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101. At the dawn of the 20th Century, nearly fifty years after the first Railway train steamed out of Bori Bunder, there were thirty three separate Railway Administrations in India, operating over 41,000 route kilometers of Railway lines. Of these, four were worked by Government, five by the erstwhile Indian States, and the remaining 24 by private Railway Companies. The Non-Government Railways—i. e., other than the four owned and directly worked by the Government—operated under varying degrees of Government supervision. Their regulation and control vested in the Railway Branch of the Public Works Department of the Government of India. The Department was headed by an officer of the Indian Civil Service who was a member of the Viceroy and Governor General's Executive Council. He was assisted in the Railway Branch, by one Secretary, three Deputy Secretaries (one each for Traffic, Accounts and Construction), 4 Under Secretaries and 4 Assistant Secretaries. The entire Railway system was divided into seven circles, and a team of one Consulting Engineer, and one Government Examiner of Accounts was posted to each of these seven circles. The accounting and auditing functions for the whole Department, including the Railway Branch, were combined in the Accountant General, Public Works Department.

102. In October 1901, the Secretary of State for India in Council appointed Sir Thomas Robertson, C. V. O., as Special Commissioner for Indian Railways to enquire into and report on the administration and working of the Indian Railways. In his report (1903), Sir Thomas recommended setting up of a Railway Board consisting of a President or Chief Commissioner, and two other Commissioners all of whom should have a practical knowledge of Railway matters and should be 'men of high railway standing'. The Board should be assisted by a Secretary, a Chief Inspector of Railways, the necessary number of ordinary inspectors and the requisite number of Government Auditors. As a consequence of these recommendations, it was decided early in 1905 to abolish the Railway Branch of the Public Works Department and to transfer the control of the Railway systems to a Railway Board consisting of a Chairman and two Members. The Railway Board assumed office in March, 1905, directly responsible to the Government of India in the Department of Commerce and Industry, and their staff included amongst others an Examiner of Accounts, redesignated in the following years as Railway Accounts Officer. Within a short time, however, the set up was re-organized on the recommendations of the Railway Finance Committee (1908) by constituting the Railway Board with its staff as the Railway Department distinct from and independent of the Department of Commerce and Industry under the same Member of the Viceroy and Governor General's Executive Council. The designation of the Chairman, Railway Board, was changed to that of the President of the Railway Board who was to have direct access to the Viceroy and Governor General. At the same time, consequent upon the amalgamation of the Accounts and Civil Audit Establishments of the Public Works Department under the control of the Finance Member of the Government of India, the

post of Accountant General, Public Works Department was abolished and a separate, post of Accountant General, Railways was created.

103. The most important landmark in the history of the financial administration on Railways in India was the appointment of the Financial Commissioner for Railways in April, 1923 with the sanction of the Secretary of State for India, as part of the scheme of reorganization of the Railway Board as recommended by the Acworth Committee (1921). The declared object of this appointment was to secure, firstly, economy in the expenditure of public moneys and secondly, the co-ordination of Railway policy with the general financial policy of the Government of India. This was followed by the Separation Convention of 1924 by which Railway finances were separated from the General Finances of the Government of India*. *Acworth Committee's recommendation on the separation of Railway Finances from the General Finances of the Government of India was as follows:

"We recommend that the Finance Department should cease to control the internal finances of the railway, that the railways should have a separate budget of their own, be responsible for earning and expending their own incomes and for providing such net revenue as is required to meet the interest on the debt incurred or to be incurred by the Government for railway purpose; and that the railway budget should be presented to the Legislative Assembly, not by the Finance Member of the Council but by the Member in charge of Railways",

On consideration, Government of India found that this recommendation was inconsistent with certain provisions of the Government of India Act, 1919. It was, therefore, decided that separation of Railway Finances be effected by means of a Convention to be laid before the Legislative Assembly in the form of a resolution, and that the Assembly be asked to agree to it . Accordingly, the matter was placed before the Legislative Assembly who voted the Convention resolution of 1924 on the 20th September, 1924.

103 A. Railway Budget has since been merged (in the year 2017) with Union Budget and estimates of Ministry of Railways have been included in the estimates of Union Budget which is prepared and presented by Ministry of Finance. This involves presentation of a separate Demand for Grants under Article 113 (2) of the Constitution of India for Ministry of Railways and presentation of a single Appropriation Bill under Article 114 (1) of the Constitution of India.

104. The Financial Organization on the Railways has thus evolved through the following five stages, viz.—

Stage I: The stage prior to the appointment of the Financial Commissioner for Railways, when the Railway finance administration was a part of the Finance Department of the Government of India. The accounting work was done by the Accountant General, Railways, under the administrative controller of the Auditor

General.

Stage II : Appointment of the Financial Commissioner of Railways in April 1923 as stated in the preceding paragraph.

Stage III : Completion of the process of separation of the Accounting & Auditing functions on the Railways in 1929 as a sequel to the recommendations of the Acworth Committee supported in the report of Sir Arthur Lowes Dickinson (August. 1927). Under this arrangement, the post of Accountant General, Railways (then under the administrative control of the Auditor General) was replaced by—

- i) The Controller of Railway Accounts responsible to the Financial Commissioner Railways; and
- ii) The Director of Railway Audit under the Auditor General.

At the Railway level also the two functions were separated by appointing a Chief Accounts Officer answerable to the Controller of Railway Accounts, and a Chief Auditor responsible to the Director of Railway Audit. This, incidentally, marked the beginning of the Indian Railway Accounts Service as a Cadre distinct from that of the Indian Audit and Accounts Service.

Stage IV : Placing of the Railway Accounts Department under the General Manager where upon the Chief Accounts Officer was placed under the administrative control of the General Manager 'instead of the Financial Commissioner, Railways. This organizational change was recommended by the Indian Railway Enquiry Committee, 1937. (more commonly known as the Wedgwood Committee) on the pattern of the British Railway practice to ensure full contact and adequate co-ordination between the General Manager and his Chief Accounts Officer. While making this change on the Indian Railways, the Chief Accounts Officer was redesigned as the Financial Adviser & Chief Accounts Officer. It was, however, a condition precedent to this arrangement that the Financial Adviser and Chief Accounts Officer would have access to the Financial Commissioner in all important matters on which he might be in disagreement with the General Manager not only as regards accounting regularity but also on questions of financial prudence. This arrangement was initially tried as an experimental measure on two State Railways (the North Western Railway and the Great Indian Peninsular Railway) with effect from November, 1938 and was made permanent in 1941 when it was extended to all Government Railways.

Stage V: Setting up of a distinct Finance Branch under the Financial Adviser & Chief Accounts Officer for placing at the 'disposal of the General Manager an improved machinery for financial advice and control'. Again, this scheme was initiated as an experimental measure in November, 1947 on one of the Railways, the then B. B.& C. I. Railway, and was later adopted permanently on all Indian Government Railways.

With the completion of the above- mentioned five stages, the administrative and financial set- up of the Ministry of Railways has achieved its present unique character viz.,

- a) This Ministry has been fully delegated with powers relating to all Railway matters;
- b) The Railway Ministry is managed entirely by railway men, and
- c) The Railways have their own independent and integrated financial set up, i. e.—
 - i) The Railway Ministry enjoys full powers of financial sanction to expenditure, and
 - ii) Accounts are maintained by the Railway's own accounting Cadres and not by the Comptroller & Auditor General.

105. The Member Finance (erstwhile Financial Commissioner), is the professional head of the Railway Financial Organization and represents the Government of India, Finance Department on the Railway Board. In his capacity as ex-officio Secretary to the Government of India in the Ministry of Railways in financial matters, he is vested with full powers of the Government of India to sanction Railway expenditure subject to the general control of the Finance Minister. This arrangement is intended to ensure that financial control over operations of the Railway Department is exercised from within the Organization by an officer who shares with the Members of the Railway Board and the Chairman the managerial responsibility as a senior partner in the common enterprise of efficient and economic working of the Railway undertaking. In the event of a difference of opinion between the Member Finance and other Members of the Boards the former, has the right to refer the matter to the Finance Minister.

106. In the discharge of his responsibilities as head of the Railway Finance Organization, Member Finance, may issue or cause to be issued, instructions to the Financial Adviser & Chief Accounts Officer, on all accounting and administrative matters. These instructions will be communicated to the General Manager and it is the duty of the Financial Adviser & Chief Accounts Officer, to give effect to them. The latter should, however, keep the General Managers in touch with such correspondence as may be exchanged by him direct with Member Finance, or officers in the Railway Board working under him.

107. At the time of the initial transfer of control over the Railway Accounts Department to the General Manager, the following stipulation was made by the Railway Board on the functions and responsibilities of the Financial Adviser & Chief Accounts Officer in regard to tendering of financial advice—

"At present the duty is imposed on the Financial Adviser and Chief Account Officer of advising the General Manager to make a reference to the Railway Board in the event of the former disagreeing with the latter on any matter of financial or accounting importance, or making such a reference himself should the General Manager be unwilling to do so. The

change involved in the proposed delegation of control of the Accounts Department will not relieve the Financial Adviser and Chief Accounts Officer of this obligation. It will on the contrary lead to emphasize his special responsibility in this regard which it must be clearly understood relates not only to matters of accounting propriety but also to important matters of financial prudence, whether within the financial powers delegated to the General Managers or not."

This stipulation is still valid.

108. The main function of the Finance Branch under the control of the Financial Adviser & Chief Accounts Officer is to assist the Railway Administration in considering all proposals involving financial implications in accordance with the generally accepted standards of financial prudence and propriety. In the business of rail transportation, as in any other business, there is hardly any activity or service which does not involve considerations of finance in some form or the other. The Finance Branch is thus an important limb of the Administration and its functions are broadly analogous to those of the Management Accountant, viz., to assist management (a) in making rational plans and decisions, (b) in controlling the operations of the Railway Administration as a whole, and (c) in controlling the operations within the various responsibility areas of the Administration. The role of the Finance Officer has changed, over the years, from that of a mere 'friendly critic' to one of complete 'management participation'. This role is in no way abated by the fact that in case of disagreement, when he has been overruled by the General Manager, the Financial Adviser & Chief Accounts Officer may request the General Manager to make a reference to the Railway Board for orders, and the General Manager would be under an obligation to make such a reference incorporating therein fairly and fully the comments and views of the Financial Adviser & Chief Account Officer. The success of the Finance Branch would depend on the spirit and the manner in which its services are utilised by the Executive Departments. The relations between the latter and the Finance Branch should, like all inter-departmental relations, be based on mutual confidence and free and full consultation.

109. One of the important functions of the Financial Adviser & Chief Accounts Officer relates to compilation of budgets and setting up of a satisfactory system of Budgetary Control. While the initial preparation of the budgets is the responsibility of the Departmental Officers concerned, the scrutiny and compilation of the Railway's Budget as a whole will be the responsibility of the Financial Adviser & Chief Accounts Officer.

110. The Financial Adviser & Chief Accounts Officer is assisted at the Headquarters office by Deputy Financial Advisers who, in turn, have a number of Accounts Officers reporting to him in connection with their respective duties involving financial scrutiny of proposals emanating from various departments of the Railway Administration. The Deputy Financial Adviser is also the Budget Officer of the Railway and, as head of the Budget Branch of the General Manager, he is expected to exercise control over the budgetary allocations of the Railway Administrations.

111. While at the Headquarters level the financial functions, as distinct from the functions of internal check, are performed by a separate group of officers, both these functions are combined at the Unit level in the Divisional Accounts Office, or the Workshop/Stores Accounts Office as the case may be.

112. The scope of financial scrutiny of proposals before obtaining the sanction of the competent authority may broadly be considered under the following two situations:—

a) Where a proposal is within the powers delegated to the General Manager and Officers subordinate to him; or

b) Where the proposal requires reference to the Railway Board, being either beyond the powers of the General Manager or involving an important matter of principle/policy.

113. In cases of proposals involving financial implications, which require reference to the Railway Board, it is necessary to furnish not only the technical and administrative aspects of the case but also a review of it from the financial angle, such a review being based on all the information which may be locally available. It is obligatory on the Railway Administration to furnish to the Board a verbatim copy of the opinion expressed by the Financial Adviser & Chief Accounts Officer with every such proposal, unless it has his unqualified concurrence in which case the fact that he has concurred in the proposal should be indicated in the letter addressed to the Railway Board. The Financial Adviser & Chief Accounts Officer's appreciation of the proposal accompanying the Administration's letter should be sufficiently comprehensive and should not only contain his comments, if any, on the facts adduced in justification of the proposal but should also mention its financial and budgetary implications and his views as to its financial prudence.

114. For the speedy disposal of business, the Central Government have delegated most of their powers in financial matters to authorities subordinate to them. These powers have to be exercised, inter alia, subject to observance of the rules and accepted standards of financial propriety. Proposals which are within the competence of sanction of the General Manager and authorities subordinate to him, and which require prior consultation with the Financial Adviser & Chief Accounts Officer, should be subjected to close scrutiny from the point of view of need, scope and financial propriety of the proposal in the same manner as in the case of proposals which are referred to the Railway Board for orders.

115. There can be no hard and fast rules on how precisely the financial scrutiny of proposals received from the Executive Departments should be carried out. The objective is to secure maximum efficiency in railway operations at the minimum cost, without unduly sacrificing one for the other. The functions of Railway Finance Officers have now developed beyond the traditional bounds of those of the financial Accountants. These are no longer restricted to tendering advice to the Administration whenever required or necessary in all matters involving railway finances. The Finance

Officer's job as a Management Accountant is to furnish and interpret financial statements, compile cost data and prepare cost reports, explore avenues of controlling staff and material costs, institute and operate budgetary control procedures, and participate in all Capital expenditure and rating/pricing decisions duly employing tools of analyzing financial decision such as IRR, Sensitivity Analysis etc. This involves an irrevocable commitment to Management, and calls for a high degree of professional training and competence. At the same time the Finance Officer should see that the standards of financial propriety (Para 116), expected of all Public Servants in the operation of public funds, are strictly observed.

116. Standards of financial propriety. —In the exercise of their financial powers, the sanctioning authorities must pay due regard to the following principles: —

- 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 recognised policy or custom.
- 4) The amount of allowances, such as travelling 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.
