

Draft Paragraph 13 (2012-13)

**Accounting of Projects in
North Western Railway**

A. Introduction

Indian Railways (IR) undertakes various projects for the socio economic development of the country. To achieve this objective, a number of projects are undertaken and a huge amount of public money is allocated to various projects.

The total plan outlay of IR for the year 2012-13 was ` 60,100 crore. The allocation and utilization of these resources to each of the projects has to be properly monitored and controlled. It is the responsibility of the Railway Administration to ensure that the expenditure in respect of each project is correctly accounted and a counts of each project reflects true and fair view of the affairs of the project.

B. Audit Objectives

A study of the accounting for projects was conducted to assess:

- Whether Project Accounts compiled by Construction organization was in accordance with standards prescribed in Railway Codes and Manuals and reflect true and fair view of the affairs of the project.
- Whether the control over expenditure of the project was effective.

C. Audit Criteria:

- Para 521 of Indian Railway Financial Code Volume I stipulates maintenance of Works Register in the prescribed format and Para 524 of Indian Railway Finance Code Vol. I provide for periodical review for control over expenditure. Indian Railway Engineering Code stipulates rules for drawl of completion report, monitoring the relation between physical and financial progress, adjustment of transactions towards transfer of stores in the same financial year, maintenance of Material-at Site Account and other issues that might affect the accounting of projects.
- The relevant codal provisions enumerated are the criteria adopted for assessing the project Accounts compiled by the Construction Organisation.

D. Scope

The Audit covered aspects relating to estimation of project cost, accounting, monitoring of project costs (including accounting for material and contracts) and exhibition of details in project accounts in Construction organisation. The audit generally covered the accounting and monitoring of projects in 2012-13. However, transactions relating to period prior to 2012-13 has also been covered wherever relevant and necessary.

E. Audit methodology and Sample Size:

The methodology for the audit was the examination of various accounting records maintained in the Construction Organization and covered the Plan Heads 11 (New Lines), 14 (Gauge Conversion), 15 (Doubling) and 33 (Signaling & Telecommunication). The projects which were included in the Pink Book of 2012-13. North Western Railway (Annexure I), have been covered. Accounting of expenditure as per the sample size indicated in Annexure I A has been analysed in detail.

Audit Findings:

1 Maintenance of Project Accounts (Objective 1)

- 1.1 Arrears in reconciliation of bookings in the works registers maintained by Accounts and Executive Offices:
- 1.2 Non-drawl of Completion Reports
 - 1.2.1 Post Project Appraisal
- 1.3 Asset Register
- 1.4 Cost of Stores booked in Project Account
 - 1.4.1 Non-maintenance of Materials-at-Site Account
 - 1.4.2 Non-adjustment of transactions towards transfer of stores in the same financial year
- 1.5 Accounting of contractual payment
 - 1.5.1 Maintenance of Contractors' Ledger
 - 1.5.2 Non finalization of Accounts of Contractors
 - 1.5.3 Passing of On Account Bills without preparation of material reconciliation
- 1.6 Realization and accountal of credits towards released materials
- 1.7 Works undertaken on cost sharing basis
- 1.8 Extent of improvement made in replacement and renewal works
- 1.9 Credit to Capital for retired assets
- 1.10 Realization of credit towards Engineering Plant Reserve

2. Control over Expenditure: (Objective 2)

2.1 Expenditure in excess of sanctioned estimate

2.2 Review of expenditure by finance

2.3 Progress Report-cum-Financial Review

2.4 Posting of vital information in Works Register

2.5 Allotment of Funds and Actual Expenditure 2012-13.