

## **PREPERATION OF BUDGET:**

Budget is a statement of annual receipts and expenditure both on capital as well as Revenue transaction that has to be laid before parliament in respect of every financial year .

The budget statement shows –

- i) The total revenue receipts from the Railways – (i.e. Passenger traffic, other waching earnings, earning from goods and sundry other earnings).
- i) Ordinary working expenses and miscellaneous revenue expenses.
- ii) Works expenditure.
- iii) The distribution of railway surplus and
- iv) The position of various funds that the railways are keeping with the Central Govt. such as DRF, Pension fund etc.

The finance department of the railway has to perform major role in the compilation of the budget estimates. This is made separately in respect of revenue transaction and investment transaction.

As regards revenue transaction every Zonal Rly. makes an estimate of its earning on the basis of the quantum of traffic expected to be carried by it in the ensuing year and simultaneously it also makes the estimates of expenses to be incurred on that activity. The estimates of earnings are made by the commercial deptt. in consultation with the finance department. On the expenditure side each individual spending department of the Rlys prepare its estimates. In practice, this exercise is made on incremental basis, i.e. taking the earning and expenditure and the volume of physical perform once of the last three completed years as the starting point. Apart from preparing these Budget Estimates for the ensuing year, revised estimates are also made of the earning and expenditure of the current year in the lithe of their actual position for the first seven months of the year as recorded in the Books of Accounts. Budget estimates for the ensuing year and revised estimates for the current year are done during Nov – Dec.

The estimates of expenditure from consolidated fund included in the Budget statement are required to be presented to parliament in the form of Demands for Grants and each demand presents a district functional activity in the Railways.

The demands for works expenditure are kept distinct from the demands for revenue and demand includes both “ Voted “ and “ Charged “ item of expenditure. Voted expenditure includes those items for which the provision of funds is subject to the vote of parliament while funds for charged expenditure are sanctioned by the president and are not subject to the vote of parliament. Charged expenditure for Railways includes items like interest, sinking fund charges, court decrees salary & allowances payable in respect of the Comptroller & Auditor General of India. On the top of each demand the details of ‘Voted’ and ‘charged’ expenditure are indicated separately and the grand total of the expenditure for which the demand is presented is also given. Besides notes briefly explaining the reasons for the variations between the original budget and revised budget for the current year and also between the current year’s requirements and the requirements of next year included in the various demands are appended.

There are 16 Demands for Grants. Demands 1 to 15 dealing with revenue expenses and appropriations and demand 16 dealing with works expenditure.

Demands for grants are presented in two parts. Part- I for the Railways as a whole and Part-II giving similar breakup railway wise. For proper appreciation by the parliament a separate book called the Explanatory memorandum is also prepared explaining the variations of budget figures from the budget estimates sanctioned by the parliament in respect of previous year.

On the appointed day, generally in the month of February, Budget statement of Railways accompanied by the book of Demands for Grants, Explanatory memorandum and works programme are presented by the Rly. Minister to the parliament. After the demands are voted by the Lok Sabha, parliament's approval to the withdrawal of the amounts so voted from the consolidated fund is sought through an appropriation Bill (Railways). No amount can be withdrawn from the consolidated fund without such an appropriation Act passed by the parliament.

On the basis of the budget amounts sanctioned the Rly Board issues Budget allotment order to every zonal Railway indicating to them the amount available for them for spending under each demand.

### BUDGETARY CONTROL OVER RLY EXPENDITURE

Our resources are limited but the needs are unlimited. This is also true for an organization. The resources of railways are extremely marginal but they have prepared massive plans for the expansion and development of railway network throughout the country. It requires huge capital to undertake the task assigned to the Railways. Since capital is limited, the expenditure effectively. Moreover, money financed to Railways and the money generated by the Railways are the public money and hence its proper utilization is all the more necessary. Here lies the importance of controlling over expenditure.

The budget estimates for working expenses, including stores and manufacture suspense, are prepared by the various spending authorities and submitted to the General Manager who, after scrutiny and consolidation thereof, submits the estimates to the Railway Board. The estimates for works. Machinery and Rolling stock are prepared by the Railways on the basis of approved programmes and submitted to the Railway Board. The Railway Board consolidates these estimates and after necessary scrutiny, he sanction of the Parliament for voted expenditure and the sanction of the President for charged expenditure is obtained.

The grants as voted by the Parliament and the appropriations for the charged expenditure as sanctioned by the President, are distributed by the Railway Board among the Railway Administration through Budget orders. On receipt of allotments, the General Manager distributes the funds, placed at his disposal, to authorities subordinate to him in such manner as is considered most suitable by him also keeping some amount in reserve, provided that the total of the sums so allocated does not exceed the total of the grant placed at his disposal.

With respect to expenditure on works, the allotment made by the General Manager to lower authorities follows, as far as possible, the lines of the works, Machinery and Rolling stock programmes issued by the Railway Board, that is –

- a) A specific sum is allotted by him for each item of rolling stock and for each individual work estimated to cost over one lakh of rupees. The G.M. may also allot specific sums for other works for which he considers desirable to keep separate accounts, i.e., above a certain minimum to be prescribed by him.

- b) A lump sum is allotted by him for all works which are individually estimated to cost less than the minimum limit prescribed by him and before any expenditure is incurred against the lump sum allotment, the estimates of such works are sanctioned by G.M. or a lower authority empowered by him in this behalf.

The spending authorities can incur expenditure within the amounts of allotments fixed by the General Manager as explained above.

Further, all expenditure is required to be sanctioned and incurred by authorities to whom powers have been delegated in this behalf. In doing so they are required to pay due regard to the **standards of Financial propriety** detailed below: -

1. The expenditure should not prima facie be more than the occasion demands, and that every Government servant should exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of the expenditure of his own money.
2. No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
3. Public moneys should not be utilized for the benefit of a particular person or section of the community unless: -
  - i) The amount of expenditure involved is insignificant, or
  - ii) A claim for the amount could be enforced in a court of law, or
  - iii) The expenditure is in pursuance of a recognized policy or custom.
4. The amount of allowances, such as Traveling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients.

Thus the **control of expenditure on railways** is exercised through –

1. The preparation, in advance, of estimates of the expenditure to be incurred.
2. The allotment of funds through budget grants for the year, on the basis of these estimates; and
3. The 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 reappropriation of funds are arranged for the earliest possible point of time.
4. The sanction of expenditure by the competent authorities in accordance with the extant orders and the canons of financial propriety..

**Control over expenditure on Ordinary Working Expenses:**

The responsibility for control over expenditure against the budget allotment rests with the authority at whose disposal the allotment are placed. However, the associated Accounts Officer as financial adviser shall render all possible assistance to the controlling authority in exercising such control.

**Revenue Allocation Registers:**

All revenue expenditure is recorded in Revenue allocation registers by the various heads of accounts classification.

The object of the allocation registers is to keep the heads of divisions, districts, region and departments informed of the progress of expenditure against the allotments sanctioned.

### **'Proportionate' Budget allotment and monthly Financial Review:**

In addition to the detailed control of expenditure against Estimates a monthly comparison is made of the expenditure of the month (and up- to- date) with the budget grant.

The 'Proportionate budget estimate' for each month is worked out for each sub- head of the grant and the progress of expenditure under each sub- head is then watched from month to month through monthly financial reviews, in order to see that it is not proceeding at a more rapid pace than the budget provides for, and it is not likely to lead to an excess at the end of the year.

The monthly financial reviews are prepared in standard Form G. 816 and presented to the controlling authorities every month of prescribed dates and with such remarks by the Accounts Officer as may be useful.

In the divisions, the Monthly Financial Reviews should be prepared by Divisional Accounts Officers concerned for each division, and the FA & CAO should arrange for the consolidation of three divisional reviews into the Monthly Financial Review for Railway.

### **Control of expenditure on works:**

The control over expenditure of works under Grant 16, namely, capital, DRF, DF, OLWR and Capital Fund is exercised through the medium of works Register, where the running comparison of the following two sets is made:

- a) Between the actual expenditure and budgetary allotments,
- b) Between the actual expenditure and the estimated cost of works as shown in Works, Machinery and Rolling Stock programme.

In the register of works the budget allotments (as shown in pink book) and the estimated cost of work (allocation wise) is entered before any expenditure is entered.

In the works registers the expenditure incurred is totaled as under: -

- i) Totals for the month,
- ii) Totals for the year, and
- iii) Totals since commencement of work.

Totals for the year are compared with budget allotment figure for the year and totals since commencement are compared with the estimated cost of works allocation- wise.

The executive officer should examine the work registers monthly or at more frequent intervals, and watch the expenditure on each work, so that tendency towards excess over sanctioned estimate and the budgetary allotments, may be investigated and curbed or estimates are revised or additional allotments are asked at next budgetary stage.

### **Review of Expenditure:**

The Accounts Officers should prepare every month two Financial reviews one by sub- heads / Plan Heads of the Grant and the other by individual works, and present them to the authorities concerned by such dates as may be fixed in consultation with them.

The review of expenditure chargeable to Capital, Depreciation Reserve Fund, Development Funds, Capital Fund and open Line Works – Revenue by sub- heads / Plan heads of the Grant, should be prepared monthly by the Account officer.

The quarterly reviews for period ending June, September and December may be sent to the Board by 25<sup>th</sup> of the second following month to which the figures relate. The review for the period ending March, will be sent to the Board by 6<sup>th</sup> August, each year.

### **Fund Register:**

Fund register is an important tool for control over expenditure for purchases. As soon as the allotments are received, the same are entered in the Fund Register in respective columns. The amount of each contract or each indent forming a charge against the year's allotment should be entered in this register under appropriate head of stores and also the cost of stores shown on accepted tenders. Similarly, all the liabilities as far as can be ascertained are brought together on this register and compared with the budget grants as they stand from time to time.

### **Expenditure Register:**

Expenditure Register is a manuscript register. It is maintained for the purpose of watching expenditure on stores purchased as against the allotments.

### **Monthly Reviews of Suspense Grant:**

The progress of debits against the allotments sanctioned by the Railway Board under "Stores Suspense" and 'Manufacturing suspense' and the credits in respect of these suspense heads anticipated to be adjusted in the accounts should be reviewed by the Accounts Officer.

The attention of the General Manager should be drawn to the progress of debits and credits, if it shows any necessity for the curtailment of programme of purchases. Debits and credits may be sub- divided by the more Important Items of stores, if the Railway Administration so require, in order to regulate purchases.

### **Watch over Expenditure and Earnings of the last quarter of the year:**

Special watch over the progress of expenditure and earnings should be kept by the Financial Adviser and Chief Account Officer in the last quarter of the financial year, and the attention of the controlling authorities should be drawn to the necessity of the re- appropriations, withdrawals or additional allotments, as the case may be, and the manner in which such re- appropriations should be made.

### **Annual Review of expenditure:**

The total expenditure for the year, as actually booked in the accounts of each railway, against the various grants and appropriation, is reviewed through the Appropriation Accounts.

The appropriation Accounts are statements, which are prepared for presentation to the Public Accounts Committee, comparing the amount of actual expenditure with the amount of grants voted by the parliament and appropriations sanctioned by the President.

In order to control the expenditure properly what is required actually in this regard is the rigid application of the procedure laid down in the codes and proper adherence of the Railway Board's instructions in full earnest and practical shape. Finally, if there is no

provision of fund in the budget, the expenditure should not be incurred in anticipation of fund.

### **Budget Review:**

#### **Monthly Financial Reviews: -**

It is a statement prepared by the account Officer is Form G816 and presented to the controlling authority every month through which the progress of expenditure against the proportionate budget allotments is watched.

The proportionate budget allotment' for each month is worked out for each sub head of the grant and the progress of expenditure under each sub head is then watched from month to month through monthly financial reviews in order to see that it is not proceeding at a more rapid pace than the budget provide for and it is not likely to lead to an excess at the end of the year.

#### **Revised Estimate:**

Revised estimate is prepared taking into account the Actuals for the first seven months and estimates for the last 5 months, both of which should have relation with the actuals of the past year. In the first place, the actuals of the previous year Budget Allotment for the current year, revised estimate for the current year and Budget estimate for the next year have to be compiled under each primary unit against each minor head pertaining to each demand. Thereafter further data have to be indicated under each sub- Head for each primary unit. The reasons for variation are to be indicated against each variation code against each primary unit for the previous year, budget grant for the current year, Revised Estimate for the current year and Budget Estimates for the next year. This is to be done for each minor head.

Along with the budget, a statement also has to be indicated in respect of performance units under each Demand, a staff statement and statement indicating the employment of casual labour.

#### **Final Modification:**

The Railways have to review the expenditure for the current year in February each year for each grant so as to reach the Rly. Board not later than 1<sup>st</sup> March each year. The statement showing the additional allotment required (both voted and charged) or surrenders to be made during the current financial year under each head of appropriation are called final modification statement.