

## CHAPTER VIII

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## CHAPTER VIII

### INTERNAL CHECK

#### A. SCOPE AND METHOD OF INTERNAL CHECK

**801. Internal Check-** The check exercised by the Accounts Officer on the financial transactions of the railway on behalf of the Railway Administration is called internal check. It is so called to distinguish it from the audit conducted by the Chief Auditor of the Railway on behalf of the Comptroller and Auditor General. The internal check should be conducted with reference to-

- (a) Rules and orders issued by the President, the Railway Board, General Managers of Railways and other subordinate authorities to whom the power to issue rules or orders has been delegated;
- (b) the instructions contained in this and other Indian Railway Codes and any further instructions issued from time to time by the Railway Board; and
- (c) the recognised standards of financial propriety vide paragraph 116 of Financial Code.

802. Unless an exception is specially permitted in any particular case. All transactions, whether relating to receipts or expenditure, should be checked cent per cent and no transactions should be brought into account before they have been completely checked.

803. **Test Check.**-the Financial Adviser and Chief Accounts Officer will prescribe for the different items of work dealt with in various sections the minimum test-check over the work of the clerks that should be exercised both by the subordinate supervisory staff and the Accounts Officer in charge of the sectional; the Accounts Officer should primarily test check items which do not in the ordinary course pass through him. The Officer's test-check should lay particular emphasis on the procedure and method adopted for the work and should bring out whether these are adequate or over elaborate or whether there is any room for improvement in either. The results of the test-check should be systematically recorded and submitted to the Financial Adviser and Chief Accounts Officer for review, at prescribed intervals.

804. **Internal check of Sanctions and Orders.** -All sanctions and orders involving financial considerations. i. e. affecting railway receipts and expenditure and establishment charges, issued by the Railway board, or higher authority are sent to the General managers of the Railways concerned in duplicate. The duplicate copies of all such sanctions and orders will be made over to the Financial adviser and Chief Accounts officer promptly by the General Manager No sanction or order should be accepted and

acted upon unless it is so communicated. The sanctions accorded by authorities subordinate to the Railway Board will similarly be communicated to the Finance Adviser and Chief Accounts officer concerned.

805. The Accounts Officer should examine every rule, order or sanction whether issued by the President or the Railway Board or any subordinate authority in order to see:-

- (a) That the authority framing the rule or according the sanctions is competent to do so;
- (b) That the sanction is definite and thus needs no reference either to the Sanctioning authority itself or to any higher authority;
- (c) That the rule or order or sanction does not contravene any general or special orders of any higher authority, and
- (d) That in all orders conveying sanctions to expenditure of definite amounts or upto specified limits, the amounts sanctioned are always expressed both in words and figures.

If in the opinion of the Accounts Officer, any rule, order or sanction is open to objection in the light of facts known to him, he should report the matter to the Railway Board if the rule, order or sanctions was issued by the president or the Railway Board. In other cases of sanction by lower authorities, he should take action as indicated in paragraphs 108 and 109.

806. The financial scrutiny of the proposals for expenditure and sanctions there for accorded by the General manager or by a subordinate authority is also a part of the functions of the Accounts office viz. Finance Branch. All proposals for fresh expenditure (i. e. exclusive of expenditure such as that involved in the grant of increments under the rules, grant of leave, sanction to officiating arrangements, etc.) which are referred to Accounts office should be examined in the Accounts office (Finance Branch) before sanction is accorded by the General manager or before the Railway Board is addressed for obtaining sanctions. The more important proposals should receive the personal attention of the Financial Adviser and Chief Accounts officer. The internal check of sanctions to proposals already examined in the Finance Branch of the Railway should be confined to the verification of the fact that the Finance Branch has given its concurrence there to. Sanctions which have not had the concurrence of the Finance Branch should, where such concurrence is required under rules, be scrutinised both with reference to competency of sanction and to the propriety of the expenditure.

If the Financial Adviser and Chief Accounts Officer considers that a certain expenditure requires higher sanction, but the General Manager does not accept his views, he should take action as indicated in paragraph 108.

**807.** Utmost care and attention should be devoted to internal check of sanctions to

expenditure as once a sanction has been accepted by the Accounts office, the expenditure may have to be passed against it for a length of time. When a sanction to expenditure received by the Accounts Officer has been examined and admitted as regular and correct, the check of expenditure against the sanction becomes a simple matter as it has merely to be seen that the expenditure conforms to the provisions of the sanction.

**808.** Sanctions with a long period of currency as well as sanctions of a permanent nature should be reviewed periodically so that the administrative authority may be requested to revise the sanction if such a course is called for by any event.

**809. Date of effect.-** All sanctions take effect from the date of issue, unless a different date is specified in the order communicating the sanction, Statutory rules made by the president take effect from the date of their notification in the Gazette of India, unless as different date is specified in the rules themselves.

**810. Internal check of Delegations of Financial authority.-**All orders of delegation of financial authority should be scrutinized carefully to see that the delegation is made by a competent authority and only where the rules or orders of higher authority approve of such delegation, as once they have been accepted, the internal check of sanctions as well as of expenditure or other transactions may be conducted against them for an indefinite length of time. They should receive the personal attention of the Accounts officer and should be formally accepted by him before they are admitted in internal check. Any re-delegation of financial powers will be made by the General Manager only after consultation with the Financial Adviser and Chief Accounts officer vide note (1) to the preamble to Annexure II to Chapter V of the Indian Railway Financial Code.

**811. Scrutiny of Receipts.-**in scrutinizing receipts, it should be seen that-

- (a) the amounts due to the railway for services rendered, supplies. Made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due;
- (b) all receipts are properly brought into accounts; and
- (c) all receipts are correctly classified and, if they represent amounts due to more than one railway, they are correctly apportioned among the railways.

**812. Internal check of Expenditure .-**Pre-check and Post-check-All claims against the railway should be checked by the Accounts officer before payment is made (i. e. pre-checked). As exceptions to this general rule, the following payments may be made before such check, but they should all be checked in the Accounts Office after payment is made (i. e. post-checked) :-

- (a) Payments from imprest;
- (b) Payments from station earnings when permitted under rules,
- (c) Commission deducted by auctioneers from sale proceeds under their agreement;

- (d) Payments of certain classes of pay bills, muster sheets and labour pay sheets of open line staff specially permitted to be made by the Financial Adviser and Chief Accounts Officer, under paragraphs 813 and 814; and
- (e) Payments made in advance to Executive Officers for purchase of stores etc. pending rendering of the accounts and vouchers.

**813. Post-check System.**-The Financial Adviser and Chief Accounts Officer of an open line railway may permit the payment of any class of pay bills, muster sheets or labour pay sheets before internal check, either-

- (a) when the ordinary procedure of pre-check in offices under his control is likely to lead any delay and thereby cause any inconvenience to the staff affected or violate any of the provisions of the extant statutes (e. g. Payment of Wages Act), or
- (b) when a system of post-check is found necessary in order to secure an even distribution of work throughout the month either in the bill preparing offices or in the bill checking offices under his control in the pay Department.

**814.** Detailed instructions to the Executive should be prescribed by the Financial Adviser and Chief Accounts Officer regarding the preparation of pay bills, muster sheets and labour pay sheets which are to be dealt with under the post-check system covering inter-alia the following points:-

- (a) The bills should be prepared with the greatest accuracy possible and
- (b) An abstract in duplicate for each bill should be furnished by the bill preparing officer bringing out-
  - (i) the gross amount of pay or wages and allowances charged
  - (ii) the deductions made, such as contributions to provident funds, income tax etc. and
  - (iii) the net amount payable together with a certificate to the effect that to the best of his knowledge, it is a correct abstract of the bill which has been prepared in accordance with extant rules and orders.

- (c) The original of the abstract should be submitted to the Accounts officer for authorising payment, the concerned bill being sent direct or through the Accounts officer, if so directed by him, to the Cashier. The forwarding endorsement on the Abstract should clearly indicate the latest date on which payment is to be made to the employees concerned. The Abstract should be accompanied by all the deduction sheets (e. g., Provident Fund deduction sheets, income-tax recovery statements, etc.) pertaining to the bill.
- (d) No detailed internal check need ordinarily be exercised in the Accounts Officer before passing such abstracts for payment. Where possible, however, it should be seen, by comparison with the corresponding bill for the preceding month, that there is no large variation in the amount of the Abstract. In cases where the bills are passed through the Accounts office (i. e., not passed on direct to the Cashier by the bill-preparing officers), the gross and net amounts of the Abstract should be verified and the allocation checked from the corresponding bills before passing the Abstracts for payment.
- (e) All bills under the post-check system should be prominently en faced by means of a rubber-stamp or otherwise, as follows-  
"Passed on the authority of.....(designation of the bill preparing officer). Should be returned to Accounts Office for check within ten days of receipt by the Cashier."
- (f) No payment should be made by a Cashier on a bill under the post-check system, until after the receipt of the corresponding Abstract duly passed by the Accounts Officer. On receipts of a passed Abstract, the Cashier should link up the corresponding bill, if received separately by him, and make payments on the dates specified on the Abstract. The paid bills together with the connected Abstracts should be returned so as to reach the Accounts Office within ten days of the receipt by the Cashier.
- (g) If any item included in such bills remain unpaid, the unpaid amounts should be dealt with in the usual way. A copy of the unpaid wages list being furnished to the to the Accounts Officer and to the authority who prepared the bill.
- (h) In the Accounts office, all bills under the post-check system should, on receipt from the Cashier, be subjected to all the internal checks prescribed in the following paragraphs, and any irregularities noticed should be promptly reported to the bill preparing office for regulation.

815. **Scrutiny of Expenditure** .-All claims against the railway should be scrutinized to see-

- (a) that the expenditure is incurred by an officer competent to incur it ;
- (b) that the remission of revenue has been sanctioned by competent authority;

- (c) that all prescribed preliminaries to expenditure have been observed, e. g. that proper estimates have been framed and approved by competent authority for works expenditure;
- (d) that it is covered by the grant at the disposal of the officer incurring it or by funds reappropriated by competent authority for the purpose;
- (e) that the expenditure does not contravene any rules and orders in force, or any general or special orders issued by competent authority;
- (f) that the expenditure does not involve a breach of the canons of financial propriety;
- (g) that the expenditure sanctioned for a limited period is not admitted beyond that period without further sanction;
- (h) that, in the case of recurring charges which are payable on the fulfillment of certain conditions or till the occurrence of a certain event, a certificate is forthcoming from the drawing officer to the effect that the necessary conditions have been fulfilled or the event has not yet occurred;
- (i) that the expenditure has been properly and fully vouched for and that payment has been so recorded as to render a second claim on the same account impossible;
- (j) that the charge has been correctly classified and
- (k) that if a charge is debit to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in a prescribed account.

816. **Check of Bills.**-All bills should, in so far as they represent claims against the railway, be scrutinized as required in the preceding paragraph. They should, in addition, be checked to see-

- (a) that they are in the prescribed form, are written in ink and are in original;
- (b) That they are in English/Hindi or if in any other language, have been rendered into English/Hindi;
- (c) That their totals are given both in words and in figures, that there are no erasures, and that any alterations in the totals are attested as many times as they are made;
- (d) That Fund and Income-tax deductions, where applicable have been correctly made;
- (e) That they bear a certificate, wherever necessary, from the departmental officer that the services for which the payment is claimed have been actually rendered;
- (f) That if the proof of the correctness of a claim does not accompany the bill (e. g. the leave account of a subordinate for whom leave salary is drawn), a certificate is furnished that the claim has been checked with the relevant document and found correct;

- (g) That if the bill is for tools or other articles of equipment for which an inventory is prescribed, it has been certified by the departmental officer that the necessary entries have been made in the relevant stock Account.

**Note** in respect of internal checks of Pay Bills, please refer to Chapters XIII to XIV.

817. **Check of Paid Vouchers.**-Paid vouchers and bills on which no more payments can be made are received from the Pay Department, vide [para 1961](#). On receipt of the paid vouchers and bills in the Accounts office, the column relating to "Date of return by pay Department", of the Bills Register ([A. 1104](#)) should be filled up. Bills which were not pre-checked should then be sorted out and sent to the section concerned for internal check, vide [para 814 \(h\)](#).

**Note.**-Bills outstanding with the Cashier as disclosed by a review of the Register of Bills, (A 1104 should be called for keeping in view the time limit prescribed in para 1988.

818. All bills, whether under the pre-check or the post-check system, on which payment has been made should be checked to see.

- (a) that the acknowledgements of payments are in English or in Hindi, and if in any other language have been rendered into English or Hindi;
- (b) that the names of payees mentioned in the bills tally with the signatures obtained in acknowledgement of the amount paid;
- (c) That the payment has been witnessed, where so required, by the official named in the bill and that the acknowledgement is unqualified and that, *prime facie*, the voucher is a full acquittance of the amount due so that a second claim against the Railway on the same account is impossible;
- (d) That where a person other than payee himself has received the amount, the payment has been made under proper authority;
- (e) That vouchers are stamped, where necessary;
- (f) That if the amounts are not acknowledged by the payees, such as wages paid to workshop staff through the Boxing System, the Departmental Officer has certified that the payment has been made by him or in his presence; and
- (g) That each voucher has been cancelled efficiently and prominently.

**Note.**-Receipt stamps affixed to paid vouchers should be punched or defaced with "Paid" stamp.

819. **Finger Print Check System.**-The nature of check exercised by the Finger Print Examiner is briefly indicated below-

- (a) Verification of thumb Impressions on the Service Records with those recorded on the health certificates of the employee;

- (b) Verification of thumb impressions on the Special Contribution to Provident fund applications and gratuity bills with those obtained on Service Records, before and after payment;
- (c) Checking of thumb impression on the paid vouchers for some consecutive months;
- (d) Verification of thumb impression on paid vouchers with those recorded in the Service Records;
- (e) Verification of thumb impressions on privilege Ticket Orders with those recorded in the Service Records;
- (f) Verification of thumb impressions on the pay sheets of the staff employed in small road-side and flag-stations.

**Note.**-The Finger Print Examiner should occasionally witness payments independently in the course of surprise check and compare the thumb impressions of the payees with those recorded in the previous month.

**820. Internal check of Debt and Remittance Transactions .-**The general principles and rules of internal check which govern check of expenditure apply mutatis mutandis to disbursement, under Debt and remittance heads (see para 208). In the case of repayment, the Accounts Office should check the payment against the original receipt and should satisfy itself that the repayment is made according to the rules, regulations or orders which govern the transactions. Similarly, in case of a payment which is to be subsequently recovered. The Accounts Office should ascertain that the payment has been made in accordance with the extant rules and regulations and should further watch the moneys are regularly recovered from the debtor.

**821. Deposits.**-In the case of moneys received to be held as deposit with the railway, it should be examined whether such moneys can be so held by virtue of general or special orders of the General Manager or higher authorities.

It should be seen that no item is held as a deposit which could be credited as a revenue receipt or taken in reduction of expenditure.

In respect of refunds of deposits, the Accounts Office should examine that there are proper voucher in support of the amounts to be repaid and should check each repayment against the original receipt either individually or against the total credit in a particular account in order to ensure that repayments do not exceed the amounts originally received and credited to the railway.

It is the function of the accounts Department to see that balances in deposit accounts are correctly carried over from year to year, Any deposits remaining unclaimed in excess of such periods as have been prescribed in paragraph 321 are to be credited as receipts of the railway.

**822. Provident Funds-Contributory and non-Contributory.**-the internal Check of transactions pertaining to Provident funds controlled by Government mainly consists

in seeing that these transactions conform to the rules or regulations governing the administration of each Fund and any subsidiary instructions issued thereunder.

Subscriptions to a Provident Fund can be received only from such railway/government servants as are either required or permitted by the rules of the Fund to subscribe to it.

The Accounts Office should further see that subscriptions and any other dues recoverable under the rules of a fund are duly and regularly recovered from the Railway/Government servants concerned. In the case of Contributory provident Funds, the Accounts Office has also to see that Governments share is properly calculated and brought to account. Finally, it should be verified that the accounts of the funds are correct both in total and in the detailed accounts of the subscribers.

**823. Pension.**-The internal check of pension payments consists in verifying the qualifying service, the pay drawn during the last ten months, check of the Service Record, Leave Account etc., and a certification of the amount of Pension, Family Pension and Death-cum-retirement Gratuity etc. (For detailed instructions in this connection see Chapter X).

**824. Remittance Transactions** .-In the internal check of Remittance Transactions, it should be seen that debits and credits are cleared either by receipt of cash or by book adjustment under the relevant service or revenue heads of accounts or have been paired off by the corresponding credits or debits within the same or in another Accounts Circle. An important part of the check is the scrutiny of balances from month to month to effect their early clearance and to determine the accuracy of the outstandings at the end of the year. For detailed rules in this connection, see Chapters IV and V.

**825. Internal check of Workshop Accounts.**-The internal check of Workshop accounts will include, *inter alia*, an examination of any cost accounts, where maintained, in order to see that they are correctly compiled. Appreciable discrepancies between the aggregate of the expenditure charged to various jobs and the figures in the expenditure account should be investigated. Detailed rules relating to check of workshop expenditure are laid down in the Indian Railway Code for the mechanical Department (Workshops).

**826. Internal check of Stores Transactions** .-The internal check of stores transactions of a railway should be directed to ascertain that the departmental regulations governing purchase, receipt and issue, custody, condemnation, sale and stock-taking of stores are properly carried into effect, and to bring to notice any important deficiencies in quantities of stores held, or any grave defects in the system of control. Detailed rules in this connection are laid down in the Indian Railway Code for the Stores Department.

**827. As regards purchases of stores, Accounts should see that.-**

- (a) The quantity to be ordered has been correctly estimated on the basis of past consumption and/or other factors.

- (b) These are properly sanctioned, are made economically and in accordance with any rules or orders made by competent authority for purchase of stores for the railways; in particulars, when stores are purchased from contractors, the system of competitive tendering is adopted and the purchase is made from the lowest tenderer, unless there are recorded reasons to the contrary.
- (c) The rates paid agree with those shown in the contractor or agreement for the supply of the stores
- (d) In the case of advance payment, pending receipt of materials, the relevant documents in terms of the contract are enclosed with the bill.
- (e) Certificates of quality and quantity are furnished by the passing and receiving railway servants before payment is made and
- (f) Purchase orders have not been split up so as to evade the sanction of higher authority which may be necessary with reference to the total amount of the orders.

Accounts should call attention to cases of uneconomical purchase of stores and to any losses, which may be clearly attributed to the defective or inferior nature of stores, which were accepted and certified to be satisfactory in quality.

828. Accounts should see that the accountal of receipts of stores whether purchased or otherwise obtained and of their issues and balances are correctly maintained. Where a scale has been prescribed for issue of stores of any particulars kind, it should be seen that the scale is not exceeded and that the scale is also subjected to a periodical review for modifications preferably annual with reference to the actual requirements.

829. Stores, represent a locking up of capital, which is not justifiable unless essential, in order to effect economy in this direction, Accounts should see that the balance in hand does not exceed the maximum limit prescribed by competent authority and is not in excess of requirements for a reasonable period. The movement of Stores should also be reviewed so as to regulate further purchases.

830. The accounting for an maintenance of unserviceable stores which cannot be utilized by the department in whose custody they are kept, involve waste of labour and space, the retention of such stores in excess of the probable requirements of the department in the near future may result in loss through obsolescence and deterioration. Accounts should, therefore, see that measures are taken to survey, segregate and consider the disposal of unserviceable, surplus and obsolete stores in accordance with the procedure prescribed for this purpose.

831. It is an important function of the Accounts Department to ensure that the articles in stock are counted periodically and otherwise examined to verify the accuracy of the quantity balances in the books (e. f. paragraph 1704) Accounts should, to the extent authorised in the Indian Railway Code for the Stores Department, assume responsibility

for the physical verification of stores and investigate balances of stores, if any discrepancies in the stores accounts suggest that such action is necessary. Where, under the rules, Executive Officers are required to verify periodically stores in their custody, Accounts should call for certificates of verification of stores from the Executive officers concerned and see that the system of verification adopted by the executive is adequate and proper. All discrepancies found on stock-taking, whether by Accounts or the Executive should be properly investigated and adjusted. Wherever possible, the staff responsible for the verification should be independent of the staff which is responsible for the physical custody of the stock or for keeping accounts of it.

**832. Where a priced account is maintained, Accounts should see that.-**

- (a) the stores are priced with reasonable accuracy and the rates initially fixed are review from time to time and are correlated with market rates and revised where necessary.,
- (b) the value accounts tally with the accounts of works and of departments connected with stores transactions, that the total of the valued account tallies with the outstanding amount in the general accounts and that the numerical balance of stock material is reconcilable with the total of value balances in the accounts at the rates applicable to the various classes of stores;
- (c) steps are taken for the adjustment of profits or losses due to revaluation, stocktaking or other causes, and that these are not indicative of any serious disregard of rules
- (d) irregular balances and the outstanding under suspense heads, Purchases, Stock Adjustment Account, Stores-in Transit are reviewed periodically with a view to expedite clearance; and
- (e) steps are taken to rationalise the items stocked and to ensue that the nonstandard items with 'Nil' balances are closed properly and that the new stock items are introduced after due scrutiny regarding their necessity as well as the initial quantities to be procured.

**833. Fuel Accounts.-**The payment for the supply of coal/coke is arranged by the Accounts officer (Fuel Accounts Branch) of each Railway, on receipt of bills for the same from the subsidiaries of Coal India Ltd. supported by suppliers' copy of Wagon Disposal Statements, Despatch. Advice notes/Forwarding notes, by debit to the head 'Purchases'. These bills are passed for payment by the Accounts officer after checking with reference to entries in the Wagon Disposal Statement, Despatch Advice notes/Forwarding notes and the Grade Authorisation Certificate issued by C. M. A., Dhanbad without verifying the fact whether the coal has actually been received or not.

Particulars of coal/coke wagons received at the sheds, shops and transshipment points are shown in their trimonthly receipt returns. For the coal/coke wagons received in the sheds and shops the debits are raised by the Fuel Accounts Branch against the Divisional/Workshop Accounts Officers concerned by credit to Purchases. The wagons received at transshipment points are debited to SIT by credit to Purchases.

The payments made by each Railway for the coal/coke wagons, as shown in the Wagon Disposal Statements, are linked with the wagons shown as received by the sheds, workshops and transshipment points in their periodical receipt returns, through the process of a centralised linking procedure on computer.

Value of the wagons paid for buy the Railway which are found to have been received on the same Railway are noted down in the Suspense Register maintained in its Fuel Accounts Branch to clear the debits lying under the head Purchases. For the wagons paid for by the Railway which are found to have been received on other railways the debits are raised against the latter by the Fuel Accounts Branch of the Railway which made the payment.

The wagons which remain unlinked on the computer after the prescribed period are traced manually and their cost adjusted.

For the wagons paid for but not linked as received claims are preferred against the Chief claims Officer, Eastern Railway, Dhanbad or the Chief Claims Officer of the Railway through which the wagon was to be received. The Chief Claims Officer concerned will furnish tracing particulars of the wagons, wherever possible and for the rest he will accept liability. Debits will be raised against Railways concerned on the basis of it. For the wagons which are reported to have been received on the Railway which cannot be linked as received on any of its sheds and shops the matter is referred to the CCO of the Railway to trace the wagons. For the wagons traced the head Purchases is credited by debit to the other Railway or the unit concerned of the home Railway.

The coal wagons received on the Railway but not linked as received on any of its sheds/workshops are termed as missing wagons. The value of hard core of missing coal wagons remaining under Purchases or SIT (for wagons received at Transshipment points, the contents of which are not traceable further) for over three years from the month of payment, because these remained unlinked after all the phases of mechanised linking followed by manual efforts, are transferred to Abstract-K with the approval of Railway Board. The proposals to be submitted to Board in this regard should have the concurrence of Audit and these should be supported by a certificate from the Commercial Department that the wagons could not be traced in spite of all efforts.

The value of unconnected coal wagons (wagons received in the sheds which could not be lined with the payments made there for) lying under purchases/stores in Transit after exhausting all processes of mechanised linking and efforts at manual linking thereafter are transferred to Stock Adjustment Account after one year from the month of accountal. Efforts are continued to clear these wagons through manual linking by home Railway or with the receipt of debits from other Railways. The value of wagons which remain unconnected in spite of all efforts is transferred from Stock Adjustment Account to Abstract after three years, from the month of accountal, with the Board's approval after obtaining the concurrence of Audit.

The suspense registers for the under noted heads of Accounts maintained in the Fuel Accounts Branches are not posted in detail. Only lumpsum entries are made and relevant machine produced reports in support of these entries are filed in the guard files month wise in serial order.

- (a) Purchase-Fuel )Coal)
- (b) Stores-In Transit-Fuel(Coal)
- (c) Stock Adjustment Account-Fuel (coal)

Priced ledgers for the loco coal are maintained in the Divisional/Work shop a Accounts Officers.

Detailed procedures in this connection is laid down in the circulars issued by the Railway Board. It is being incorporated in the Indian Railway Code for the Stores Department.

**834. Internal Check of Catering Accounts.-**The Departmental Catering on Railways is required to run on a 'No Profit No Loss' basis. A proforma Profit and loss Account is prepared for each unit after taking into account the receipts from Sales and all direct and indirect expenses in running the Departmental catering units The Accounts Check of Profit and loss Account of each unit will cover not only the usual check of receipts and payments but also correct preparation of the proforma Profit and Loss Accounts.

**835. Internal Check of Grants-in-Aid.-**The internal check of sanctions to grants-in-aid should be conducted with reference to the relevant rules contained in Chapter XVI.

**836. Utilization of the Grants for the purpose for which sanctioned.-**The Accounts officer should satisfy him self either at the time of scrutinizing the proposal for the sanction to the grants-in-aid or at the time of internal check of the sanctions as the case may be that the sanctioning authority has satisfied itself that the funds will be utilized for the purpose for which these were sanctioned and that the sanctioning authority has also laid down specifically the conditions attached to the grants. Acertificate of actual utilisation of the grants should be obtained from the sanctioning authority, by Financial Adviser and Chief Accounts Officer in every case of grant made for specific purposes within the prescribed target date.

**837. Refund of Unspent Balances.-**At the time of inspection of the offices of the sanctioning authority, it may also be examined that certificates regarding unspent balances for grants are obtained from the institutions and that the unspent balances remitted by the latter are promptly remitted to stations of cash offices.

**838. Extent of check at Local Inspections .-**The quantum and extent of check during local inspection may be decided by the Financial Adviser and Chief accounts Officer. The accounts of the institutions receiving grants Rs. 1 lakh (recurring) per annum

and Rs. 5 lakhs (non-recurring) should be subjected to test check by the Accounts Department.

**839. Audits of Accounts of Private institutions, Receiving Grants-in-Aid.-** Whereas it is not necessary for the Financial Adviser and Chief Accounts Officer to conduct the audit of the transactions of the private bodies receiving grants he should ensure that the sanctions for the grants are made by the competent authority after referring to statements of accounts of the institutions duly audited by registered auditors wherever the amount of the grant is more than Rs. 1000 at a time.

**840. Propriety of Expenditure .-**It is an essential function of the Accounts Officer to bring to light not only cases to clear irregularity but also every matter which. In his judgement appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has occurred. It is thus not sufficient to see that sundry rules or orders of competent authority have been observed. It is of equal importance to see that the broad principles of orthodox finance are borne in mind not only by Executive Officers but also by sanctioning authorities.

841. No precise rules can be laid down for regulating the course of internal check against propriety. Its object is to support a reasonably high standard of public financial morality, sound financial administration and devotion to the financial interests of the Government. Accounts officers, in the performance of their duties should, in any case, apply the general principles laid down in paragraph 116 of Financial code which have for long been recognized as standards of financial propriety. The proper discharge of duties by an Accounts Officer in this field is a very delicate matter and requires much discretion and tact. A challenge against expenditure should not be expressed as based on "standards of financial propriety" but as transgressing universally accepted standard of conduct or financial administration.

**842. Check of Departmental Manuals.-**Though the Accounts Department is not required to undertake the formal scrutiny of departmental manuals of other departments when these so far as financial and accounting matters are concerned, merely reproduce extracts from codes, Regulations, Rules etc., yet any rules in them which introduce new detailed financial accounting or Internal check procedure or authorise deviations from the procedure laid down in Indian Railway Codes, should be examined by the Accounts officer with a view to see whether they are intra vires of the authority issuing the manual and in accordance with correct principles.

**843. Check of Records not submitted to the Accounts office.-**Initial records which are not submitted to the Accounts office in support of claims or in support of the correctness of an account of receipts or expenditure rendered to the Accounts office should be inspected locally to such extent as the Financial Adviser and Chief Accounts Officer may prescribe subject to the general orders contained in Chapter XVII.

## B. RESULTS OF INTERNAL CHECK

**844. Irregular Payment and Objections.**-(1) There should ordinarily be no irregular payments in connection with expenditure subject to pre-check. Claims which are not susceptible of internal check should be returned to the officer submitting them for amendment or explanation. If in a particular case, the explanation of the officer submitting a claim or an amended claim is not accepted or, if the claim is considered irregular by the Accounts officer in internal check. The claim may either be disallowed or passed provisionally pending regularisation in accordance with the following rules.:-

- (a) As a General rule a claim may be disallowed only when there is prima facie evidence that it is incorrect and that its payment might result in loss to the Railway.
- (b) Claims though technically open to objection e. g. want of proper allocation or of sanction to estimate or appropriation must be admitted if they are prima facie correct and if the railway is clearly liable for them and claims which are open to substantial objection but which do not affect the title of the payee to the amount claimed may be admitted at the discretion of the Financial adviser and Chief Accounts Officer if the postponement of disbursement till the removal of the objection is likely, in his opinion, to cause undue delay and hard ship to the payee. Certain claims may, in the opinion of the Accounts Officer be irregular but General manager or any subordinate authority to whom the power has been delegated (vide paragraphs 1103-G and 1136-E) may in spite of the view of the Accounts Officer take upon himself the responsibility of ordering that the claim be accepted. In all such cases where claims considered as technically open to objection or regular by the Accounts Officer are passed as technically open to objection or irregular by the Accounts Officer are passed for payment the expenditure should be passed provisionally and placed under objection.
- (2) Payments made before scrutiny by the Accounts office, if found to be irregular in internal check, should also be placed under objection.

**845. Correct preparation of Bills.**-The correct preparation of bills in every particular by Departmental Officers should be insisted on by the Accounts Officer. Failure in this respect necessitates a large accounts staff than would otherwise be necessary and leads to delays in payments. Instances of gross or repeated carelessness in the preparation of bills should be brought specially to the notice of the head of the office concerned and when necessary, to the head of the Department or of the Railway.

**846. Waiving of Objections .-**To avoid unnecessary correspondence in trivial cases or to avoid delay in the settlement of claims against the railway or the final adjustment of transactions in the accounts, the Accounts officers are permitted to waive objections in the following cases in respect of transactions for the final check of which they are responsible. The principle underlying the grant of these powers to the Financial

Adviser and Chief Accounts Officer is that when an objection is of purely formal nature and the amount involved relatively trifling and Financial Adviser and Chief Accounts Officer has reason to think that the expenditure will be sanctioned by the authority competent to sanction if formally referred to it, it may be waived by the Financial Adviser and Chief Accounts Officer himself without such a reference.

- (a) The Financial Adviser and Chief Accounts Officer/Additional Financial Adviser and Chief Accounts Officer or his Deputy may waive the objection if there is irregular expenditure not exceeding Rs. 100/- in any individual case any other Accounts Officer may exercise the same power up to a limit of Rs. 25/- If the irregularity is such as likely to recur the Drawing Officer should be told that the expenditure, although admitted was irregular.
- (b) If an expenditure although justifiable in itself, is not covered by sufficient sanction or if full proof, such as is afforded by vouchers and sub-vouchers, that it has been incurred is not forthcoming, the financial Adviser and Chief Accounts Officer etc. may admit expenditure upto a limit of Rs. 500/- in each case and an Accounts Officer incharge of a sub-accounts office upto a limit of Rs. 50/- in each case, provided.-
  - (i) the expenditure is not of a recurring nature;
  - (ii) if the expenditure is not covered by sufficient sanction, the Financial Adviser and Chief Accounts Officer etc. is satisfied that the authority empowered to sanction the expenditure would accord sanction requested to do so, and that unnecessary inconvenience and trouble will be caused if the bill is returned unpassed for want of such sanction;
  - (iii) if sufficient proof that the expenditure has been incurred has not been produced, the Financial Adviser and Chief Accounts Officer etc. is satisfied that undue trouble will be caused by his insisting on the submission of such proof, and sees no reason to doubt, that the charge has been actually paid.
- (c) The recovery of payment not exceeding Rs. 200/- in each case, may be waived by the Financial Adviser and Chief Accounts Officer/Additional Financial Adviser and Chief Accounts Officer or a Deputy, if the amount, for any reason becomes irrecoverable. An Officer in independent charge of a sub-accounts office or in charge of a branch of an accounts office may exercise this power upto Rs. 20/- in each case.

- (d) Any Accounts Officer may waive recovery of under charge upto Rupees two and Rupees five in individual items of coaching and goods earnings respectively, and the Financial Adviser and Chief Accounts Officer/Additional Financial Adviser and Chief Accounts officer or his Deputy may exercise similar power upto Rs. 50 and Rs. 20 respectively. Any tendency on the part of the station staff to take undue advantage of this concession should be prevented.
- (e) Any Accounts Officer may write-off losses on account of base or counterfeit coins and may write off freight on missing or unclaimed goods or parcels upto any amount. The Financial Adviser and Chief Accounts officer/Additional Financial Adviser and Chief Accounts Officer or his Deputy may write-off other irrecoverable earnings upto Rs. 1000/- in each case when he is satisfied that in the circumstances in which the amount has become irrecoverable the Railway Administration would write-off the amount if approached.

847. The power given to Accounts Officer under the preceding paragraph of waiving recovery of over-payments or undercharges may be exercised where the irregularity has come to notice in the course of internal check. Objections raised by Audit may be waived by the Accounts Officer only with the consent of Audit. A register in Form A. 847 should be maintained of all recoveries foregone by the Accounts Officer under the powers given under paragraph 846 and those waived with the concurrence of audit. This register should be open to inspection by Audit at any time.

**Note.-**Recoveries foregone by the Administrative and Executive authorities should also be recorded in the Register of Recoveries Foregone (A. 847).

[Form A. 847](#)

848. **Treatment of Erroneous Payments.-**When erroneous payments have been passed for a considerable time, owing either to a wrong interpretation of financial rules or to oversight, the following procedure should be observed:-

- (a) when a wrong interpretation of a financial rule has been followed in an Accounts Office, the new interpretation should be given effect to/from the date which the competent authority may decide, when giving the correct interpretation. If no date is specifically fixed, the correct interpretation will be given effect to/from the date of issue of orders of the competent authority stating the correct interpretation.

- (b) when erroneous payments have been passed through oversight in the Accounts Office, payments made less than twelve months ago, should be recovered, and the orders of competent authority obtained with regard to previous overpayments. The justification that overpayments had been received in good faith should not be regarded as an adequate reason for not enforcing recovery. Every over payment of money to a railway servant is and must be regarded as a debt owed to public and all possible action should be taken to recover it with despatch.

**849. Objections relating to Expenditure** .-Apart from enquiries to elicit further information and comments of a general nature for future guidance, the principal results of internal check should be communicated to the authority responsible for the expenditure through Disallowance Lists (A. 850) or Objection Statements (A. 851) in accordance with the rules in the succeeding Paragraphs.

850. Disallowance Lists.-All disallowances from or objectionable items noticed in establishment bills should be communicated to the officer who submitted the bills through Disallowance lists in form A. 850.

[Form A. 850](#)

**851. Objection Statements.**-On open lines of Railways, all objectionable items noticed in the internal check of bill or documents other than establishment bills should be communicated to the officer concerned through Objection Statements in Form A. 851. Irregular or objectionable outlay (of the nature of expenditure incurred in the absence, or in excess, of sanctioned estimates or appropriations), which comes to notice after the postings in the register of works and allocation registers are totalled up and reconciled with general books, should also be intimated to the offices responsible for the outlay through Form A. 851.

[Form A. 851](#)

852. In all Disallowance Lists (A. 850) and Objection Statements (A. 851), the reasons for the disallowances or objection should be stated concisely and clearly, the rules or orders on which each disallowance or objection is based being mentioned. Departmental officers are required to record their replies to disallowances and objections against each item in the Disallowance List or Objection Statement in the column provided for the purpose. These replies, together with the Accounts officer's rejoinder or final orders, should be entered in the office copies of forms A. 850 and A. 851 kept in the Accounts office. On the final disposal of a disallowance list or as Objection Statement, it will be returned to the Officer responsible for the outlay, for record in his office.

853. As soon as the accounts for a month are closed, the Disallowance Lists (A. 850) and Objection Statements (A.851) issued during that month should be carefully scrutinized and all items still unadjusted or which are still held as objectionable should be transferred to the Objection Book (A. 854) under the appropriate headings there of (c. f.

paragraph 851). All items finally disallowed should be transferred to Savings Register 9A. 855).

**854. Objection Book.**-An Objection Book in Form A. 854 should be maintained in each Accounts Office or Section of Accounts Office responsible for the internal check of expenditure.

[Form A. 854](#)

**855. Savings Register.**-A register in Form A. 855 should be maintained in each Accounts office or Section of an Accounts Office to record all savings or avoidance of expenditure or increase in earnings as a result of the internal check of the financial advice of the accounts Officer. All entries made in this register should be attested by the Accounts officer.

[Form A. 855](#)

**856. Classification of Objections.**-For the purpose of posting the Objection Book (Form A. 854) the various items of expenditure held under objection are classified as follows:-

- (a) Want of sanctioned estimate.
- (b) Excess over sanctioned estimate.
- (c) Want of sanctioned appropriation.
- (d) Excess over sanctioned appropriation.
- (e) Miscellaneous, e. g., irregular personal claims, absence of vouchers, breach of a financial rule, provision acceptance of allocation of estimates.

**857. Posting of objection Book.**-Separate pages should be allotted in the Objection book for each class of objection. Objections should be recorded under the appropriate classes and arranged by the class of expenditure, viz., Capital, Development Fund, Revenue open Line Works Revenue, Depreciation Reserve Fund, Accident Compensation, Safety and passenger Amenities fund and Revenue, to which they relate. All objections raised by the Accounts Office, as a result of internal check, or by the Statutory Audit Office should, after their posting in the Objection book, be watched until they are cleared. An objection may be cleared.

(a)	by the recovery of the expenditure held to be irregular, if such a course is permissible under the rules, or
(b)	by the withdrawal of the objection raised, either as a result of further information or on receipt of the necessary sanction of competent authority.

Objection raised by audit should be recorded under the month in which the objection is raised reference being quoted to the number and date of the document

concerned. Even if an objection raised by Audit is not accepted by the Accounts officer as valid it should be recorded in the objection Book (A. 854), if convenient in a separate portion of the register, and the objection should not be considered as having been cleared until it has been withdrawn by Audit.

**858. Subsidiary objection Book.**-A Subsidiary Objection Book should be maintained for the record of petty objections like "want of detailed vouchers" and "payee's receipts". This book should be examined every month following that to which the objections relate should be transferred to the main objection Book without any details beyond the serial numbers of the items or other indication that may be necessary for identification. This procedure may, at the discretion of the Railway Board, be extended to other definite classes of objections of a similar nature, provided that such objection do not involve substantial deviations from the rules.

**859. Review of objection Book.**-The Objection Books should be closed every month by the 15th and a review of the action taken should be prepared and submitted along with the objection Book to the Accounts officer in charge of the section. Items which have remained under objection for more than three months should be brought out separately in this view for the special notice of the Accounts officer.

**860.** Expenditure which has been authorised by the General Manager of the Railway but which requires the sanction of higher authority should be recorded in a separate folio of the objection book (A.854) through which the receipt of the sanction should be watched. Such expenditure should be separately mentioned in the statement to be prepared under para 863.

**861. Register of Serious irregularities.**-Every Accounts officer, 'Should in addition to the objection Book ([Form A. 854](#)) maintained a record of the more important irregularities which he has noticed in the course of his internal check or inspection, or which have been brought to his notice by Audit, and of the action taken by him. All cases of losses, frauds, or embezzlements in his accounts circle should also be recorded in the register. This record should be open to inspection by Statutory Audit at any time. The entries in the register should be reviewed by the Accounts officer once a month and suitable action taken on all outstanding cases.

**862. Regularisation of objections.**-it is the duty of the Accounts officer to take all necessary action without avoidable delay to secure the regularisation of all expenditure placed under objection. The Accounts officer should , if necessary, send extracts from the objection book to the Divisional officers concerned and ask them in writing to intimate to him the action taken by them in each case. With regard to all serious irregularities, the Accounts officer should see that adequate action, disciplinary or otherwise, is taken and that the responsibility of the supervising staff is enforced. If the Financial Adviser and Chief Accounts officer considers that any irregularity is so serious and important that it should be brought to the notice of the Railway board at once or that the action taken by the administration in particular case is insufficient he should request

the General Manager to report the matter to the Railway Board for orders, furnishing at the same time for transmission to the Railway Board a statement of the reasons for which he considers such action imperative.

**863. Half-yearly objectionable Items Statement.**-A half-yearly statement of all objections which have been outstanding for six months and more at the close of the accounts for September and March should be prepared in Form A. 863 given below by the 20th June and 20th December respectively. The statement should be carefully scrutinised by the Financial Adviser and Chief Accounts officer to ensure that prompt and suitable action is being taken to remove the objection. The following instructions should be observed in connection with the preparation of this statement :-

- (1) The statement for the half year ending 31st March should include items of objections relating to the account for the half year ending 30th September of the preceding year but not cleared upto the close of the accounts for march. Similarly, the statement for the half year ending 30th September should include items of objections relating to the accounts for the half year ending 31st March but not cleared upto the close of the accounts of following September.
- (2) The items of objection included in this statement should be grouped under the following headings:-
  - (a) No Estimate.
  - (b) Excess over Estimates.
  - (c) Miscellaneous items.
- (3) The total number of items and the total amount of expenditure under objection should be shown under each group, the following items being detailed-
  - (a) Those requiring Railway Board's sanction.
  - (b) Those in which the Accounts officer considers that sufficient action is not being taken by the local administration or officers.
  - (c) Those in which action taken locally is sufficient but in which it may appear that regularisation is delayed for want of due attention elsewhere.
- (4) in the case of objections under the group "Excess over Estimates" the amount of estimate should be shown under the appropriate column
- (5) The action, taken by the Accounts, officer to secure clearance of items under objections should be stated briefly but clearly in the column provided for the purpose.

864. **Reports to the Railway Board.**-any matters of major financial importance which, in the opinion of the Financial Adviser and chief Accounts officer are likely to be of interest to the Railway board should be brought to the notice of the latter as and when they arise.

865. **Rectification of mistakes in Accounts.**-mistakes discovered in the accounts after they have been compiled should be rectified in accordance with the procedure detailed in para 922 of Financial code.

866. **Objection relating to Receipts.**-The clearance of objections raised in the course of scrutiny of receipts, should be watched in the same way as that of objections relating to expenditure. The objections relating to traffic receipts may be against another railway or another railway or another Government Department or against home railway stations. Those against other railways should be recorded in a separate register. Those against home line stations, whether raised by the Financial Adviser and Chief Accounts officer or by Audit should be recorded in a register separately by each station and by each month, until such time as the objections have been either withdrawn or have been taken into account in the Station Balance Sheet. Subsequent watch over their clearance being effected through the Station Balance Sheet (cf. Chapter XXVII). Objections against another department will be recorded in the Accounts office Balance Sheet (cf. Chapter XXIII). Similarly, all items passed provisionally in the course of internal check pending verification with the clearance vouchers or other documents should also be entered in the register and their connected should be watched. The objection outstanding at the end of a month should be carried forward to the next month's account.

Outstanding more than twelve months old should be separately watched through a special register. A list of such outstandings should be prepared by the 20<sup>th</sup> June and in this list only items of objections exceeding Rs. 250/- need be detailed. Items of Rs. 250/- and below may be grouped together under one entry for each year, subject to the condition that the date of the earliest item is indicated. This statement should be made available for inspection by the Director Accounts, Railway board or his representative, during his periodical inspections of the various Railway Accounts Office. The Financial Adviser and Chief Accounts Officer should arrange for a regular review of all records of the objections by an accounts Officer and for a report of the progress of their clearance being made to him every month.

### **C. EXHIBITION OF LOSSES IN GOVERNMENT ACCOUNTS**

867. The rules regarding exhibition of losses in Government Accounts are contained in [Appendix-III](#).

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