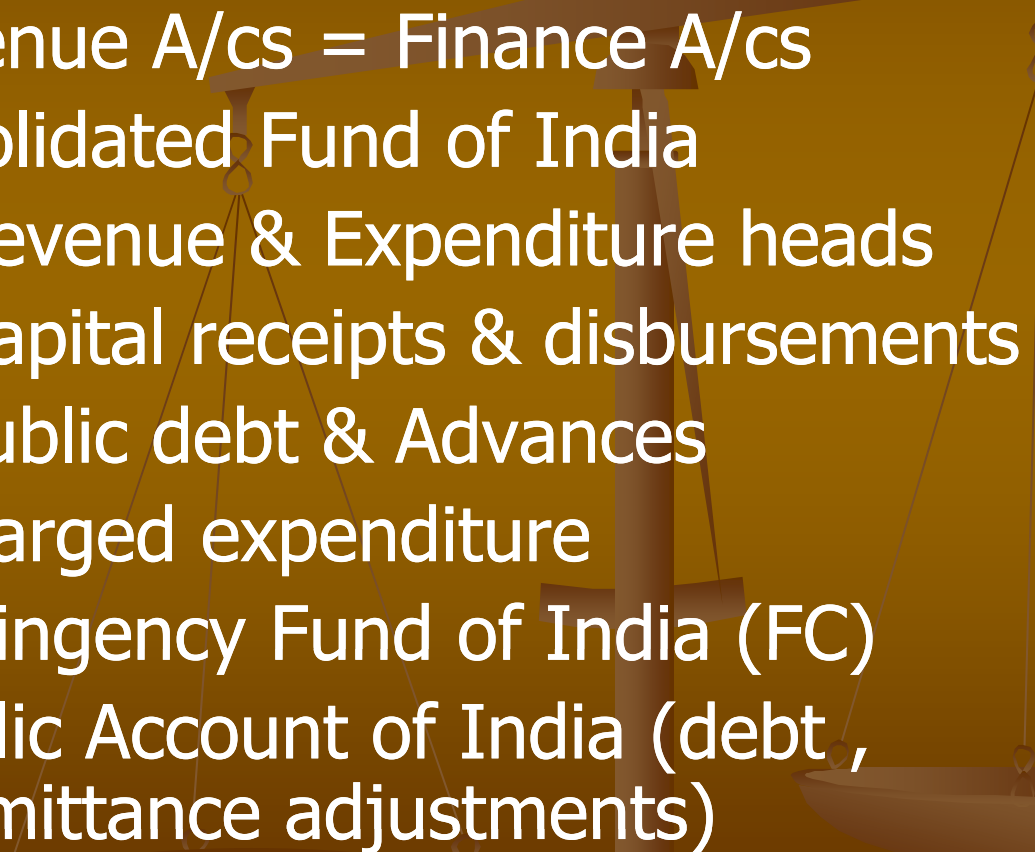
❖ Governed by rules of standard accounting practices

❖ Kept on double entry system

❖ Maintained on accrual basis

❖ Trading A/c, P&L A/c, Balance Sheet prepared

Structure of Railway Accounts

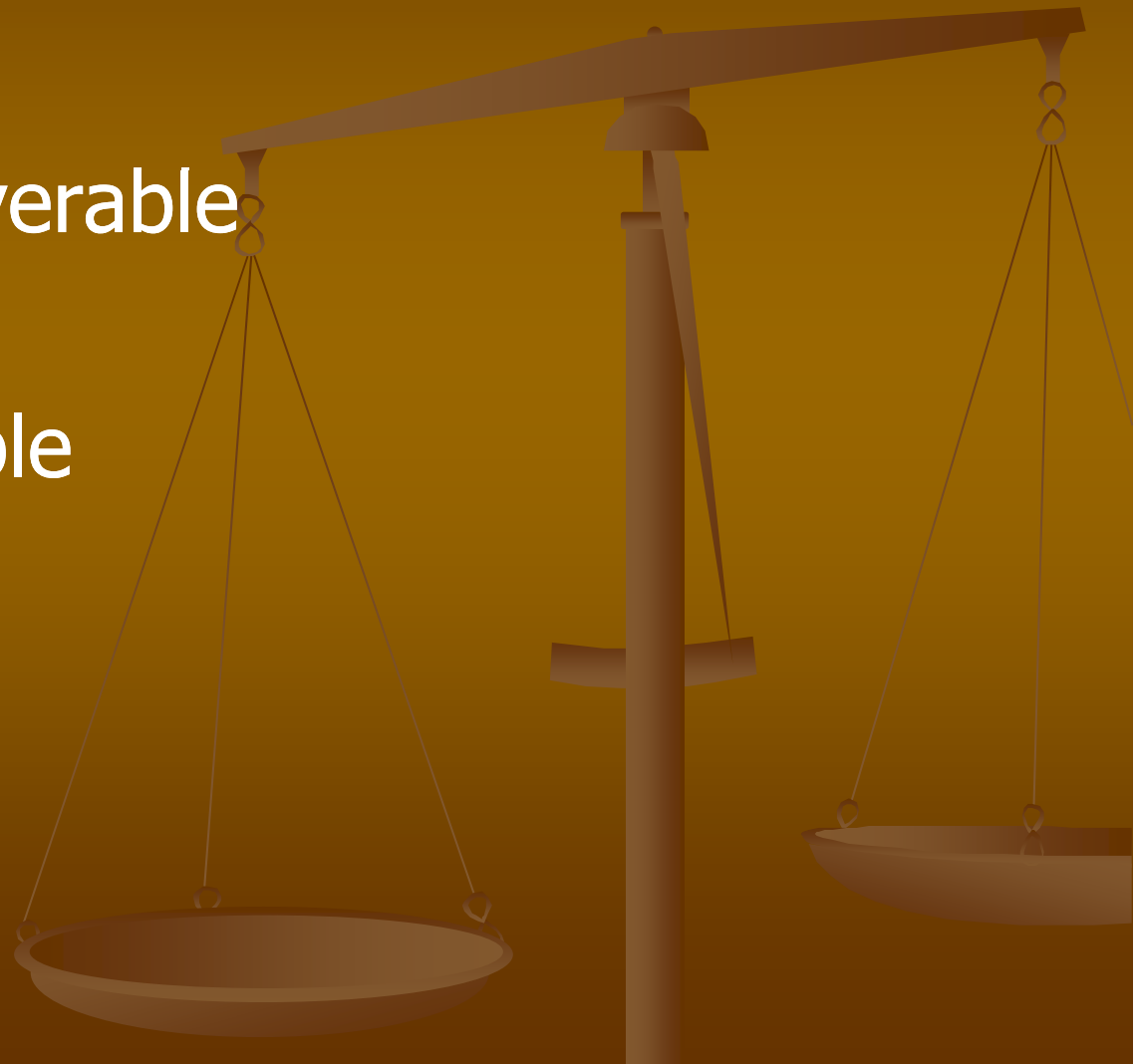
- Capital + Revenue A/cs = Finance A/cs
 - Part I – Consolidated Fund of India
 - (a) Revenue & Expenditure heads
 - (b) Capital receipts & disbursements
 - (c) Public debt & Advances
 - Voted and Charged expenditure
 - Part II – Contingency Fund of India (FC)
 - Part III – Public Account of India (debt, deposits & remittance adjustments)
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Accounts Books on the Railways

- General Books
 - General Cash Book (Daily) – Dr & Cr sides
 - General Cash Abstract Book (Monthly)
 - Journal - Rev & Cap – non cash transactions
 - Ledger – Rev & Cap – allocation head wise accountal -progressive totals
- Subsidiary Books- Works Register & Source wise works exp. Registers, Revenue Allocation registers, Earnings register – Traffic Book, Suspense registers – Misc Adv. , Loans & Adv., Deposits, Demands Payable , Traffic suspense etc.

Suspense Heads for Linking of Government & Commercial Accounts

- Traffic Account
- Demands Recoverable
- Demands Payable
- Labour



Railway's Financial Planning

Financing of the Plan Expenditure

a) Internal generation of resources are :

- appropriations made to the Depreciation Reserve Fund,
- Capital works directly charged off as revenue expenditure (OLWR)- Not in use now
- retained surplus (which may be transferred to DF, CF, DSF or RRSK),
- interest on the fund balances.

Railway's Financial Planning



b) Capital provided by General Revenues in the form of

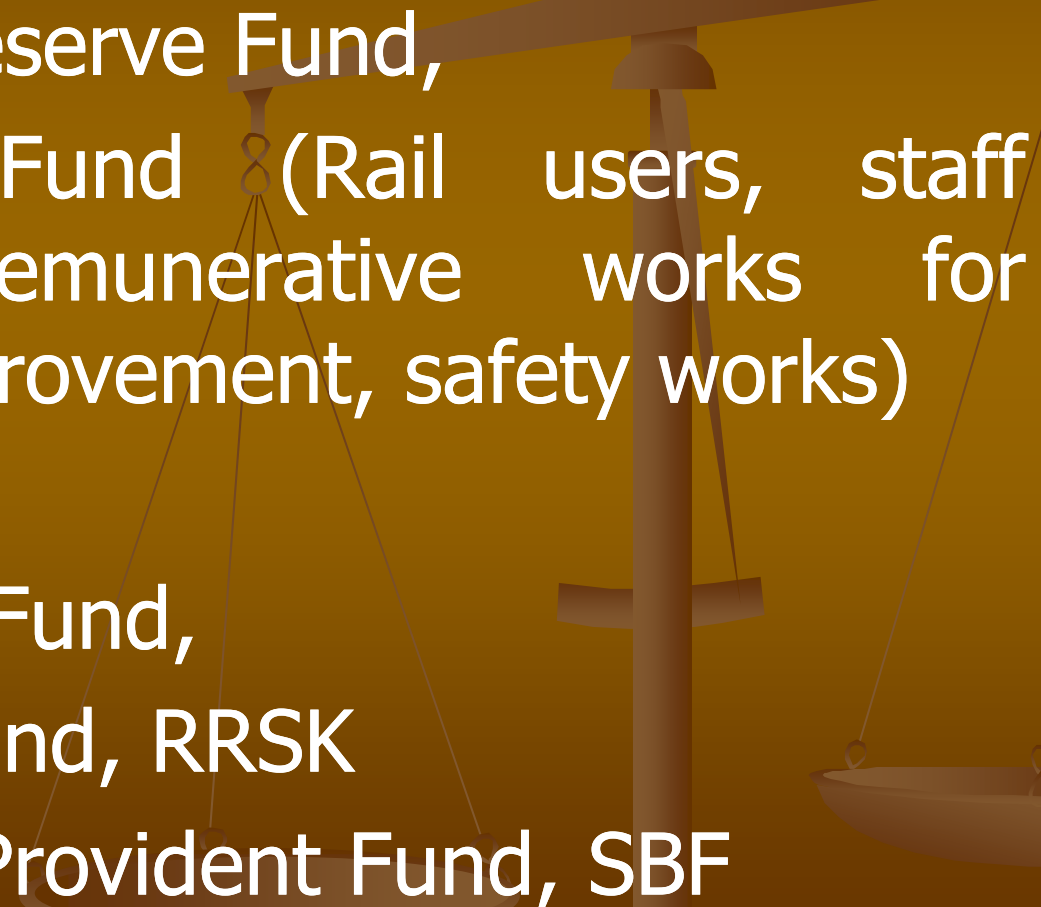
- increase in the Capital-at-charge of the Railways,
- temporary loans for financing expenditure chargeable to Development Fund and/or Capital Account.
- Funds from Central Government out of Central Road Fund to part finance Railway Safety Fund.
- Funds from Central Government for RRSK

c) External Resources/non-budgetary resources

- BOLT, OYW, Funds provided by IRFC, PPP

Railway's Financial Planning

Reserve Funds on the Railways

- Depreciation Reserve Fund,
 - Development Fund (Rail users, staff welfare, Un-remunerative works for operational improvement, safety works)
 - Capital Fund,
 - Railway Safety Fund,
 - Debt Service Fund, RRSK
 - Pension Fund, Provident Fund, SBF
- 

Railways Assets (2008-09- Rs. 181443 Cr.)

Land Rs.4144 Cr, Building & Track Rs.101584 Cr, Rolling stock Rs.33704 Cr, Plant & Equipment Rs.24721 Cr, Inventories Rs. Cr, Others Rs.2963 Cr.

Earnings of the Railways (2010-11)

Pass.(Rs.26126 Cr), Other Cg.(Rs.2778 Cr), Goods(Rs.62489 Cr), Others (Rs.3171 Cr),
TOTAL Rs.94564.95 Cr. (Rs.94764.95 Cr with Suspense)

Working Expenses (2010-11)

OWE (Rs.65000), PF (Rs.14500), DRF (Rs.7600 Cr.)
Dividend Rs 6608 Cr.

Surplus Rs.3173 Cr (DF Rs 2800 Cr., CF Rs.373 Cr.)

Operating Ratio (92.3- 2010-11)

Net Revenue (6.9%- 2010-11)

Railways Assets (2013-14- Rs. 333475 Cr.)

Land Rs.6783 Cr, Building & Track Rs.179150 Cr,
Rolling stock Rs.68199 Cr, Plant & Equipment
Rs.40101 Cr, Inventories Rs. 14973 Cr, Others
investments Rs.24269 Cr.

Earnings of the Railways (2015-16)

Pass.(Rs.44283 Cr), Other Cg.(Rs.4371 Cr),
Goods(Rs.109208 Cr), Others (Rs.5929 Cr),
TOTAL Rs.163791 Cr. (Rs.1164334 Cr with
Suspense Rs.543 cr.), Net Misc Rec. Rs.2731 cr

Working Expenses (2015-16)

OWE (Rs.107736 Cr), PF (Rs.34500 Cr), DRF
(Rs.5600 Cr.)

Dividend Rs 8723 Cr.

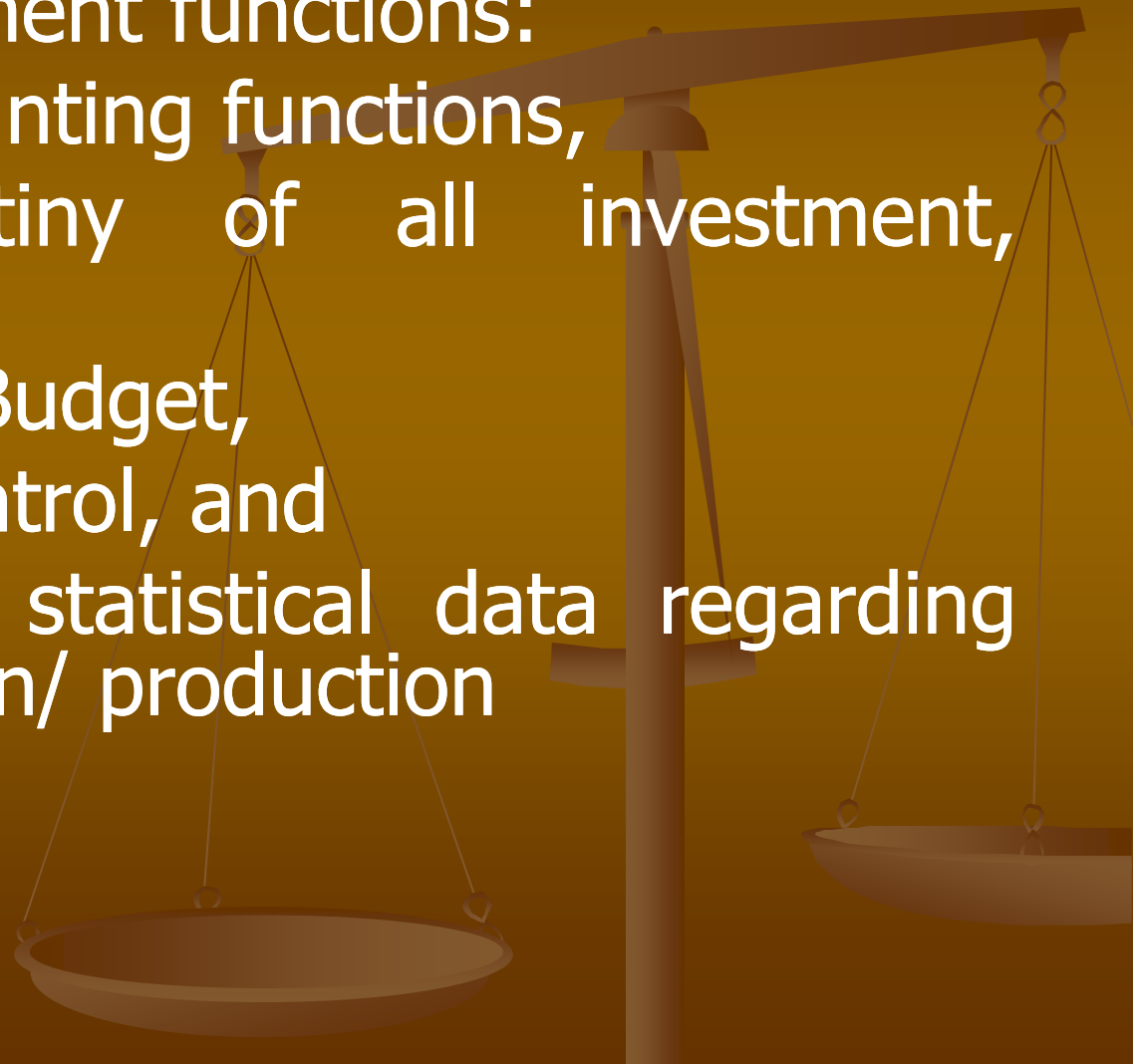
Surplus Rs.10506 Cr (DF Rs 1220 Cr., CF Rs.5798
Cr., DSF Rs.3488 Cr.)

Operating Ratio (90.5 %- 2015-16)

Organization and Functions of Accounts & Finance Management

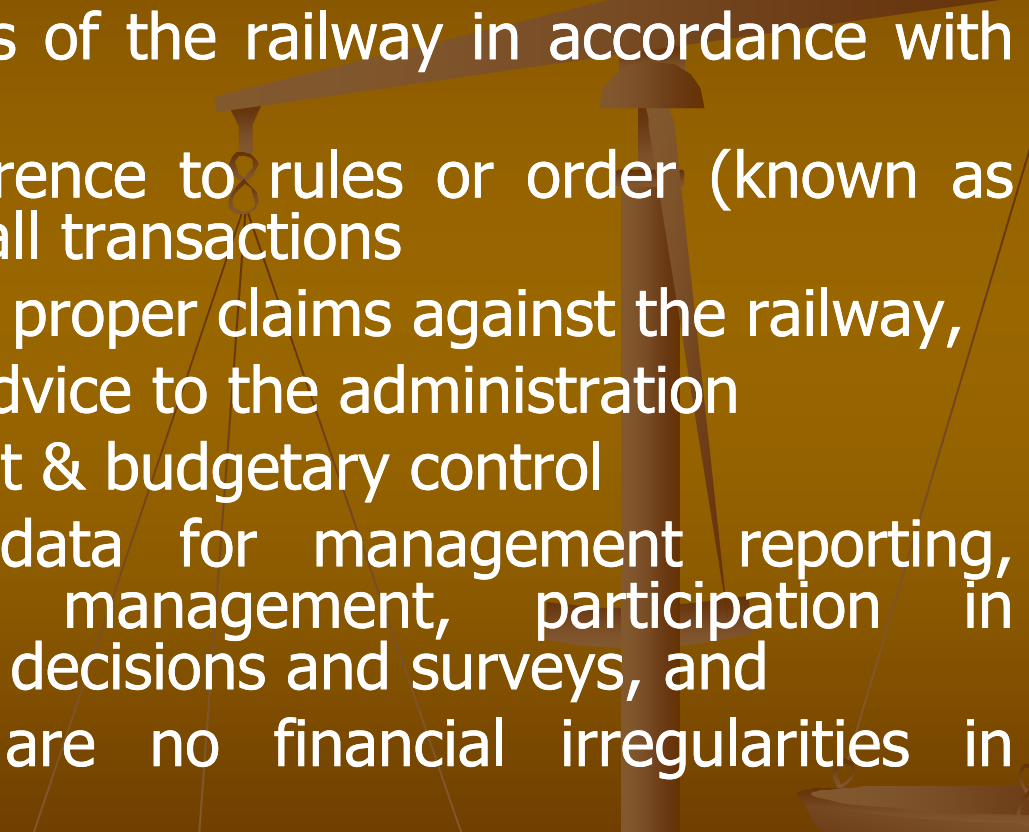
Accounts Department functions:

- The basic accounting functions,
- Financial scrutiny of all investment, proposals,
- Preparation of Budget,
- Expenditure control, and
- Preparation of statistical data regarding cost of operation/ production



Organization and Functions of Accounts & Finance Management

Responsibilities

- Keeping the accounts of the railway in accordance with the prescribed rules
 - The check with reference to rules or order (known as "Internal Check") of all transactions
 - Prompt settlement of proper claims against the railway,
 - Tendering financial advice to the administration
 - Compilation of Budget & budgetary control
 - Providing financial data for management reporting, assisting inventory management, participation in purchase/contracting decisions and surveys, and
 - Seeing that there are no financial irregularities in transactions
- 

Organization and Functions of Accounts & Finance Management

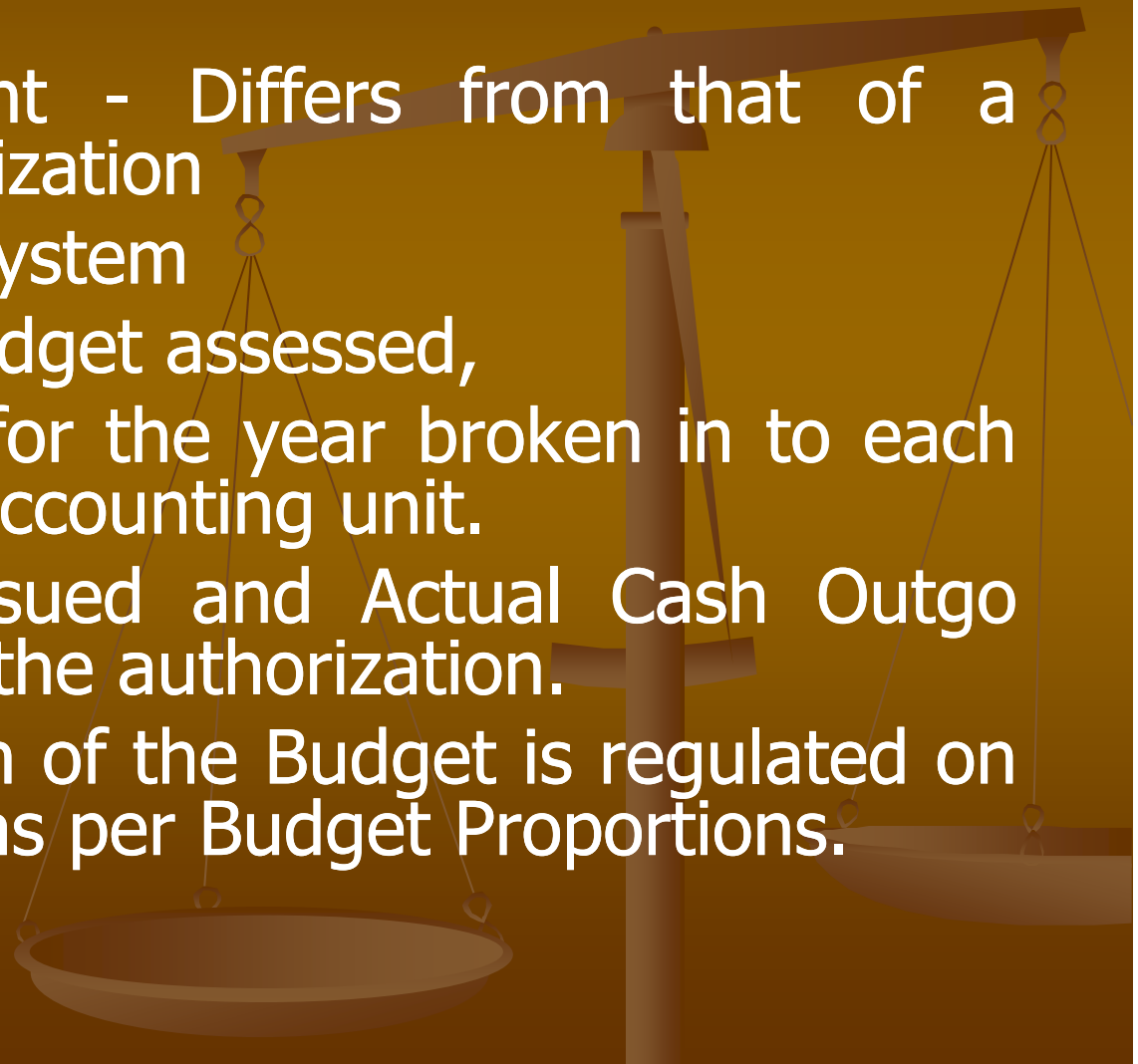
Finance Function

- Cash Management - Differs from that of a commercial organization

Exchequer Control system

- Cash Content of Budget assessed,
- Cash requirement for the year broken in to each quarter for each accounting unit.
- Authorization is issued and Actual Cash Outgo monitored as per the authorization.

Utility: Cash Portion of the Budget is regulated on day-to-day Basis as per Budget Proportions.



Organization and Functions of Accounts & Finance Management

■ Items Requiring Consultation with Finance

Establishment- creation of posts, cadre review, pay revision

Works- necessity, utility, financial prospects

Estimates- details satisfactory, reliable data used

Tenders- most beneficial bid selected

Contracts- conditions as per rules

Stores indents- inventories are optimum, funds availability

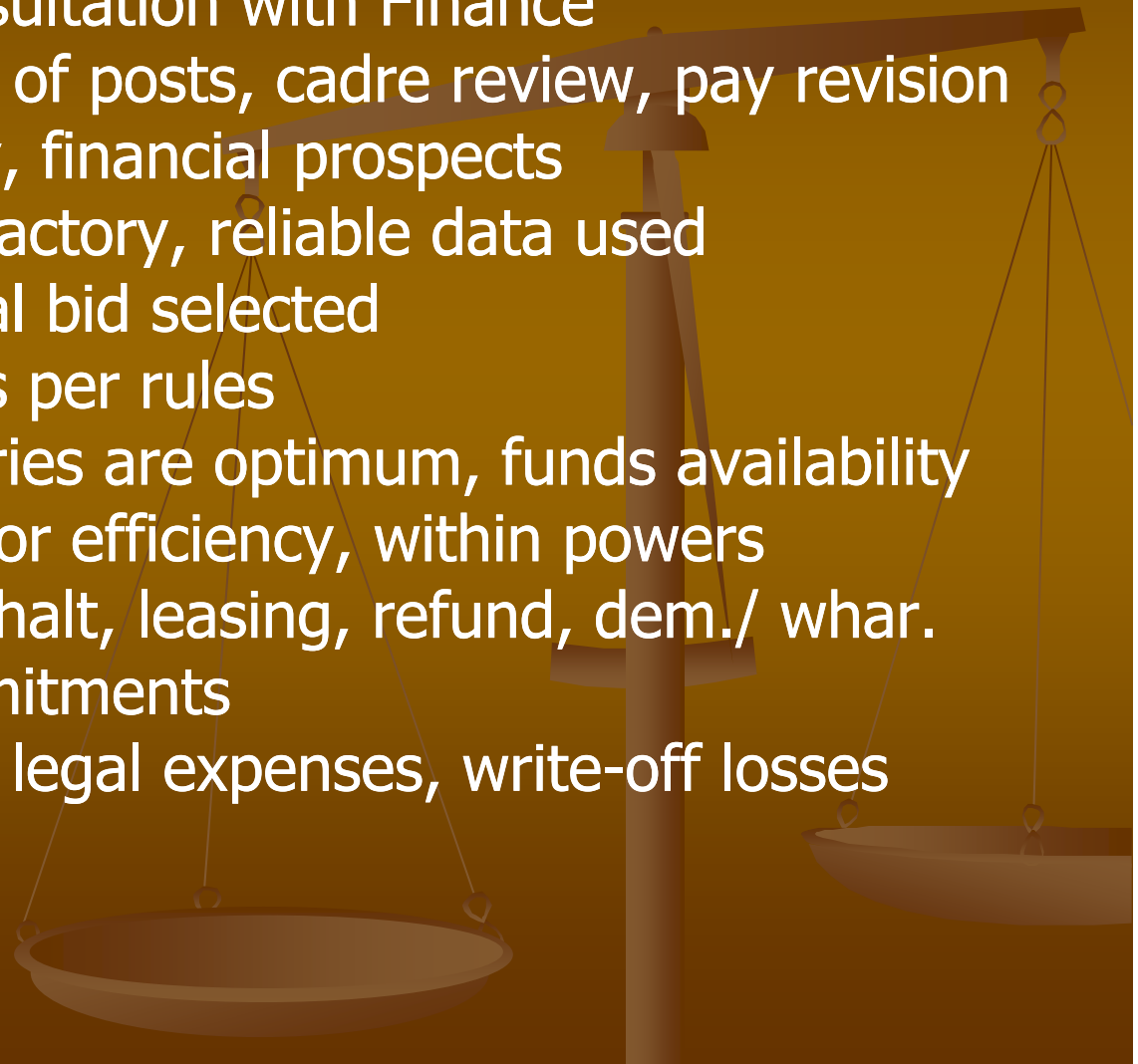
Delegation of Powers- for efficiency, within powers

Commercial proposals- halt, leasing, refund, dem./ whar.

Foreign exchange commitments

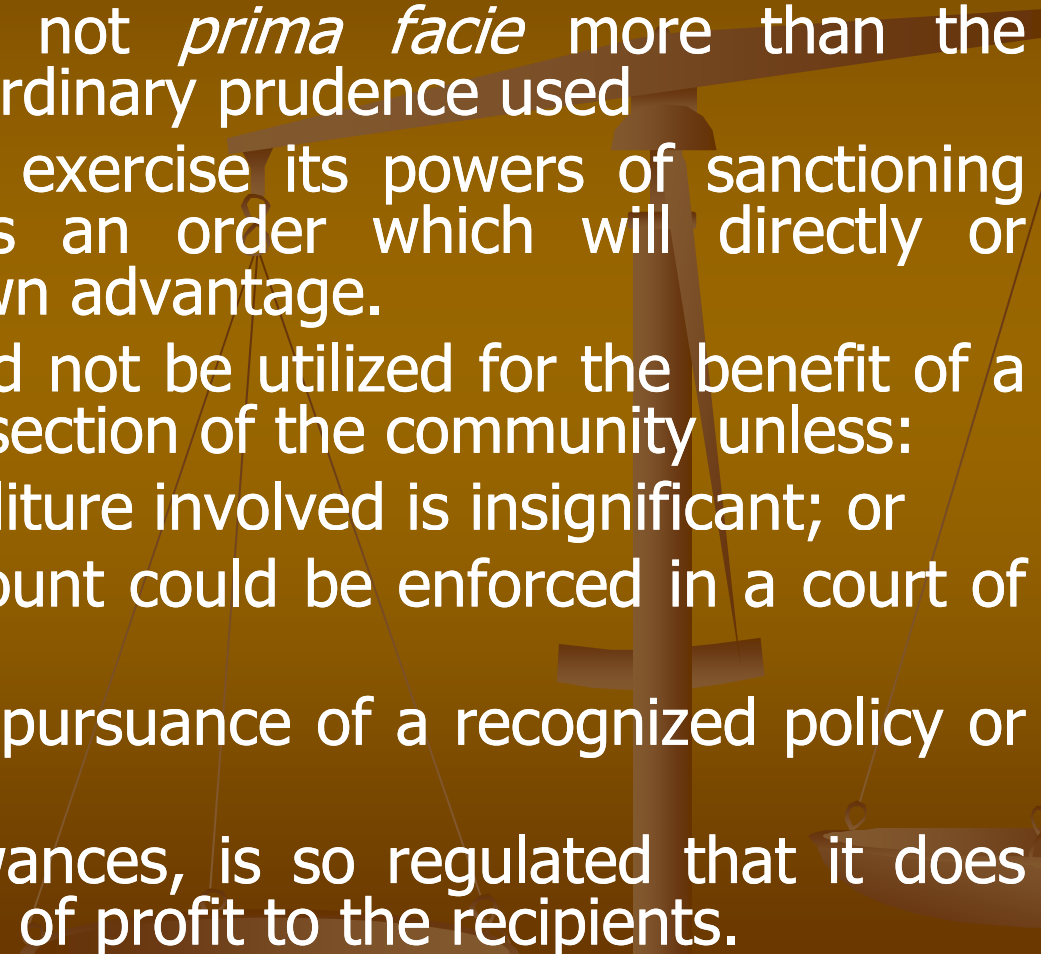
Miscellaneous- imprest, legal expenses, write-off losses

Issue of Sanctions



Organization and Functions of Accounts & Finance Management

Cannons of Financial Propriety

- The expenditure is not *prima facie* more than the occasion demands, ordinary prudence used
 - No authority should exercise its powers of sanctioning expenditure to pass an order which will directly or indirectly be to its own advantage.
 - Public moneys should not be utilized for the benefit of a particular person or section of the community unless:
 - the amount of expenditure involved is insignificant; or
 - the claim for the amount could be enforced in a court of law; or
 - the expenditure is in pursuance of a recognized policy or custom.
 - the amount of allowances, is so regulated that it does not become a source of profit to the recipients.
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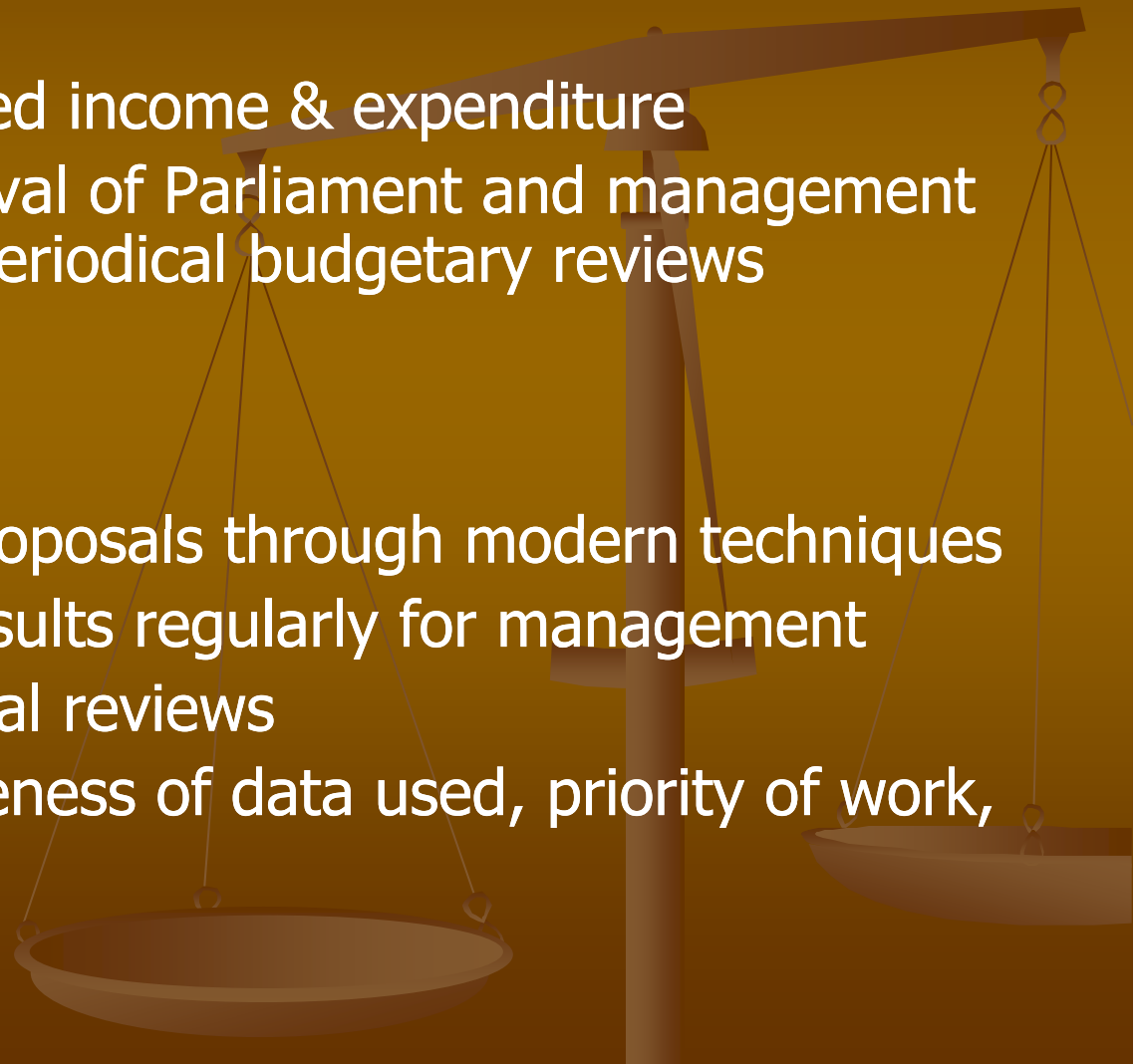
Organization and Functions of Accounts & Finance Management

Budget Function

- Statement of anticipated income & expenditure
- Means to obtain approval of Parliament and management control mechanism-periodical budgetary reviews

Financial Analysis

- Financial scrutiny of proposals through modern techniques
- Analysis of financial results regularly for management
- preparation of periodical reviews
- Desirability, reasonableness of data used, priority of work, funds, allocation

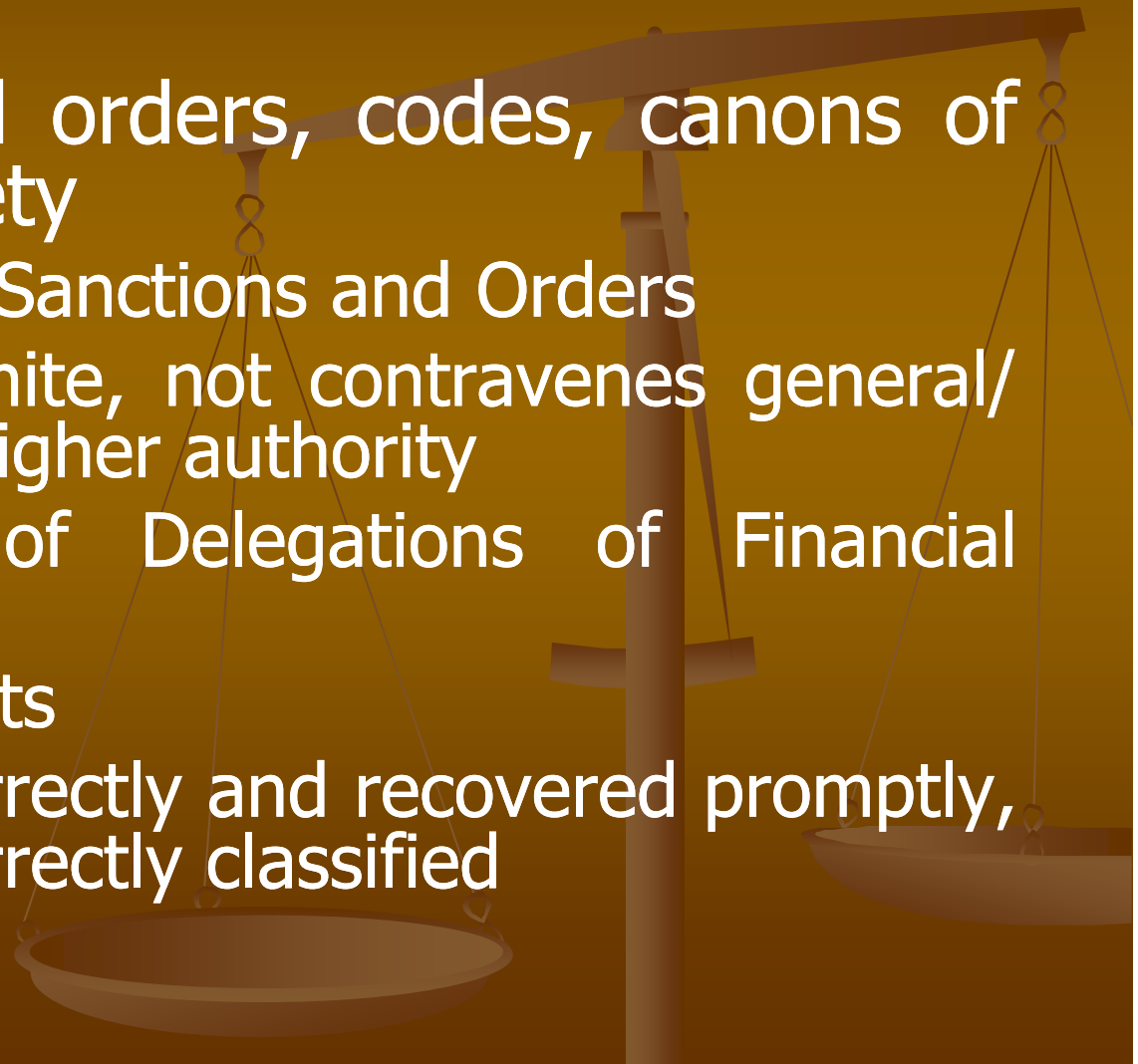


Organization and Functions of Accounts & Finance Management

Internal Check

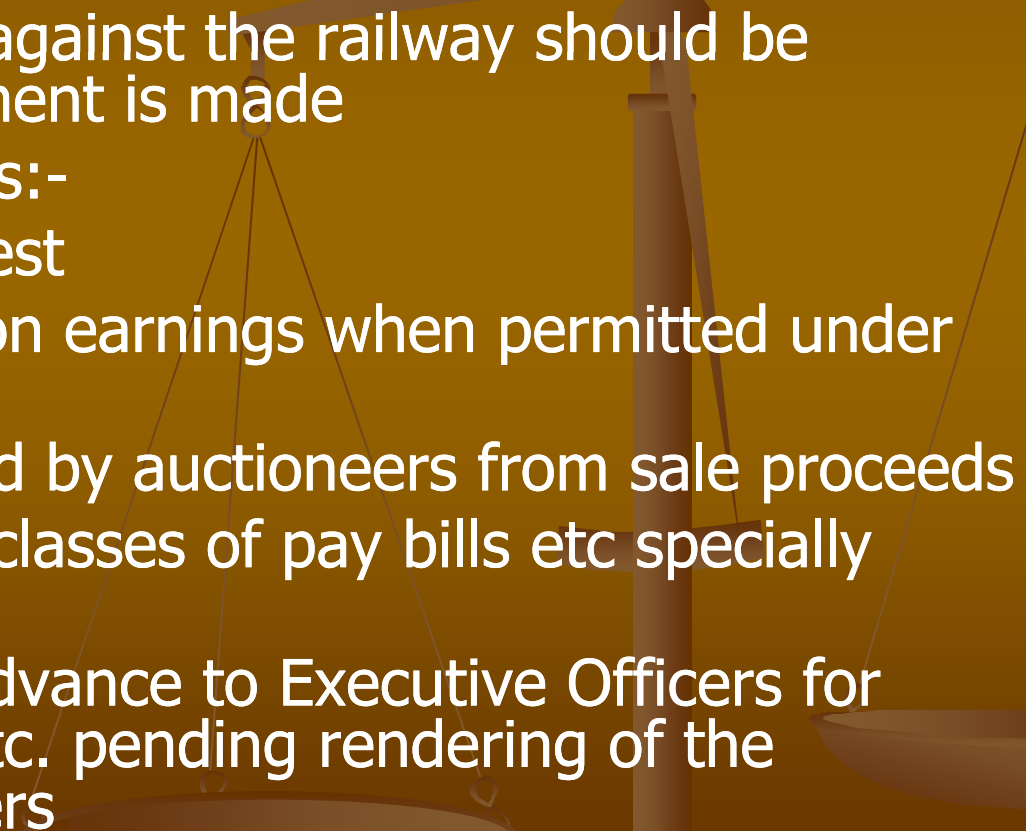
w.r.t. rules and orders, codes, canons of financial propriety

- Internal Check of Sanctions and Orders
competency, definite, not contravenes general/
specific order of higher authority
- Internal Check of Delegations of Financial
Authority
- Scrutiny of Receipts
dues assessed correctly and recovered promptly,
accounted for, correctly classified



Organization and Functions of Accounts & Finance Management

■ Internal Check of Expenditure

- Pre- check-All claims against the railway should be checked before payment is made
 - Post check- exceptions:-
 - Payments from imprest
 - Payments from station earnings when permitted under rules
 - Commission deducted by auctioneers from sale proceeds
 - Payments of certain classes of pay bills etc specially permitted
 - Payments made in advance to Executive Officers for purchase of stores etc. pending rendering of the accounts and vouchers
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Organization and Functions of Accounts & Finance Management

■ Scrutiny of expenditure

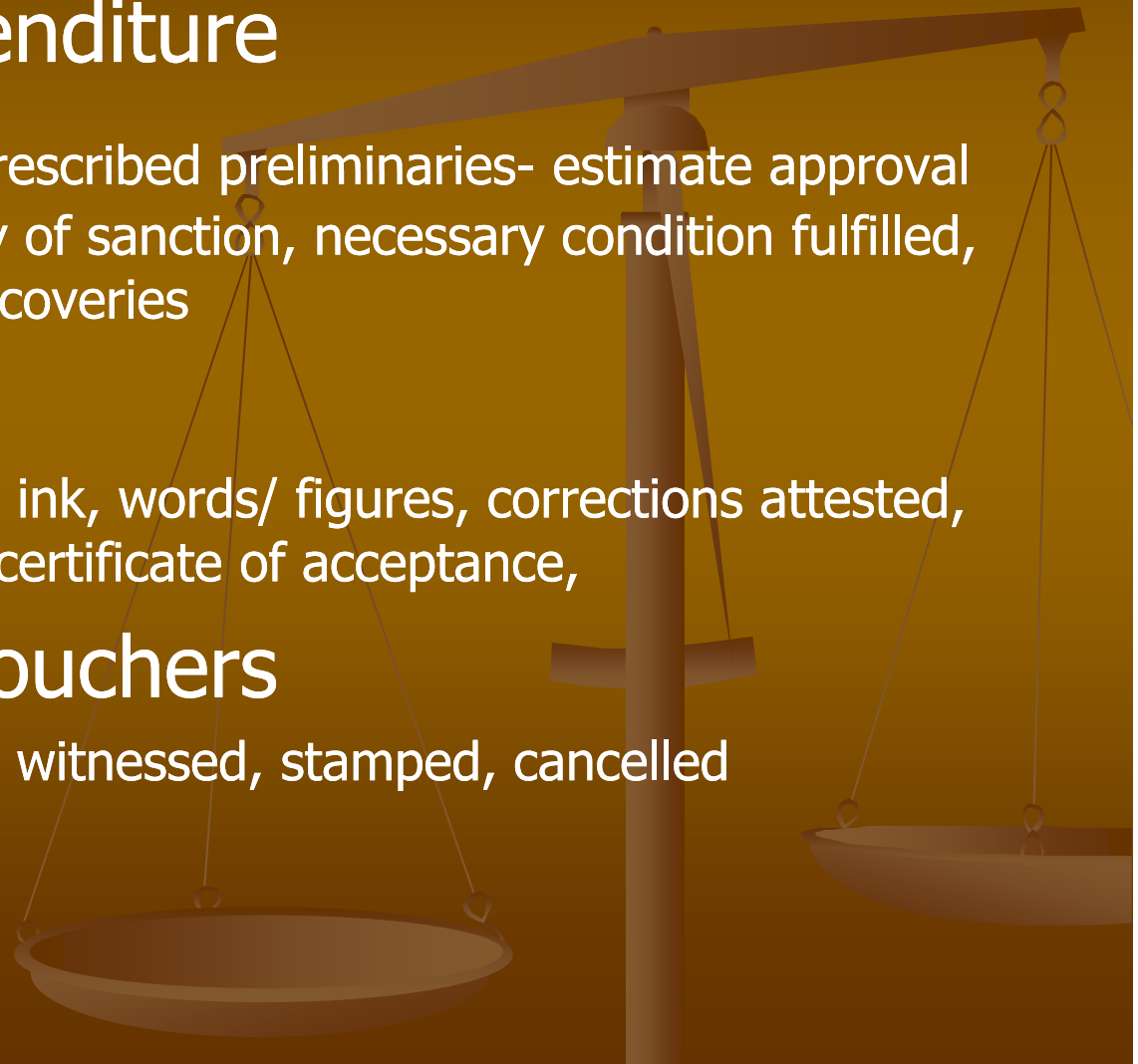
-Competency of sanction, prescribed preliminaries- estimate approval etc., as per rule, currency of sanction, necessary condition fulfilled, voucher, classification, recoveries

■ Checks of bills

-prescribed form, original, in ink, words/ figures, corrections attested, recoveries as due made, certificate of acceptance,

■ Check of paid vouchers

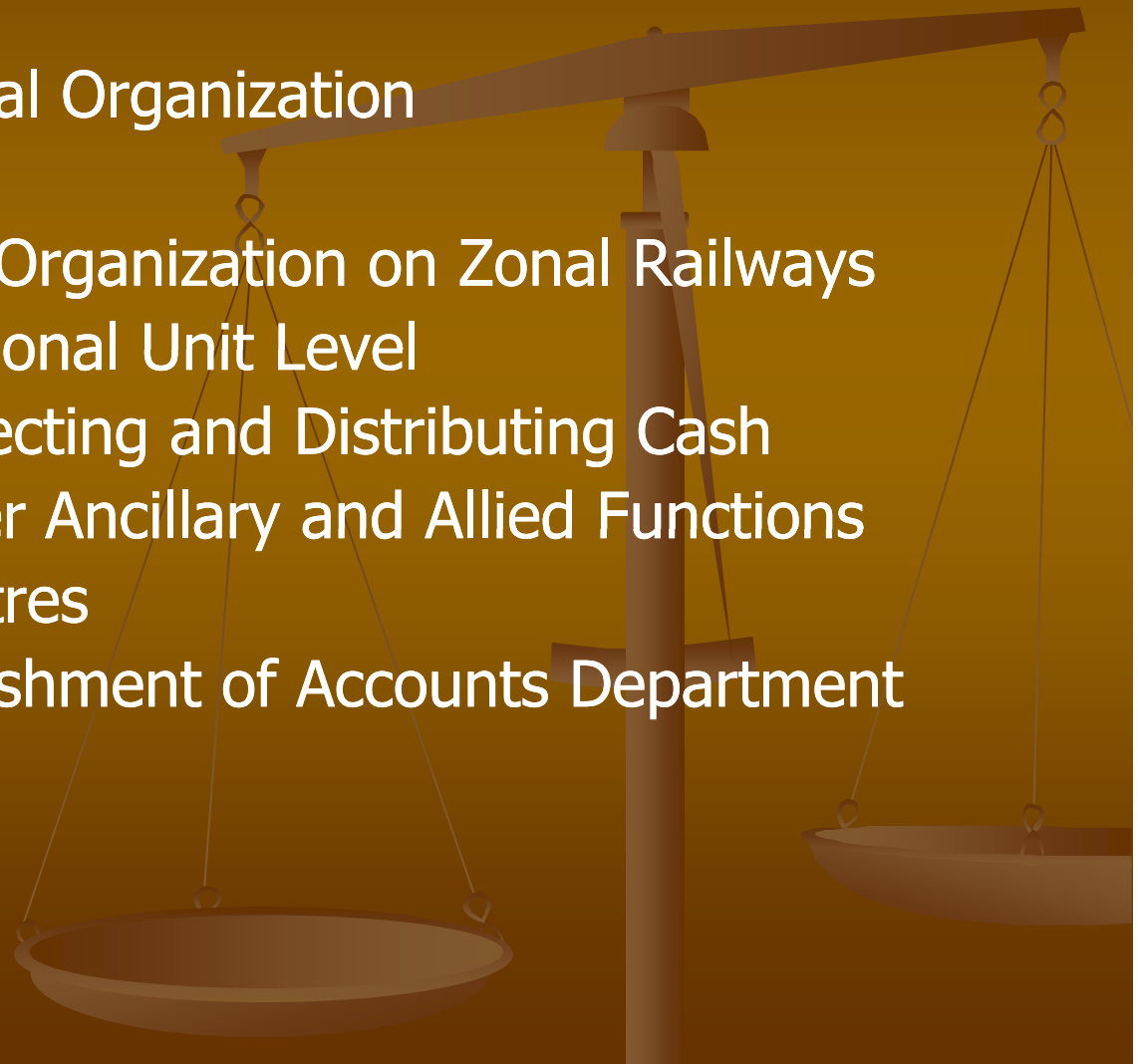
- payee's acknowledgement, witnessed, stamped, cancelled



Organization and Functions of Accounts & Finance Management

Structure of the Financial Organization

- Railway Board Level
- Structure of Finance Organization on Zonal Railways
- Organization at Divisional Unit Level
- Organization for Collecting and Distributing Cash
- Organization for other Ancillary and Allied Functions
- Data Processing Centres
- Non-Gazetted Establishment of Accounts Department



Organization and Functions of Accounts & Finance Management

Office Procedure

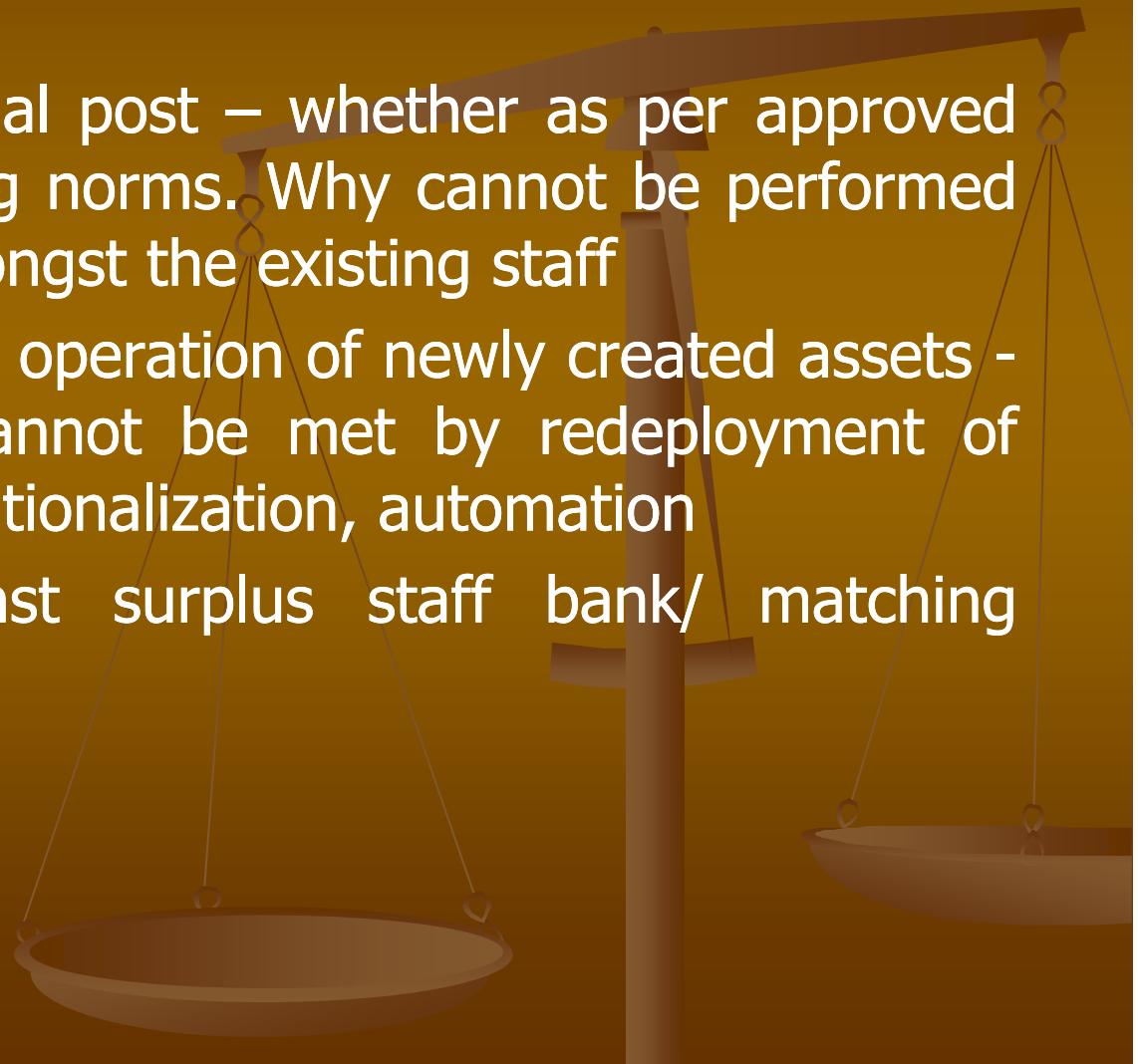
- Finance- Establishment, Stores, Works
- Budget
- Books
- General Accounts- Establishment, Administration, PF, Pension
- Bills- Stores, Expenditure
- Workshop Accounts
- Traffic Accounts
- Cash & Pay Office
- Others- Statistical/ Costing Branch, EDP Centre,



Organization and Functions of Accounts & Finance Management

Establishment Finance

- Proposal for additional post – whether as per approved yardsticks for staffing norms. Why cannot be performed by readjustment amongst the existing staff
- If proposal relates to operation of newly created assets - why the demand cannot be met by redeployment of surplus staff, work rationalization, automation
- If necessary- against surplus staff bank/ matching surrender.

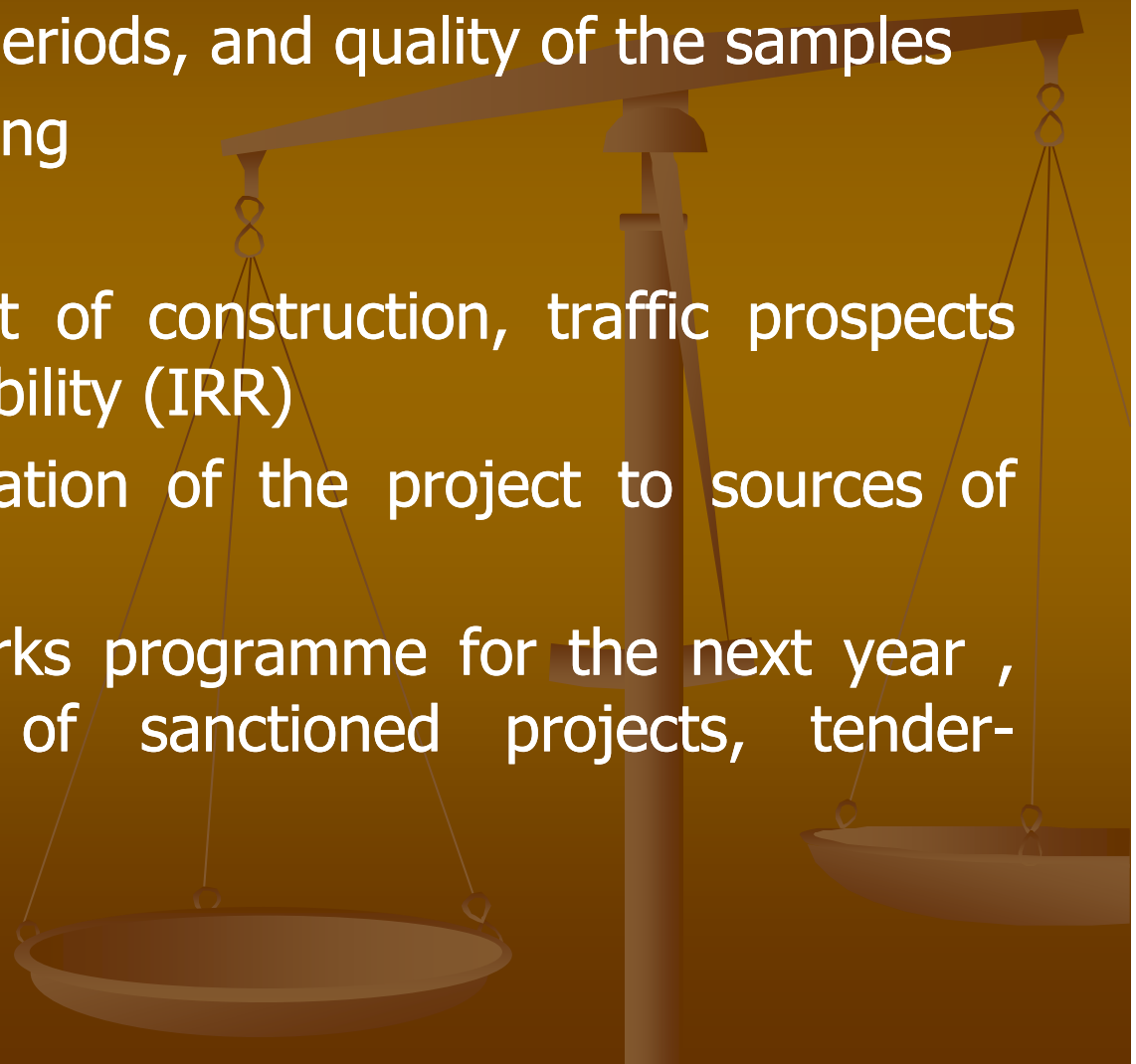


Stores Finance

- Quantity vetting
- Tender evaluation-comparative statement of rates and conditions, delivery periods, and quality of the samples
- Purchase orders vetting

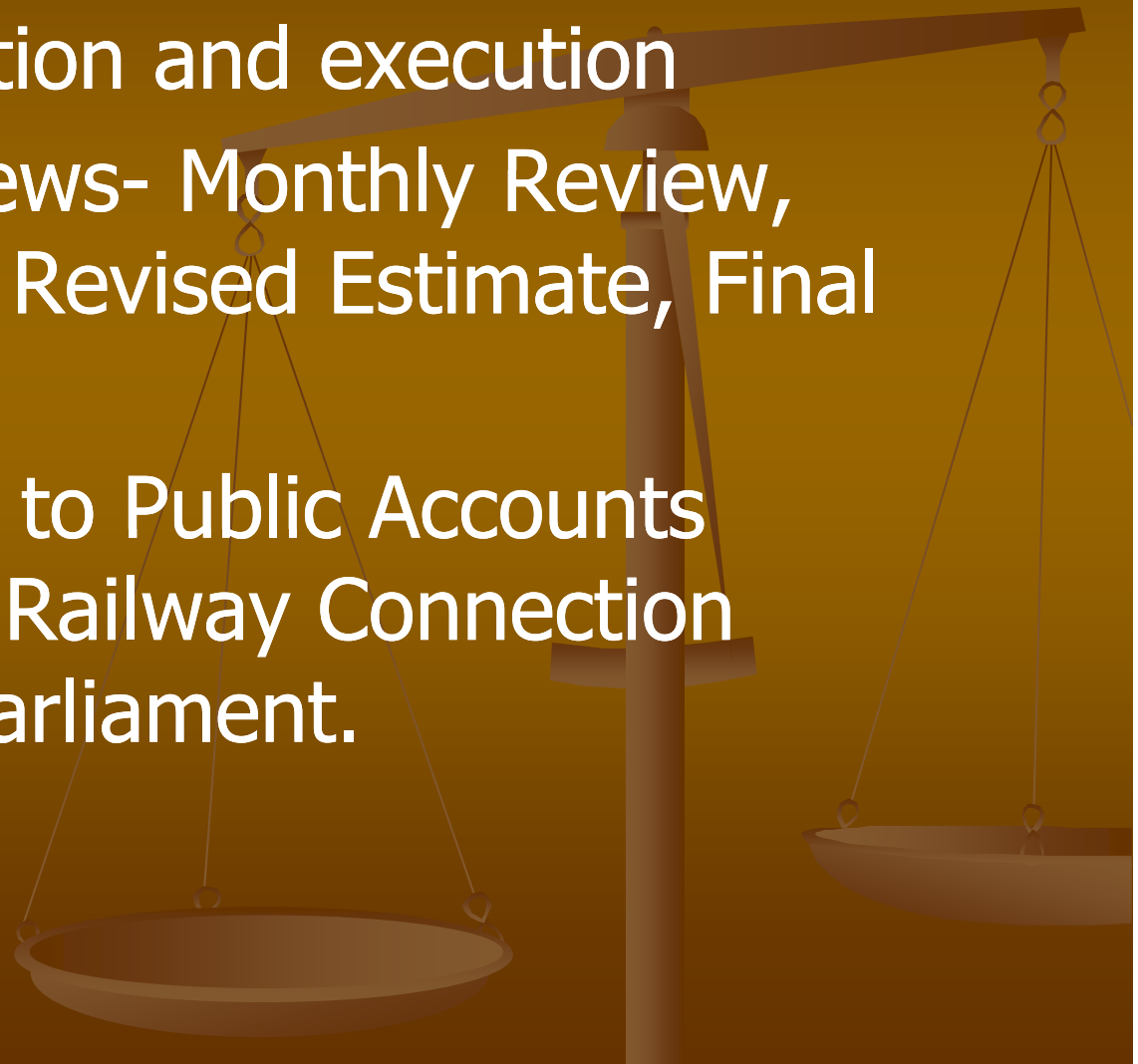
Works Finance

- Estimate of the cost of construction, traffic prospects and earnings, Profitability (IRR)
- Correctness of allocation of the project to sources of fund
- Concurrence of works programme for the next year , detailed estimates of sanctioned projects, tender-evaluation,



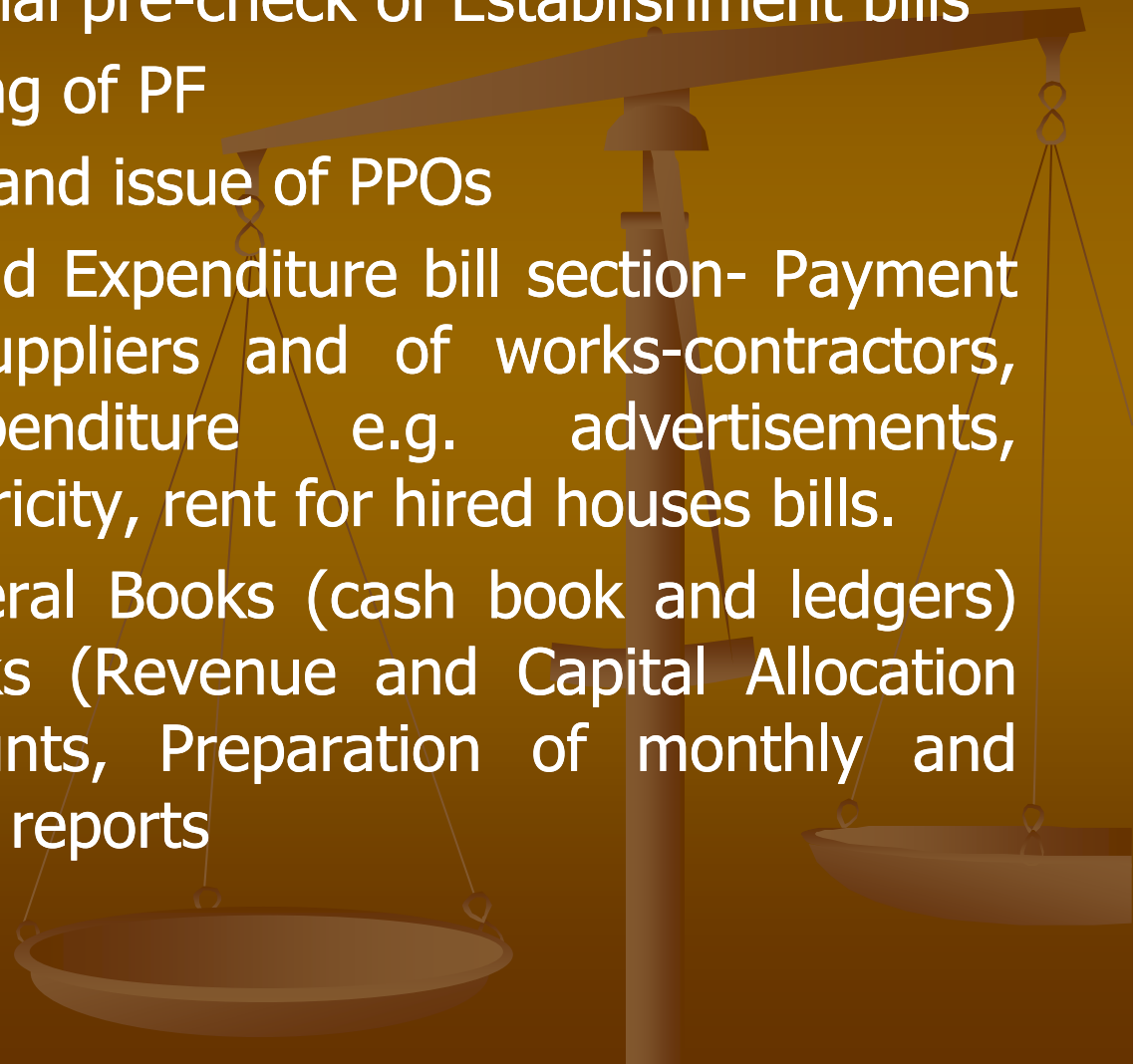
Budget Branch

- Budget compilation and execution
- Budgetary Reviews- Monthly Review, August Review, Revised Estimate, Final Modification
- Matters relating to Public Accounts Committee and Railway Connection Committee of Parliament.



General Accounts Branches

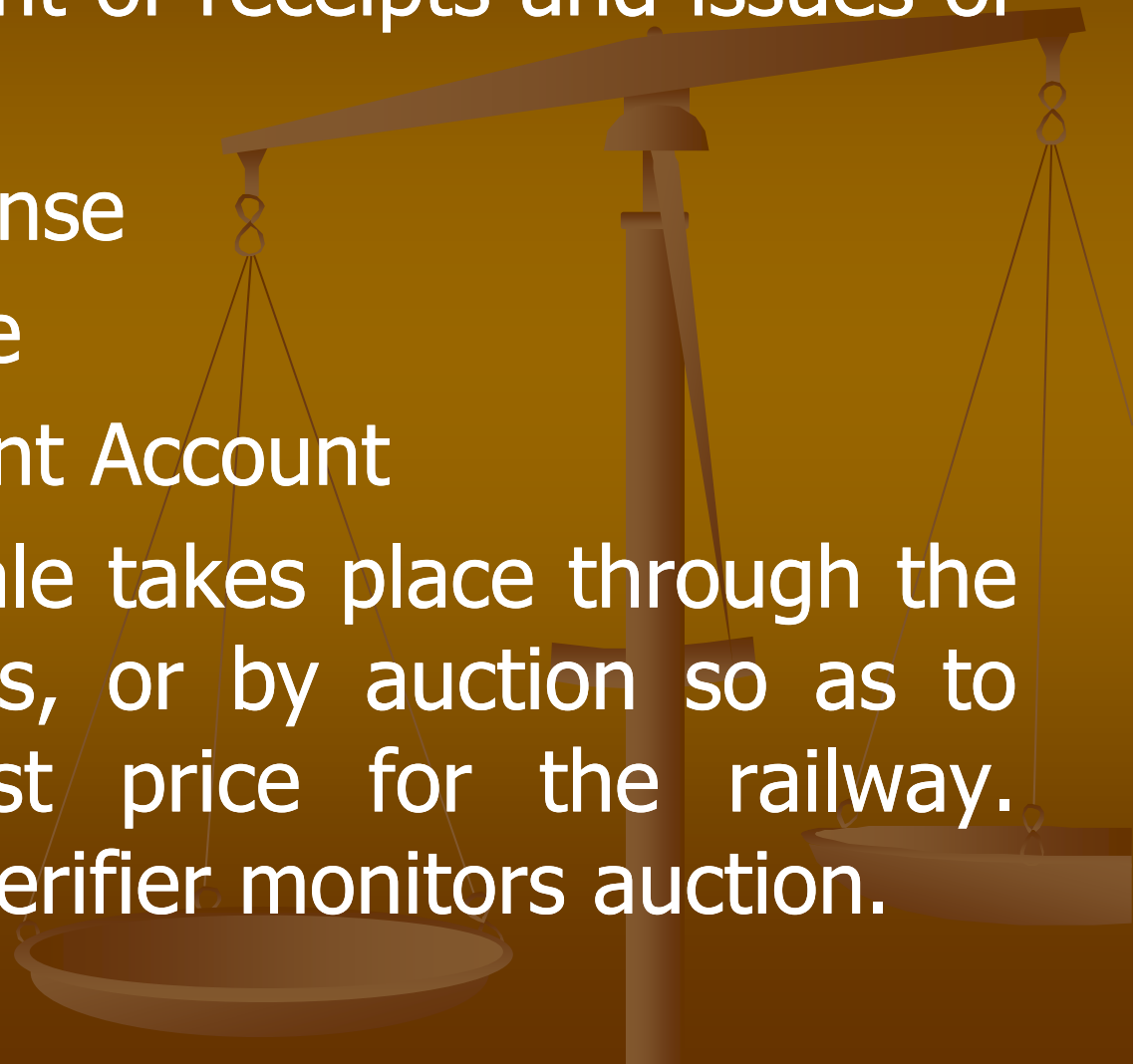
- Establishment- Internal pre-check of Establishment bills
- PF section- Accounting of PF
- Pension- Settlement and issue of PPOs
- Stores bill section and Expenditure bill section- Payment of bills of stores-suppliers and of works-contractors, miscellaneous expenditure e.g. advertisements, telephones and electricity, rent for hired houses bills.
- Books Section- General Books (cash book and ledgers) and subsidiary books (Revenue and Capital Allocation Registers) of accounts, Preparation of monthly and annual Accounts and reports



Stores Accounts Branch

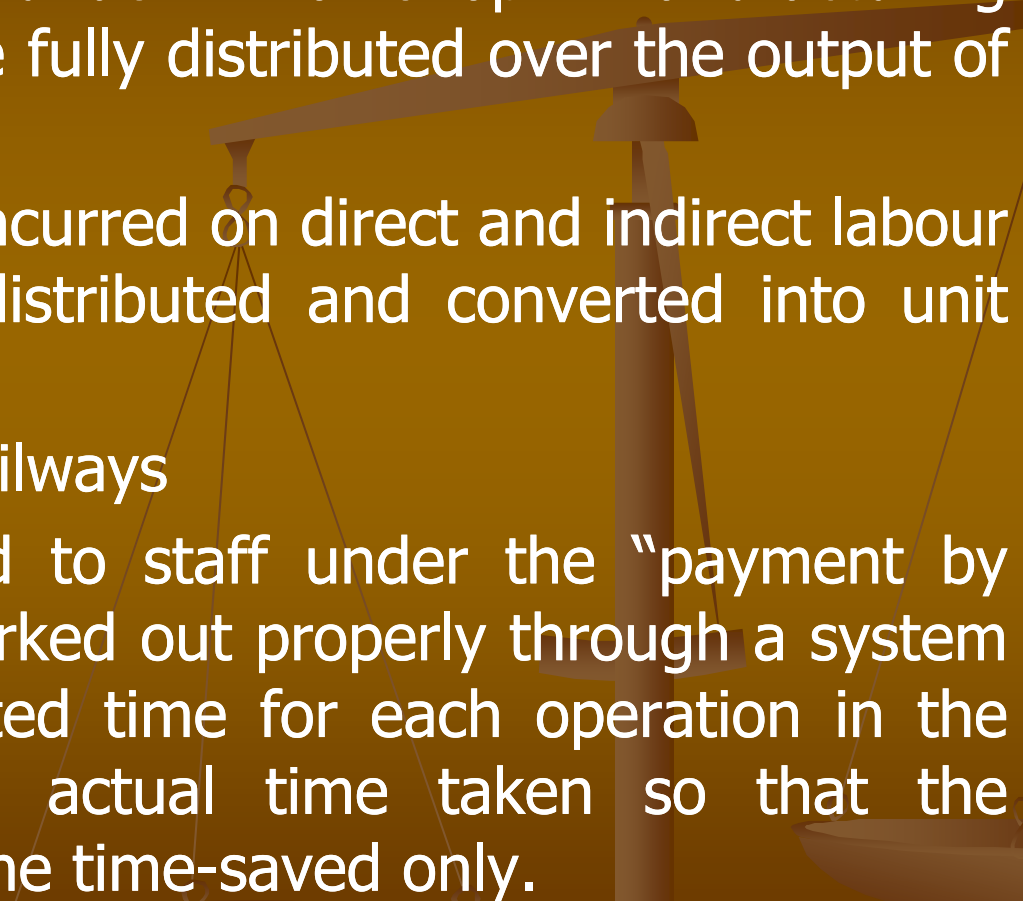
Stores Bill section- Bills of stores supplies, keeps an account of receipts and issues of stores.

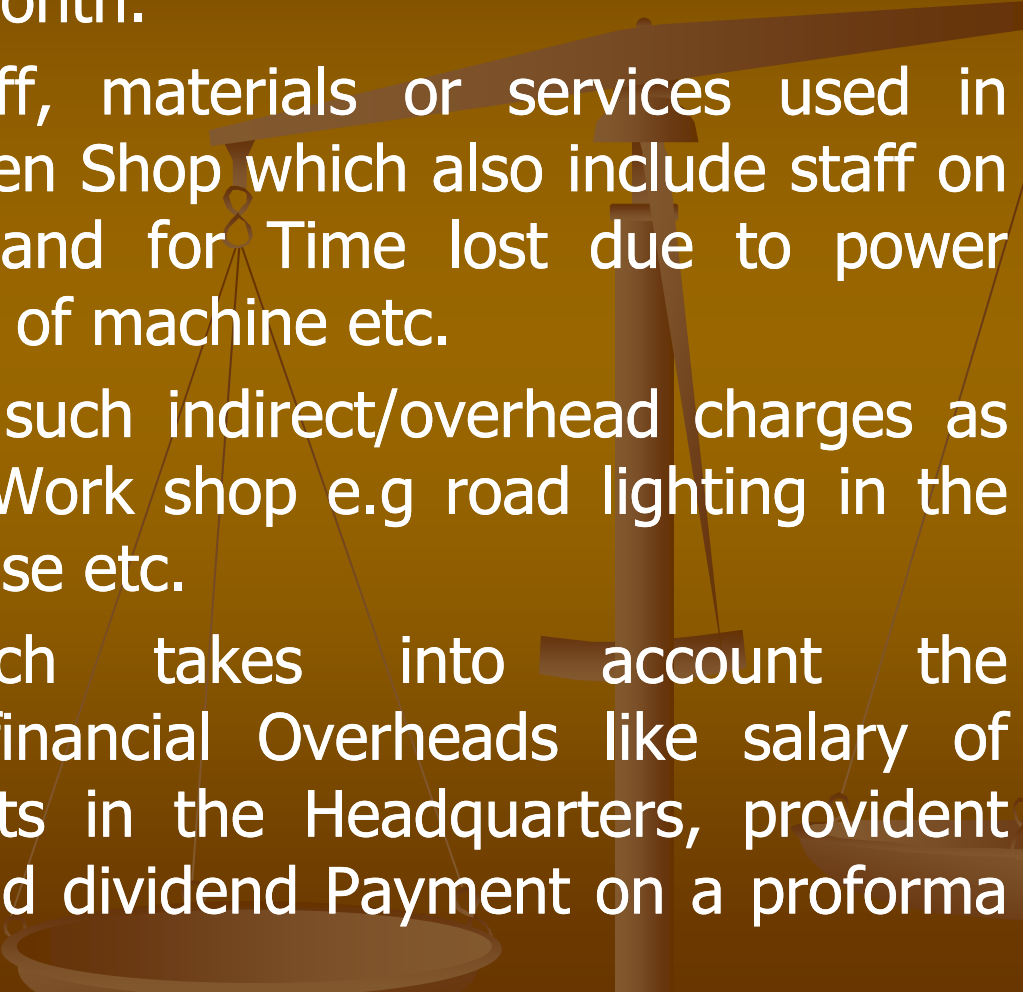
- Purchase Suspense
- Stores Suspense
- Stock Adjustment Account
- Stores Sale - sale takes place through the competitive bids, or by auction so as to obtain the best price for the railway. Account stock verifier monitors auction.



Workshop Accounts Branch

WMS- cost of materials and labour

- expenses booked under workshop Manufacturing suspense account are fully distributed over the output of the workshop
 - entire financial cost incurred on direct and indirect labour and materials gets distributed and converted into unit cost
 - Cost transferred to railways
 - Incentive bonus paid to staff under the "payment by results" system is worked out properly through a system of laying down allotted time for each operation in the shop, recording the actual time taken so that the incentive is paid for the time-saved only.
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- Time Office- ensures that the entire amount of pay and allowances of workshop staff is distributed over the standing work orders for direct work, and for overheads (or 'on-cost') every month.
 - Shop-on-cost-for staff, materials or services used in common within a given Shop which also include staff on leave, training etc. and for Time lost due to power breakdown and idling of machine etc.
 - General-on-cost- for such indirect/overhead charges as are common to the Work shop e.g road lighting in the workshop, power house etc.
 - Proforma-on-cost which takes into account the administrative and financial Overheads like salary of heads of departments in the Headquarters, provident fund, depreciation and dividend Payment on a proforma basis.

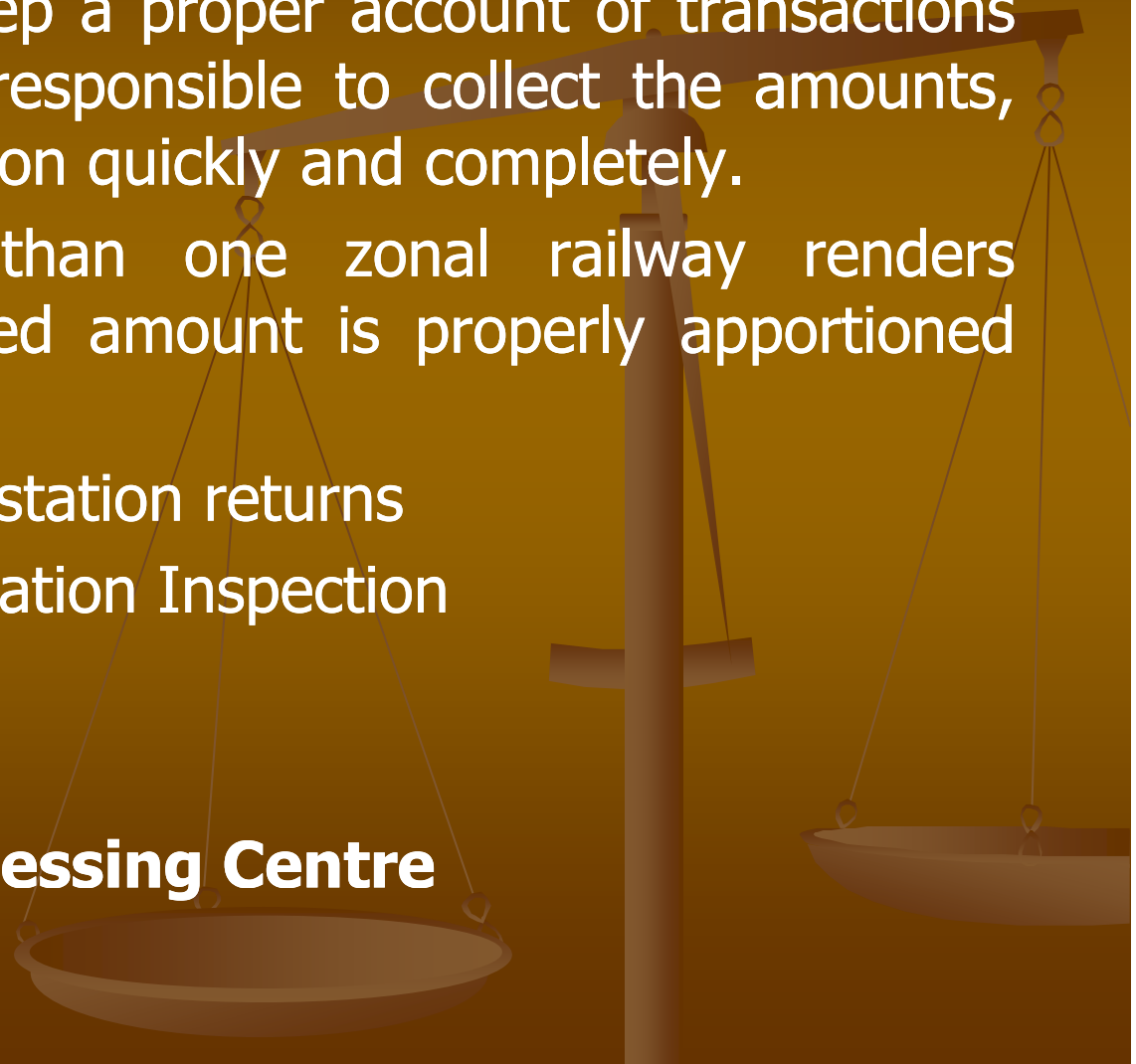
Traffic Accounts Branch-Basic objects:

- party to whom service is rendered is charged the correct amount.
- That the stations keep a proper account of transactions for which they are responsible to collect the amounts, and remit the collection quickly and completely.
- That when more than one zonal railway renders services, the collected amount is properly apportioned amongst them.
- Internal Checking of station returns
- Traffic Book, AOB, Station Inspection

Cash & Pay Office

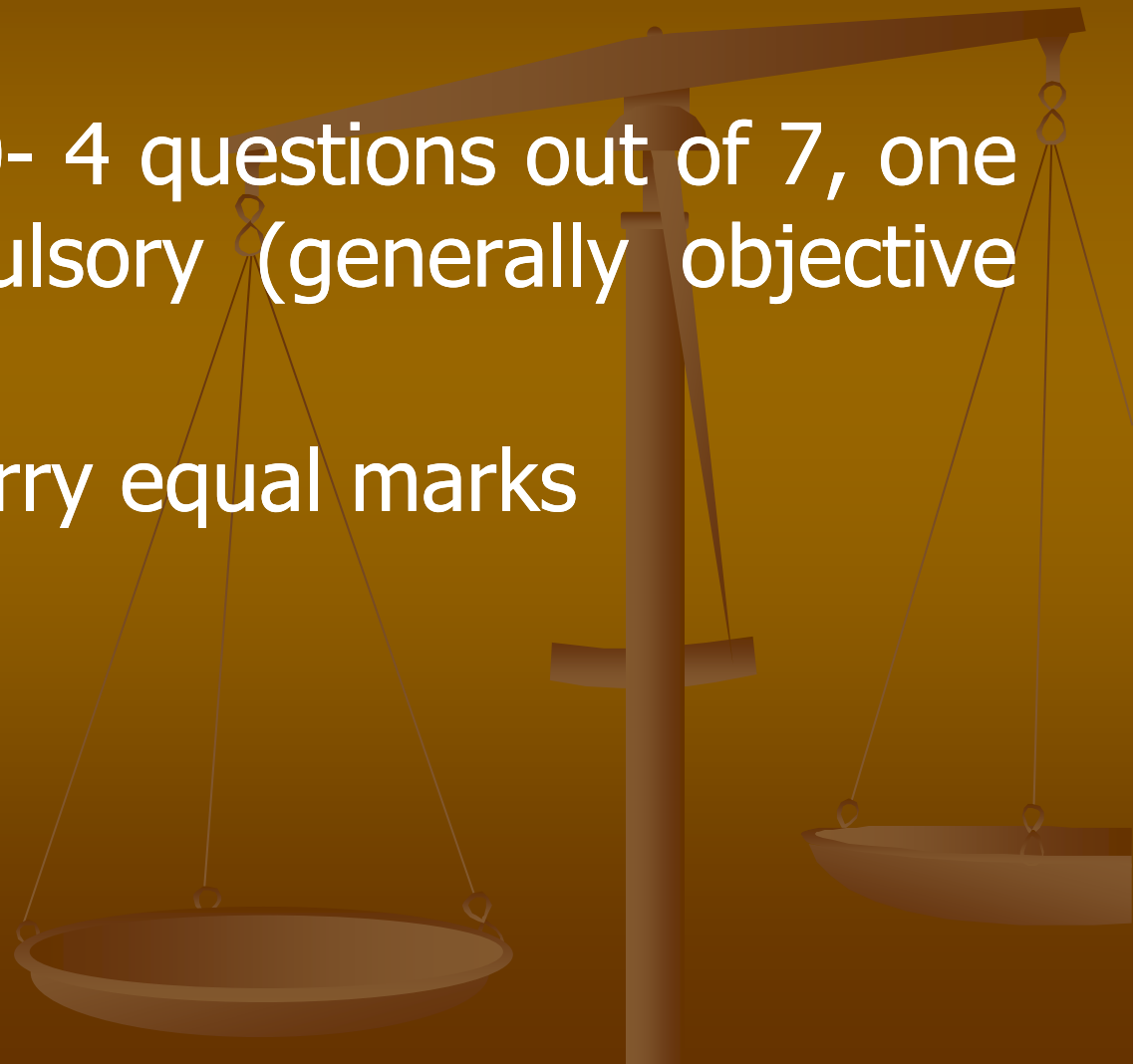
Electronic Data Processing Centre

Statistical Branch



Scheme of Examination Paper

- Time: 1 hour
- Max Marks: 100- 4 questions out of 7, one question compulsory (generally objective type)
- All questions carry equal marks



Thank You
&
All the Best

