भारत सरकार **Government of India**
रेल मंत्रालय **Ministry of Railways**
(रेलवे बोर्ड) **(Railway Board)**

RBA- 147/2017.

No. 2014/BC-AP/Chapter 3/12-13/Pt-1 **New Delhi**, dated 17.10.2017

PFAs,
All Zonal Railways /Production Units

Sub: Chapter 3, Report no. 19 of 2014, Accounting of Projects in Indian Railways.

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Enclosed please find a Para wise list of question raised during the review of aforementioned Audit para. Kindly arrange to furnish comprehensive replies on each of the questions to the Boards office. The reply must necessarily contain an updated position on the factual issues raised by audit, viz results of reconciliation, improvement in position, results of corrective action as well as system improvement undertaken after the issue of the Audit report.

The reply must be submitted latest by 24.10.2017, through email to rdchoudhary41@gmail.com and sao1.@rb.railnet.gov.in.

(Anjali Goyal)
Pr. Executive Director/ Account
Railway Board

Gist of Para	Information to be furnished	Railways Remarks.
Works Registers (Para No. 3.6.1) Para 1472 of Engineering Code and Para 521 of Financial Code-Volume I stipulate the procedure of maintenance of works registers to facilitate the control of expenditure with reference to sanctioned estimates, budget allotment and details of expenditure on each work. Para 1478 of Engineering Code stipulates the procedure to be adopted to facilitate control over works expenditure against estimate as well as allotment. The Accounts Officer should furnish periodically the estimated cost allotment, expenditure and up-to-date expenditure on each work during the year to the Executive Engineer. The cost of ongoing and completed projects included in the books of Accounts is to be validated by reconciling the expenditure booked in the Works Register. To ensure correctness of figures exhibited in the books of Accounts, prompt reconciliation of expenditure booked under projects is necessary. Review of records revealed that the total expenditure of ` 51,667.83 crore was booked (up to March 2013) in 305 Works Register in respect of 144 projects (excluding 10 projects each in NR and ECoR) maintained by accounts office whereas the expenditure mentioned in the books of Executives was only ` 35,960.86 crore. The variation in expenditure of `15,706.97 crore was not reconciled.	**1. What were the reasons for difference in booking of expenditure in the Works Registers maintained by the Accounts and Executives?** **2. Why the difference in the booking of expenditure in Works registers not reconciled?** **3. How the actual expenditure on the projects ascertained if there is difference in booking of expenditure in the works registers maintained by the Accounts and Executives?** **4. What are the steps that have been taken by the Railways to ensure that the expenditure is correctly booked in the works registers and there is no difference in the figures of expenditure as per Accounts and Executives of each work?**	
Completion Reports (Para No. 3.6.2) Para 1704 of Engineering Code stipulates that after all charges and credits relating to the project have been booked in the accounts of the project, a completion report of the project should be prepared. It further states that the completion report should be checked in the Accounts	**5. Why the Completion Reports, which is required to be prepared to compare the cost of the work actually incurred and provided in the last sanctioned estimate, had not been prepared by the Railways? In the absence of Completion Reports how the Railways ascertain the final expenditure incurred on a project**	

Office to see that the entries have been prepared on the proper form and entries therein correspond with the particulars of the sanction and booked outlay. Para 1705 of Engineering Code stipulates that the Completion Report is to be prepared to compare the cost of the work actually incurred with that provided in the last sanctioned estimate. Audit examined the records maintained by accounts/executives relating to monitoring the preparation of completion reports and observed that the completion reports were not prepared for 674 projects completed/commissioned prior to March 2011. This includes 92 projects commissioned during the last three years (2008-09 to 2010-11) and 466 projects commissioned more than three years ago, of which 78 projects were commissioned twenty years ago. However, the details regarding even the date of completion of remaining 116 projects were not on record.	**and compare with that provided in the last sanctioned estimate?** **6. Why there is so much delay in preparing the Completion Reports? How the Railways are monitoring the preparation of Completion Reports? What are the steps that have been taken by the Railways to ensure that the Completion Reports are prepared timely? What is the action plan of the Railways to prepare the Completion Reports of 78 projects commissioned twenty years ago?**	
Project Appraisal (Para No. 3.6.3) Para 243 of Financial Code-Volume-I stipulates that a post project appraisal is necessary to find out if the financial return anticipated from a project at the estimate stage was actually realized in due course. This is accomplished by conducting a Productivity Test for all major works. Audit examined the position relating to post project appraisal and found that in none of the 93 major projects completed (New Lines, Doubling & Gauge Conversion) during 2007-08 to 2011-12, the Productivity Test was carried out by Zonal Railways. Thus, the mandatory test to assess the actual financial returns of the projects vis-à-vis the estimated return was not carried out in all the 93 projects reviewed in audit across the zonal railways.	**7. In absence of post project appraisal, how the Railways ascertain that the financial return anticipated from a project at the estimate stage was actually realized in due course?** **8. What are the reasons for non-conducting post project appraisal by the Railways in 93 major projects of New Lines, Gauge Conversion and Doubling completed during 2007-08 to 2011-12?**	
Asset Register (Para No. 3.6.4) As per Para 1720 of Engineering Code, an Asset Register is to be maintained wherein the investment cost of projects should be docketed and the register handed over to the Open Line (Divisions) after completion of the project, as a part of handing over records for retention as	**9. Why the Railways have not prepared the Assets Registers of the projects and handed over to the Open Lines (Divisions) after completion of projects?** **10. What is the status of development of standardized format of the Asset Register and its software for compiling the**	

permanent record. Block Accounts exhibit value of Assets created by Railways from various sources of finance such as Capital, Depreciation Reserve Fund, and Development Fund etc. Ministry of Railways (November 2000) in the Action Taken Note contained in the 9th Report of the Standing Committee on Railways (1997-98) on Railway Finances informed the Standing Committee on Railways that standardized format for the Asset Register had been developed and circulated to all Zonal Railways and Production Units. Audit examined the position prevailing in Construction Organizations and found that out of 525 works test checked, Asset Register was not maintained in respect of 500 works and cost of the commissioned projects was not transferred to Divisions.	**Asset Register?**	
Material Reconciliation Statement (Para No. 3.6.7.3) Railway Board stipulated (September 2009) that reconciliation of material issued to and utilized by the contractor should be done while passing each on-account bill without waiting for preparation of final material reconciliation statement. Passing of on-account bills without material reconciliation statement would lead to instances where excess materials issued to the contractors would remain unrecovered from them leading to undue benefit, without being recovered. Audit reviewed 5,737 on-account bills in respect of 164 selected projects and observed that 619 bills were passed after preparation of material reconciliation statement. Remaining 5,118 on-account bills were passed without preparation of material reconciliation statement.	**11.Why the on-account bills have been passed without preparation of material reconciliation statements? Why the Railway Board's instructions in this regard have not been followed by the Zonal Railways?**	
Released Materials (Para No. 3.6.8) The expenditure voted by the Parliament is on gross basis but the compilation of expenditure by Plan Heads is on net basis taking into account the credit or recoveries generated by the realization of credit	**12. Why the records of credits for released materials by the zonal railways have not been kept as per the codal provisions? Why there are so much differences in estimated and actual realization**	

for released materials. Hence, a watch on actual realization of credit as provided in the estimate is necessary. Proper assessment and accountal of released material is important not only from the point of view of booking of the expenditure but also from the point of view of physical recovery of all the materials. Review of 53 gauge conversion projects revealed that as against the estimated credit towards released materials of `1,870.15 crore, the actual realization was `1,240.57 crore resulting in short realization of `629.58 crore. Work-wise details of estimation and actual realization of Credit for Released Rail Materials were not available in NER and ECR and hence the correctness of realization (whether on gauge conversion projects or track renewal works) and accountal of Credit for Released Rail Materials could not be verified. As against the estimated value of `1,150.47 crore, the actual realization was only `473.37 crore resulting in short realization of `677.10 crore (58.85 *per cent*) in 26 projects. In 16 other projects as against the estimated value of ` 274.95 crore, the actual realization was ` 590.89 crore. In SECR and ER, no credit was earned though the credit for Released Rail Materials in respect of four projects was estimated at ` 70.32 crore.	**of credits for released materials?**	
Works on Cost Sharing Basis (Para No. 3.6.9) In 13 projects executed on cost sharing basis with the State Governments, the Railways incurred ` 394 crore more than its agreed percentage share of cost incurred. A comment on excess expenditure amounting to ` 270.38 crore by Ministry of Railways due to short	**13. Why the Railways have not followed the terms and conditions of the agreements relating to the cost sharing projects strictly to ensure the proportionate and timely funding by State Governments ?**	

receipt of funds from Government of Maharashtra for Mumbai Urban Transport Project (MUTP) being executed by Mumbai Rail Vikas Corporation Limited (MRVC) has been commented upon in the Annual Accounts of the MRVC Limited for the year 2012-13. This could lead to financial burden on the Ministry of Railways which is already facing resource crunch.		
Control over Expenditure (Para No. 3.6.12) As per Para 519 of Financial Code-Volume-I, control over expenditure on works executed under Grant No.16 is exercised through (a) preparation, in advance, of estimates of the expenditure to be incurred (b) allotment of funds through budget grants for the year, on the basis of these estimates and (c) continuous and concurrent review of the expenditure as incurred against the details of the estimates and against the sanctioned grants, so that revisions of estimates or re-appropriation of fund are arranged for at the earliest point of time. Para 524 of Financial Code-Volume-I provides that the Accounts Officer should prepare every month two reviews, one by Plan heads of the Grants and the other by individual works. Test check of 525 works relating to monthly review of expenditure revealed that while the Plan-head wise monthly review by Accounts Office was conducted in respect of 367 works; the same was not conducted for the remaining 158 works; and Work-wise monthly review by Accounts Office was not conducted in respect of 210 works. Monthly review was, however, conducted for the balance 315 works.	**14. Why the monthly reviews as contemplated in the Financial Code have not been conducted by the Railways? How the Railways exercise control over expenditure in absence of conducting periodical review of works?**	
Maintenance of Works Register (Para No. 3.6.12.2) As per Para 521 of Financial Code-Volume-I, a works register should be maintained to make a running comparison between the expenditure incurred on each work	**15. Why the Works Registers were not maintained properly and even the estimated cost, budget allotment made for the year was not recorded in the works registers? In absence of the vital information, how the railways monitoring the expenditure**	

and the detailed provision made in the estimate for the work and the budget allotment for the work and the actual expenditure to the end of the month. Review of Works Registers maintained by Accounts for 164 works revealed that Estimated cost was not indicated in the works registers for 72 works, Budget allotment for the year was not indicated in works registers for 115 works; and Value of materials-at-site was not indicated in works registers for 159 works.	**booked in a particular project and budget allotment during the year?**	
Excess over Sanctioned Estimate (Para No. 3.6.12.3) As per Para 1136 of Engineering Code, expenditure or liability on a work in excess of the sanctioned estimate without the prior sanction of the competent authority should not be incurred. Railway Board reiterated (February 2000) that estimates should be prepared carefully and in case there is likely to be an increase in the sanctioned estimate, the revised estimate should be prepared well in time and no expenditure beyond 10 *per cent* over the sanctioned estimate should be incurred till the revised estimates are sanctioned. Audit observed that in respect of 60 projects, expenditure of ` 44.35 crore was incurred without sanction of estimate and ` 4,957.52 crore was incurred in excess of sanctioned estimate in respect of 555 projects/works. Thus expenditure of ` 5,001.87 crore incurred on 615 projects ranging from one year to more than twenty years remained unsanctioned as of March 2013.	**16. What are the reasons for the unsanctioned expenditure remained unsanctioned for so long more than a decade? Why the expenditure on the projects is being incurred without sanctioned estimate? What is action plan of the Railways to get regularized the unsanctioned expenditure and also strengthening the internal control mechanism to avoid booking of expenditure on the project without sanction by the competent authority i.e the DRM/GM?**	