

CHAPTER XV

FINANCE FUNCTIONS

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CHAPTER XV FINANCE FUNCTION

1501. **Introductory.**-The office of the Financial Adviser and Chief Accounts Officer functions in two distinct branches, viz. 'Accounts' and 'Finance'. While the former is responsible for internal check, recording of expenditure, compilation and keeping of accounts, inspection of offices etc. the latter deals with the financial scrutiny of cases involving financial considerations. The term "Finance" used in this Chapter will mean the Accounts Officer/Finance Officer competent to render the financial advice.

1502. **Organisation.**-The Finance Wing of the Finance and Accounts Department commonly known as the Finance Branch is placed under the charge of an officer in the Level II HOD/JA grade designated as Additional Financial Adviser/Deputy Financial Adviser, who works under the Financial Adviser and Chief Accounts Officer to enable the later to discharge his functions in his capacity as Financial Adviser. The Additional/Deputy Financial Adviser, is assisted by Senior Accounts Officer/Senior Assistant Financial Adviser, Accounts Officers/Assistant Financial Adviser and Section Officers (Accounts) and staff who are entrusted with the responsibility of initial financial scrutiny of the cases referred to the Finance Branch for advice by the various departments of the Railway Administration. Similarly at the lower levels like divisional/workshop/stores depots, the Accounts Officer in-charge is entrusted with the responsibility of both accounts and financial advice work. His relation with the departmental officers concerned in matters of rendering financial advice are analogue to that of the Financial Adviser and Chief Accounts Officer to the General Manager.

The Financial Adviser and Chief Accounts Officer will lay down the duty list of the Financial Advisers at various levels and wherever necessary, prescribe the financial limits upto which the proposals received from the departmental officers can be finally disposed of by them.

1503. All cases involving financial consideration except those which have been specifically exempted for this purpose, whether within the powers of the General Manager or requiring higher sanction should be carefully scrutinized by the Finance Branch. For this purpose it is necessary for the departmental officers to send the proposal complete in all respects indicating the issues on which the financial advice is required. The Finance Officer should avoid being meticulous and help the departmental officers by rendering financial advice in the matter not only in the light of the facts adduced in the proposal but also by virtue of his personal knowledge and experience in the field of the activity. Where the Finance Officer is unable to agree to the proposal, he should indicate full reasons for not agreeing to it. If necessary he may also suggest alternative ways and methods which in his opinion may be more suitable and economical to achieve the objectives contained in the proposal. The Executive Officers on their part should give due consideration to the financial advice tendered by the Finance Officer. The Executive Officer and the Finance Officer should appreciate their proper roles in the due discharge of their responsibilities in the common endeavour. If for any reasons, the Executive

Officer is not able to act on the Finance Officer's opinion, he should record the reasons for the same before taking a decision. Where the financial advice is not accepted fully or partially the sanctions accorded by the competent authority may be held under objection and may not finally be admitted in internal check till a decision is given by the General Manager or the Railway Board as the case may be following the procedure laid down in para 108.

1504. For cases requiring sanction of the Railway Ministry, it is absolutely necessary to obtain the views of the Financial Adviser and Chief Accounts Officer. To facilitate a proper appreciation of the position in the Railway Ministry it is necessary to have, in all proposals sent to them besides the technical and administrative aspects of the case, a review of the case from the financial angle also. Such a review should be based on all the information which may be locally available. The Financial Adviser and Chief Accounts Officer's appreciation of the proposal which should accompany the proposal in verbatim should be sufficiently comprehensive and not only contain his comments, if any, on the facts adduced in the justification of the proposal but also mention the financial and budgetary implications and his views as to its financial prudence. The drafts of such letters proposed to be sent to the Railway Ministry should also be shown to him. Similar procedure should be adopted by the Financial advisers at the divisional/workshop/stores depot's level where the cases require sanction at higher level so that when the case is examined at the Headquarter level, the Financial Adviser and Chief Accounts Officer is in possession of full facts and views of the local Financial Adviser before he records his own opinion in the matter.

1505. **Items requiring consultation with Finance.** – As a general rule all proposals involving financial implication except those which have been specifically exempted for this purpose, should be referred to Finance Branch for advice before they are sanctioned by the competent authority. But the proposals for fresh expenditure which are governed by rules and regulations e.g. grant of increment, sanction to officiating promotion, grant of leave etc. do not require consultation with Finance Branch unless the proposal involves any variation of the rule or departure from the sanctioned procedure. The main items in which prior consultation with Finance Branch is necessary may be broadly classified as under :-

- (i) Establishment
- (ii) Works
- (iii) Estimates
- (iv) Tenders
- (v) Contracts
- (vi) Stores Indents and Purchase Order
- (vii) Delegation of powers
- (viii) Commercial matters
- (ix) Foreign Exchange
- (x) Miscellaneous matters

1506. While detailed instruction in connection with the financial scrutiny of these items will be laid down in the Finance Manuals issued by the Financial Adviser and Chief Accounts Officers a brief outline is given in the following paragraphs.

1507. **Establishment.** – Expenditure on staff constitutes the major portion of the working expenses of a Railway. As such proposals for creation of additional posts should be carefully examined and before such proposal are agreed to all avenues of effecting economy by adopting alternative means for meeting the situation such as, re-arrangement of work and duties, elimination of un-necessary work, simplification of procedures and rationalization of works etc. should be fully explored. Generally the following types of cases in Establishment matters require prior consultation with Finance:

- (a) Creation of additional posts;
- (b) Extension of term of temporary posts;
- (c) Grant of advance increment and fixation of initial pay by higher than that admissible under rules;
- (d) Revision of time scales of pay;
- (e) Grant of additions to pay;
- (f) Grant of honorarium;
- (g) Annual review of cadres in which higher grade posts are regulated by percentage;
- (h) Conversion of temporary posts into permanent ones;
- (i) Grant of conveyance allowance, motor-car allowance etc.;
- (j) Reimbursement of legal expenses to staff;
- (k) Fixation of Consolidated Travelling, Allowance.

Note. – The list is illustrative only.

For proper appreciation of the proposal for creation of additional posts, it is necessary that it should be accompanied by a proposition statement showing the particulars of the existing staff, the proposed staff and the increase or decrease in each category of post, so that total picture can be taken into account in its proper perspective. The creation of additional posts etc. would of course be subject to the availability of funds and on a scrutiny whether the additional expenditure can be found from the existing sanctioned budget allotment.

In the present day context of greater delegation of authority and to avoid the financial scrutiny of petty establishment proposals it may become necessary to dispense with prior consultation with Finance where funds are allotted for specific projects/objectives and give a break up of establishment charges and other Charges. Within such financial limits the Departmental Officer can exercise their discretion to sanction the expenditure without consulting Finance (See para 1521).

1508. **Works.** – All proposals for expenditure on works are required to be scrutinized with regard to its necessity, utility and financial prospects. The detailed rules for the financial scrutiny of the proposals for expenditure on works are laid down in Chapter II of the Financial Code.

1509. **Estimates.** – Apart from the financial scrutiny of the proposals for expenditure on works, the duty of verification of estimates for works devolves upon the Finance Branch. It has to be seen that the details of the scheme as worked out are satisfactory and the cost has been estimated from reliable data and is likely to be reasonably accurate. Finance Branch has also to examine the incidence and allocation of each item in the estimate and verify the budget provision. The detailed rules for the check and verification of estimates are laid down in para 742 to 747-E and 1233 to 1244-W.

1510. **Tenders.** – Finance Officer at the headquarters/divisional level has to function as a member of the Tender Committees constituted for this purpose with the approval of the competent authority. It is the duty of the Financial Adviser to check the statement of tenders compiled by Executive Officer and also the Briefing Note. He should render his financial advice to the Tender Committee and suggest the tender which is most beneficial to the Railway administration. Detailed rules in this connection have been laid-down in Chapter VI of the Financial Code and Chapter XIII of the Engineering Code.

1511. **Contracts.** – The concurrence of the Finance Branch is necessary :

- (a) to the commencement of a work or of supplies prior to the execution of contracts ;
- (b) to the variation of the standard conditions of contracts and to the inclusion of any provision in the contract involving an uncertain or indefinite liability or of any condition of unusual character ;
- (c) to the incorporation in the contract of a 'Price variation clause'.
- (d) to the material alteration of any terms of a contract after it has been entered into ;
- (e) to the variation of the condition of the contract after it has been entered into;
- (f) to the variation of the rates, to the extension of the date of execution of the contract viz., to extend the delivery period of the supplies or completion of the work, where necessary, as per extant rules.
- (g) any other item where such concurrence is necessary.

1512. **Stores Indents.** – All stores indents for the procurement of stores should be scrutinized by the Finance Branch in respect of reasonableness of the quantity to be procured. Financial Advisers have to play an important role in the area of Inventory Control on the Zonal Railways as well as Production Units with a view to keep the inventories at the optimum level. Apart from checking the reasonableness of the quantity of stores, it is also the duty of the Financial Adviser to certify the availability of funds in the sanctioned budget allotment of the year in which the bills for the supply of stores are likely to be received for payment or adjustment. In this connection the detailed procedure should be seen in the Indian Railway Code for the Stores Department.

1513. **Delegation of powers** - The concurrence of the Finance Branch is necessary to all proposal for re-delegation of powers to sub-ordinate authorities. In such

cases, apart from seeing that the re-delegation of powers is permissible under the extant rules, it has to be ensured that the re-delegation of powers is necessary for efficient performance of duties.

1514. **Commercial proposals.** – The commercial proposals requiring financial concurrence will be mainly the following :-

- (a) Changes in rates for Coaching and Goods Traffic.
- (b) Changes in rates for handling any Goods and Coaching Traffic at stations and transshipment points.
- (c) Agreement for handling contracts, lease of land, terminal tax etc.
- (d) Opening of new stations, booking offices and out agencies, halts etc.
- (e) Writing off/refund of wharfage and demurrage charges beyond certain limits.
- (f) Payment of Compensation Claims on goods lost or damaged or injury to person.
- (g) Any other proposal or claim which may effect earnings or expenditure of the Railway.

Note- 1. The list of items is illustrative only.

2. Detailed rules for the check and payment of Compensation Claims on goods lost or damaged are laid down in Chapter XXIV A-II.

1515. **Check of Purchase Order.**- All Purchase Orders valuing more than Rs. 10,000 each are vetted by the Finance Branch. The scrutiny is exercised in all respects, particularly in respect of quantities, rates and agreements in accordance with the instructions laid down in the Indian Railway Code for the Stores Department. After vetting, the Accounts copy of the Purchase Order should be signed by the Finance Officer whose specimen signature should be supplied to the Accounts Officer entrusted with the duties of check and payment of the bills for the stores supplied. In respect of Purchase Orders valuing not more than Rs. 10,000/- a 10% test check should be exercised in the Accounts Office.

1516. **Foreign Exchange Commitments** - All proposals involving foreign exchange commitments should be scrutinized in Finance Branch with a view to ensure that the purchase from abroad are absolutely unavoidable. It should be further examined as to why the requirement cannot be met from indigenous sources. The ceiling limit upto which foreign exchange commitments can be sanctioned by the Railway Administration during a period is fixed by the Railway Board from time to time. The Financial Adviser and Chief Accounts Officer may approve of commitment being made from the foreign exchange angle, provided the amount of foreign exchange including c.i.f. value does not exceed the monetary limits fixed by the Railway Board.

1517. **Miscellaneous matters** . - The following types of proposals involving financial implications require financial scrutiny:-

- (a) Write off of losses of cash, tools & plants, stores, irrecoverable dues etc.
- (b) Telephone connections.
- (c) Purchase of typewriters.
- (d) Purchase of electrical energy from out-siders.
- (e) Cash imprest.
- (f) Printing Work given to outside presses.
- (g) Reimbursement of legal expenses to staff.

Note.- The above list is illustrative only.

1518. Finance Branch have also to examine the Annual Works Programme, the Rolling Stock Programme and the M & P Programme. The detailed rules for the compilation and check of these programmes are laid down in the Indian Railway Codes for the Engineering and Mechanical Departments.

1519. **Productivity Test/Review.**- In the case of works which have been sanctioned on the considerations of financial return, the periodical productivity test/review will be conducted by the Financial Branch. The object is to compare the earnings or savings in working expenses eventually realized after the new expenditure has fructified with that anticipated when the proposal was embarked upon. After a work has been selected for productivity test/review, it should be noted by the Finance and Accounts Officers for maintaining separate records of expenditure and earning relating to that work so that the productivity test/review can be conducted as soon as it falls due. Detailed instructions for this purpose are laid down in Chapter II of the Indian Railway Financial Code.

1520. **Issue of Sanctions.** - The sanction issued after consultation with the Finance Branch should mention that it issues in consultation with the Finance, alternatively the sanction itself should be endorsed by the Finance Officer so that the Accounts Officers entrusted with the internal check should ensure that all matters where financial concurrence is necessary have been seen in the Finance Branch.

1521. The General Manager in consultation with the Financial Advise & Chief Accounts Officer may lay down certain items of expenditure not requiring prior concurrence by Finance Branch for expeditious disposal of work.
