Accounting and Auditing in Indian Railways
CHAPTER V
ACCOUNTING AND AUDITING IN INDIAN RAILWAYS

In the previous chapter we have discussed the working expenditure of Indian Railways. Now this chapter will highlight the accounting system of Indian Railways. It will also focus on the auditing practices adopted by the Indian Railways. There is a need to have a system by which the revenues and expenditures in different periods should be properly checked and verified. This chapter will also discuss the process of accounting, auditing and reporting system in Indian Railways.

Accounting is no longer a mere rendering of accounts but a meaningful interpretation of figures. Auditing, however, continues to be a matter of vouching. The Company Auditor is satisfied with the production of vouchers in support of the expenditure and certifies as to the correctness of the accounts in accordance with the Companies Act. He is not, in any way, concerned with the propriety of the transactions. He is merely concerned with whether the transactions have been properly authorised or not by the competent authority. Similarly, he is only concerned with true reflection of the same in the accounts. The
Chartered Accountant is the auditor of the companies and is confined to narrow straits. He is beholden to the management and his capability on reporting to the shareholders. But in the Government undertaking, the accounting systems, methods and controls followed quite a different pattern from others. As the Government undertaking concern, the Government and the people expect proper control over expenditures and receipts. The various checks and balances in this system have led to propriety audit and overall accountability of the system. The integrity of account systems, methods and controls and propriety of expenditures and receipts come under the purview of the Comptroller and Auditor General. The Controller and Auditor General reports to the Parliament and a committee known as Public Account Committee constituted with the Members of Parliament goes into the various aspects of the report so submitted, thus ensuring overall accountability of the bureaucracy to the Parliament.

The railways in India are as much a Government concern as a commercial enterprise. They are a Government concern because most of the capital invested on railways has been provided by the Government of India either by loans raised by it or from its own other resources. They are a commercial concern as much as they are engaged in manufacturing and in the sale of transport, thus
making profits and maintaining its own assets and paying interest, in shape of dividend, to the general revenues at the fixed rate decided upon from time to time.

The Government Accounts are kept purely on cash basis while the accounts of railways are kept on liability or accrued basis. The railway accounts, therefore, not only follow the essential formalities of commercial accounting but also conform to the requirements of Government accounting. This objective is achieved by keeping accounts of the railways on commercial basis outside the regular Government accounts. The railway accounts are kept of all money coming into and going out of the railway finances. These accounts are maintained by each railway administration and submitted to Railway Board. Account is maintained separately for revenue and capital transaction by the railways and divided into three parts. Such as Consolidated Fund, Contingency Fund and Public Account. The Consolidated Fund was created under Article 266(1) of the Constitution and is a reservoir into which all the revenues are received by the Government. The Contingency Fund is intended for meeting unforeseen expenditure pending authorisation of such expenditure by Parliament. In Public Account, all other public money received by the Government, are credited to the Public Account of India.
In 1921, the Acworth Committee recommended that the railway department, should be responsible for its own accounts. In September 1925, the duties of auditing and accounting were separated in railway department. In accordance with the resolution introduced in the Legislative Assembly in 1925, the accounting staff on each state-managed railway system was placed under the Financial Commissioner of the railways with the assistance of the controller of railway accounts, while the audit staff continued to be under the administrative control of the Auditor General. The object of separation of railway revenues from the general budget was to introduce flexibility in the administration of railway finance as also to secure stability for civil estimates by providing for an assured contribution from railway revenues. The flexibility in the administration of the railway finance was more important. The Acworth Committee had further recommended that an economical railway management cannot be ensured without the proper system of railway accounting. The accounting methods should be used in preparation of accounts in concerned manner, the principles of accounting system should also be helpful in maintaining the accounting records in proper way.

Prior to creation of Railway Accounts Department, the accounting staff of the Audit Department controlled the Indian
Railways and their duties were limited to accurate keeping of accounts, payments of wages and bills, prevention as far as possible or discovery of frauds and irregularities or infringement of what were known in the Audit Department, as the canons of financial property. The Chief Accounting Official who was known as Chief Auditor was appointed by and was responsible to the Accountant General of Railways. He was in no position either to appreciate the administrative needs or to adopt the accounting procedure to conform thereto. It was the lack of appreciation of the administrative needs that stood in the way of flexibility of railway administration.

The Agent and other railway officials had no control over their own accounts or their Chief Auditor while they were responsible for the economic and efficient management of the railways, and such disabilities were removed through the separation of railway accounts from the audit. The separation of accounts and audit were to be gained for the railways. The separate account was to be gained in having an internal accounting organisation function as a handmaid to the administration and an independent audit was also desired, as an audit by the railways as that kept the accounts could hardly be independent. The separation of accounts from audit was accepted and was first introduced on the East Indian Railway
from 1st December 1925 and, as the results proved satisfactory, it was extended by the degrees to the other state-managed railways.\(^1\)

And this experiment was found successful result. The position was reviewed by Sir Arthur Lowes Dickinson in 1926-27. He found that there had been a divorce of accounts from operation and recommended the separation of Audit from the Accounts Department. The duties of Accounting and Audit were entirely separate and dissimilar.\(^2\)

After the separation of accounts department and the audit system, the post of Controller of Accounts was created in October 1928. The Controller of Accounts was to be responsible for the compilation of the final accounts of railway receipts and expenditures and for all efficiency of the working of the accounts offices of all state-managed railways and he was the subordinate to the Financial Commissioner Railways. He was all charged with the responsibility of compiling all financial administrative and operating statistical information in the administration of the Railway Accounts Department.

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1 Khosla, G.S. “Railway Management in India” Thacker & Company Ltd., Bombay-I, 1972, p.89.
2 Journal of Indian Railways, Ministry of Railways (Railway Board), New Delhi., July 1977, p.20,
The Indian Railways Accounts Service was constituted simultaneously as a Superior Service on State-managed Railways.

The Finance and Accounts wings of the railways have fully and effectively participated in and contributed to all the structural changes that have taken place on the railways.¹

In 1931, the Railway Retrenchment Sub-Committee examined the growth of expenditure under railway audit and accounts and in the course of this investigation, the question of placing the Chief Accounts Officer and his staff entirely under the control of the Agent was also examined. While the Sub-Committee did not approve of the idea or placing the Chief Accounts Officer entirely under the control of the Agent.

The Pope Committee emphasised on the view that the place of the Chief Accounts Officer should be under the control of the Agent. The Committee was appointed in accordance with the recommendations of the Retrenchment Sub-Committee to suggest methods of improving efficiency and securing economy on Indian Railways. The Pope Committee felt that the Chief Accounts Officer should be definitely under the Agent Control and also felt that

unless this was clearly laid down, the preparation of managerial
information could not be carried out on cooperative and coordinated
lines and the Chief Accounts Officer could not take his proper place
in the organisation of the railway. The function of the Chief
Accounts keeping his accounts in an efficient and economical
manner for which he was responsible to the Controller of Railway
Accounts was hardly more important than his function in connection
with management.

This recommendation was endorsed by the Railway
Enquiry committee. The Committee recommended that the Chief
Accounts Officer and their staff on State-managed railways should
be definitely regarded as being responsible to the respective Agent,
however, being granted to the Chief Accounts Officer to correspond
directly with the Financial Commissioner of Railways but with the
knowledge of the Agent on matters of finance. The existing
arrangement, which treated the Chief Accounts Officer as
independent of him and owing allegiance primarily to an authority
outside his administration, trends to be subversive of that unity and
harmony which are essential to the successful working of the
railway. The Chief Accounts Officer would continue to have the
right of access through the General Manager to the Financial
Commissioner. The Financial Commissioner would also, in
consultation with the Auditor General, continue to be responsible for all matters relating to the structure of the accounts.

After the recommendation of Railway Enquiry Committee the Chief Accounts Officer doing their work under the control of Agent. The Government of India decided to institute an experiment on two railway systems such as North Western Railway and G.I.P.

Railways, wherein the Chief Accounts Officer was placed under the control of the Agent. The experiment thus instituted in 1938 was reviewed in 1940 and it was found that in one of the railways impediments existed in free communication between the Chief Accounts Officer and his subordinates. The Control of the Accounts Staff was under the personnel branch. The workshop Accounts Officer’s professional ability was being commented upon by the Chief Mechanical Engineer. After examining the material collected for his report to the Public Accounts Committee in 1940, the Auditor General felt that by certain existing arrangements barriers had been interposed between the Chief Accounts Officer and his staff. The separation of Accounts and Audit was considered a success and extended to other railway systems in 1941.
The Budget Branch came to be placed under the Financial Adviser and Chief Accounts Officer. He is responsible for rendering financial advice in all matters affecting the operations of the railways such as new activities, factory management, inventory management etc. In giving financial advice to the executive, the Accounts Officer, acts solely in the interest of the Executive Officers.\textsuperscript{1} Based on the recommendations of the Public Accounts Committee and the Estimates Committee, increasingly, the Financial Adviser has come to be regarded as the foremost among the Heads of Department. To quote the Administrative Reforms Committee, the Finance and Accounts Department should be responsible for the financial management and control in all matters within the field of responsibility of the concerned organisation. The relationship between the Financial Commissioner/Financial Adviser and the Administrative Head should be that of a senior partner in a common enterprise. Thus, in the railways, the General Manager exercises the executive powers with the concurrence of the Financial Adviser and the Railway Board exercises its powers with the consent of the Financial Commissioner.

The modifications have been introduced over the years to bring about improvement in the achievement of the basic aims

\textsuperscript{1} Indian Railway Code, Part I, Published by The Manager of Publications, New Delhi, 1960, p.3.
without, however, affecting the general structure of the accounts. The financial accounts of the railways include the block accounts to give an overall picture of the expenditure of a capital nature incurred by the railways on assets out of not only Loan Capital but also Depreciation Reserve Fund, Development Fund, Open Line Works Revenues and the Accident Compensation and Safety Funds. The railways also prepare a statement of funds and their utilisation bringing out the extent to which requirements of capital nature have been financed from the internal sources. After independence the significant growth in the industrial field of the country, there was a tremendous increase of the workload on the Indian Railways. The freight tonnage originating had risen from 93.0 millions in 1950-51 to 504.2 millions in 2000-01 and the tonne kilometre which reflect the overall workload devolving on the railways had above the five time during this period. The transport output registered phenomenal increase, the volume of clerical work, specially in the area of revenue accounting and commercial statistics, went up to such proportions that the manual method of compilation showed signs of breakdown.

Procedure for maintenance of leave account was considerably simplified by lumpsum credit once in half year. The recoveries on account of rent, provident fund and advances from
staff are rendered by the bill preparing office to the accounts office on an exception basis, showing only the variation from the post instead of details of every single case. On the mechanisation front, the Indian Railways were used a punch card data processing in a limited way for statistical purposes. An integrated system of revenue accountal and compilation of revenue statistics was evolved and implemented on the Unit Record Equipment replacing the tardy and tedious manual method employed independently by the accounts department for audit and accountal of revenue earnings and by statistical department for compilation of revenue statistics. It was found that the unit record equipment could not handle all the information needs of the railways. It was, therefore, decided to replace the unit record equipment by computers. The computers were restricted to mainly data processing applications, such as freight and passenger accounting, pay roll and fuel accounting and inventory control etc. Engineering design and operation research problems have also been attempted but in a very limited way due to hardware limitation. In the field of commercial data processing, it has been possible to achieve optimum and efficient utilisation of the computing capacity through careful systems, designs and effective programming.
To consider the accounts and the officers who administer them as a check upon the operating officials in all divisions of the railways rather than as an aid to them in its efficient administration. The separation of accounts from audit involved an internal check, the primary duty being to assist the executive.¹ Internal check was no doubt an important function of the accounts department but it was only one of the functions. There should be internal check of those transactions which affect the receipts and expenditures of railways, the check about the prompt settlement of proper claims against the railway and keeping the accounts of the railway in accordance with the prescribed rules. To check that there are no financial irregularities in the transactions of the railway. The emphasis on internal check as well as prevention of financial irregularities, unfortunately, settled the accounts department in the same role as was being done by Audit before the separation convention. The role of the accounts department as a restraining department was to some extent relevant in the circumstances of yesteryears when the financial health of the railways was good, when the problem was as to how to run the services to meet with the growing demand for rail transport. The railways held the monopoly in the field. There was no competition worth the name.

¹ Khosia, G.S. “Railway Management in India” Op.Cit. p.89
Business was good and profit was substantial, we could call the railways as a growth industry.

The internal auditor checked the accounts and is an independent review of operations and records undertaken by the staff. The main function of the internal auditor is to audit the financial records and operations from time to time and discussed the errors and frauds which have already been committed. Internal audit involves the examination and verification of all books entries and checked them against the supporting documents.\(^1\) The Accounts Officer is responsible for internal check on financial transactions of the railway. The internal check conducted the rules and orders issued by the President, the Railway Board, General Manager of the railways and other subordinate authorities whom the power issue rules or orders has been delegated and the further instructions contained issued from time to time by the Railway Board. The accounts department of railways is responsible for the check of accounting transactions, no transactions should be brought into account before they have been completely checked.

The internal check of accounts to carry out through the internal auditor and the result do not give the satisfaction to the organisation so there is need of external auditor who examine the

transaction and vouch out the irregularities, that could not found by the internal auditor, verifying the accounts and give their report to the management. In respect of railway accounts, after the internal check system, the accounts are examined by the Comptroller and Auditor General. The Comptroller and Auditor General is the Final Audit Authority in India. The Comptroller and Auditor General is just like a high independent statutory authority and have right to take decision himself about the irregularities in the accounting transactions. His own judgement looks to and has no frowns or favours to be guided from outside.\(^1\) His functions, and powers are derived in the Articles 149 to 151 of the Constitution of India.

The Comptroller and Auditor General is responsible for the audit of the accounts of the Indian Railways but has no responsibility for the compilation of such accounts. In all matters relating to the audit of railway accounts, the Comptroller and Auditor General is assisted by the Additional Deputy Comptroller and Auditor General.

In the railway accounting system, if there is any change in accounts classification, affecting the recording the expenditure in

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the finance and revenue accounts of the Government. The Comptroller and Auditor General is also responsible for approval of the changes in the accounting system and examined the affected environment.

When the Comptroller and Auditor General completely examine the railway accounts and find out the minor or major mistakes, he gives their own views to remove them. He prepares his report on whole working performance and to submit this report to the Parliament, according to the Article 150, of the Constitution of India.

The audit gives their reporting on railway accounts after full examination of undertaking, in respect of financial management, the audit is responsible to discover the irregularities and gives their observations also. The audit’s observation may be helpful in strength management of railways and inefficient working also.

Now we are able to give the audit observation on railways. Firstly we take the financial management of railways. The observation about financial performance will provide a fair picture of railways.

Audit found from the financial result of the Indian Railways during 2000-01, there was a net revenue of Rs.1071.23

\[^\text{1}\text{ Nanda, R.R. "Railway Accounts and Administration", Bahri Brothers, 742, Lajpatrai Market, Delhi, 1987, p.9.}\]
crores against the budget projection of Rs.1791.69 crores and the actual net revenue of Rs.2735.67 crores for the year 1999-2000. The steep reduction in net revenue as compared to that of 1999-2000 was mainly on account of increase in working expenses. However, the audit found from the financial result of 1998-99 that, the budget of that year had projected generation of net revenue of Rs. 3433.12 crores, against the actual net revenue of Rs. 3024.43 crores in 1997-98. While, the year ended with net revenue of Rs.2141.16 crores only. The sharp deterioration was due to absence of growth in traffic receipts coupled with steep rise in pensionary liabilities. In the circumstances, railways appropriated Rs.1207 crores more than budge to augment Pension Fund during the year and reduced the appropriation to Depreciation Reserve Fund by Rs.1318 crores, but still ended up with significantly lower net revenue than projected. The actual surplus left after payment of dividend to General Revenues was only Rs.399.08 crores which was Rs.1256.78 crores less than the budget estimates of Rs.1655.86 crores.

During 2000-01, the dividend payable to the General Revenues was Rs.2130.94 crores, the payment of dividend of Rs.307.64 crores only and deferred the payment of dividend by Rs.1823.30 crores. The surplus left after payment of dividend to
General Revenues was Rs.763.59 crores. It was observed by audit if full dividend had been paid, the railways would have ended with a net deficit of Rs.1059.71 crores instead a surplus of Rs.763.59 crores. During the same year (2000-01), the railways received a subsidy of Rs.812.26 crores from the General Revenues on capital invested in strategic lines, unremunerative branch lines, new lines taken upon other than financial consideration etc. The railways had paid only Rs.307.64 crores dividend during the year, there was a negative flow of funds by Rs. 504.62 crores to the General Revenues.

The audit of railway earnings now, the major portion of earnings comes from goods earnings, the passenger earnings and other earnings also, important segment. The audit found that the earnings from passenger traffic of Rs 10515.07 crores during 2000-01, were more than the budget (Rs.10148 crores) and revised estimates (Rs.10450 crores) by Rs.367.07 crores and Rs.65.07 crores respectively. The audit showed in his report of 2002, the overall passenger earnings indicate that the average rate per passenger kilometre increased by 3.42 percent from 22.21 paise in 1999-2000 to 22.97 paise in 2000-01. The average lead also increased by 1.42 kilometres (1.53 percent) from
92.96 kilometres in 1999-2000 to 94.38, kilometres in 2000-01\(^1\)

Rs.9392.03 crores (budgeted Rs.8933.66 crores and revised Rs.9346.19 crores) were came from non-suburban passenger traffic and Rs.1123.04 crores (budgeted Rs.1214.34 crores and revised Rs.1103.81 crores) from suburban passenger traffic. There was no revision of passenger fares of any class, in the year 2000-01. There was an increase of 7 percent in the scale rates of parcel and luggage including motor car rates but excluding the rates for newspaper magazine and medicine were, however proposed and implemented with effect from 1 April, 2000.

The audit examined the goods earnings, during 1998-99, the actual earnings from goods traffic were Rs.19960.39 crores, however, earnings from goods traffic were estimated to yield Rs. 21686 crores in the budget estimates and Rs. 20390.16 crores in the revised estimates. The actual earnings fell short of both the budget and revised estimates by Rs. 1725.61 crores (7.96 percent) and Rs. 429.77 crores (2.11 percent) respectively. There was an increase of 20 million tonnes in originating revenue earning goods traffic, over the revised estimates 1997-98 (430 million tonnes), was projected in budget estimates 1998-99 (450 million tonnes). It was brought down to 424 million tonnes in the revised estimates

1998-99. However, the railways could actually lift only 420.92 million tonnes of revenue earning goods against 429.38 million tonnes in 1997-98 a fall of 8.46 million tonnes (1.97 percent). The volume of revenue earning goods traffic in net tonne kilometres carried by the railways in 1998-99 was 281513 million net tonne kilometres against 284249 million net tonne kilometres in the preceding year, which implied a fall of 2736 million net tonne kilometres (0.96 percent). The traffic actually carried was also short of both budget and revised estimates of 308180 million net tonne kilometres and 282374 million net tonne kilometres by 8.65 percent and 0.30 percent respectively. Thus in physical terms, there was shrinkage though the earnings from revenue earning traffic marginally increased by Rs. 94.01 crores. However, the average lead which had shown deterioration upto 1997-98, slightly improved by 6.80 kilometres from 662 kilometres in 1997-98 to 668.80 kilometres in 1998-99.¹

From the result of goods earnings during 1998-99, the audit observed that there was no general increase in freight rates, but a few marginal adjustments, involving small increases in some cases and small reductions in others were made. In the freight rates for coal, the adjustment was made in shorter distances, the increase

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being in the range of about 2 percent at different distances upto 500 kilometres. There was no increase beyond 500 kilometres upto 1500 kilometres, but there was reduction of 1 percent beyond 1500 kilometres. The existing classification for charge of iron ore, manganese and other common ores, timber, soda ash, rubber crude and caustic soda was moved up by one step. The taper of rates for coal, cement, iron or steel were so adjusted that the rates would reduce at longer distances, by about 1 to 2 percent. The classification for charge of lime stone, dolomite and gypsum were reduced by one step.

However, the major head of gross traffic receipts is the goods earning and these goods earnings come from carried of several commodities. The Government pays more attention on the passenger traffic rather than the goods traffic. The goods traffic is more important from the earning point of view, because the contribution in total earnings, the goods traffic played a significant role. The audit found that the earnings from goods traffic were estimated to yield Rs. 23608 crores in the budget estimates and Rs. 23486 crores in the revised estimates during 2000-01. The actual earnings of Rs. 23305.10 crores fell short of both budget and revised estimates by Rs. 302.90 crores (1.28 percent) and Rs.180.90 crores (0.77 percent) respectively. There was an
increase of 25 million tonnes in originating revenue earning goods traffic over the revised estimates 1999-2000 (450 million tonnes) was anticipated in both budget and revised estimates (475 million tonnes) of 2000-01. The railways actually lifted 473.25 million tonnes of revenue earning goods traffic in 2000-01 against these projection and actuals of 456.42 million tonnes in 1999-2000. The volume of revenue earning goods traffic carried by the railways in 2000-01 was 310906 net tonne kilometres and was 5705 million net tonne kilometres more than the actual (305201 million net tonne kilometres) of 1999-2000. This was, however, less than both budget (317280 million net tonne kilometres) and revised (313000 million net tonne kilometres) estimates (2000-01) by 6374 million net tonne kilometres and 2094 million net tonne kilometres respectively. The average lead which was 668.68 kilometres in 1999-2000 however, came down to 656.96 kilometres in 2000-01.\(^1\) The major commodities which earned freight over Rs.500 crores in 1998-99 were coal, P.O.L. (Petroleum Oil Lubricants), other goods, cement, pig iron and finished steel for steel plants, foodgrains, raw materials to steel plants and fertilizers. All these commodities gave their contribution in total earnings more attractive. The railways earned from the carried of all these

commodities during 1998-99 an attractive amount. The carrying of these commodities also essential for the growth of the country.

The earnings from the carriage of coal and raw materials to steel plants were less by Rs.194.53 crores and Rs.58.99 crores respectively from their earnings of 1997-98. Despite the taper of rates of coal, cement, iron or steel having been so adjusted that these get reduced at longer distances by about 1 to 2 percent and despite reduction of 1 percent in freight rates of coal beyond 1500 kilometres, the offering of the coal, cement, pig iron and finished steel, raw material to steel plants and iron ore for export were less than the budget estimates of 1998-99, by 20.41 million tonnes, 1.25 million tonnes, 3.03 million tonnes, 7.09 million tonnes and 0.52 million tonnes. Thus the reductions in rail rates announced in the budget speech to make it more attractive did not achieve the expected results. And as compared to the budget projections of 2000-01, the shortfall in goods earnings was noticed in foodgrains, pig iron and finished steel for steel plants, raw materials to steel plants, P.O.L. (Petroleum Oil Lubricants) coal and cement. We point out from out of these that the earnings in respect of foodgrains and pig iron and finished steel for steel plants were less than their earnings in the previous year (1999-2000) by Rs.138.47 crores and Rs.67.07 crores respectively. Inspite of the fact that the commodity
foodgrains was exempted from the general increase of 5 percent in freight rates, the originating tonnage, net tonne kilometres and the earnings were less than the budget estimates by 3.35 million tonnes, 4787 million net tonne kilometres and Rs.164.48 crores respectively. Although the general increase of 5 percent in freight rates announced and implemented from 1 April 2000 in respect of cement, iron and steel for steel plants and iron ore was continued to less than 5 percent, by down grading their classification, the offering of cement pig iron and finished steel for steel plants and raw materials to steel plants was also less by 1.16 million tonnes, 0.99 million tonnes and 3.25 million tonnes respectively from the budget estimates 2000-01.

During 1998-99, both the budget and the revised estimates projected clearance of Rs. 260 crores from unrealised earnings. However, this achievement was negative and at the end of 1997-98 the unrealised earnings, which stood at Rs.1174.44 crores increased by 215.09 crores (18.31 percent) bringing the balance to Rs.1389.53 crores at the end of 1998-99. The cumulative balance of Rs.1389.53 crores at the end of 1998-99 was 4.66 percent of total traffic earnings of Rs. 29824.86 crores
during 1998-99.\textsuperscript{1} However, during 2000-01 the budget estimates projected clearance of Rs.500 crores but in the revised estimates further accumulation of unrealised earnings of Rs.50 crores were anticipated. These targets became unrealistic as the unrealised earnings which stood at Rs.1582.09 crores at the end of 1999-2000, increased by Rs.389.33 crores (24.61 percent) bringing the balance to Rs. 1971.61 crores at the end of 2000-01. The accretion of unrealistic earnings of Rs.389.33 crores were 1.10 percent of total traffic earnings of Rs. 35287.58 crores during 2000-01.\textsuperscript{2}

It was observed by the audit that about 72 percent of the unrealised earnings was on account of outstanding freight during 2000-01, while in the back of two years, in 1998-99, this was nearly 83 percent of unrealised earnings. Thus, during 2000-01 the outstanding freight was less by 11 percent as compared with the year 1998-99. The Northern Railway continued to have the maximum amount of unrealised freight. The contribution of Northern Railway in the total unrealised freight was Rs.1079.98 crores during 1998-99, however, during 2000-01 this amount was Rs.1170.06 crores. Of this Rs.955.38 crores were due from Badarpur Thermal

Power Station, in 1998-99 and Rs. 958.60 crores in 2000-01, managed by the National Thermal Power Corporation.

The total amount outstanding against the State Electricity Boards/Power Houses which stood at Rs. 1306.19 crores at the end of 1999-2000 increased by Rs. 354.87 crores bringing the balance to Rs. 1661.06 crores at the end of 2000-01. This clearly indicates that the bulk of increase in unrealised earnings was mainly attributable to the increase in outstanding dues of the State Electricity Boards/Power Houses. The demand recoverable increased by Rs. 17.76 crores, from Rs. 80.43 crores at the end of March 2000 to Rs. 98.19 crores at the end of March 2001.

This was observed by the audit that the actual Plan Expenditure exclusive of extra-budgetary resources fell short of budget and revised estimates and the internal resources met 49.69 percent of the total Plan Expenditure (exclusive of extra-budgetary resources). However, the expenditure met from internal resources was also less than the budget estimates and revised estimates. Further, the Plan Expenditure met out of borrowed capital from general revenues was also less than the budget and revised estimates. The percentage of the Plan Expenditure exclusive of extra-budgetary resources, budgetary support from government worked out to 50.31 percent in 2000-01 as against 42.17 percent
in 1999-2000, and the percentage was 49.78 in 1989-90 and had declined to 21.32 percent in 1995-96, to rise again to 38.74 percent in 1998-99.

In the audit reports for 1997-98 and for earlier years, the distribution of Plan Expenditure for creation of Block Assets, was shown excluding the expenditure not capitalised as also that incurred on renewal of assets. As the total Plan Expenditure met from borrowed capital and internal resources did not match with the figures shown in the report. The plan head-wise details have been revised and to show the all inclusive distribution of plan expenditure during the years 1995-96 to 1998-99 met from borrowed capital and internal resources.

In July 1998 the railways prepared the White Paper and showed that, the railways had 215 major infrastructure projects in hand casting over Rs.39300 crores. Of these, as many as 127 costing over Rs.28400 crores, were unviable, but considered socially desirable. During 1994-95 to 1998-99, railways had included as many as 37 projects costing Rs.10979 crores in the budget without completing even the requisite survey, of which only 6 had been cleared. The railways were also making provisions for projects without the requisite clearance, such projects numbered 103 during 1992-93 to 1998-99 and estimated cost over Rs.21810
crores. It was observed by the audit that while only 322 works were completed during 1992-93 to 1996-97, a fresh shelf of 1847 new works, costing nearly Rs.22900 crores, was created during the period. Many of these works had to be frozen/slowed down, largely due to shortage of funds. Railways often were starting work under urgency certificate, 32 out of these 235 estimated cost of Rs.2455 crores, when there was no urgency. This was only to avoid prior sanction. A large percentage of these works was financially not viable and overall there was substantial under provisioning loading to slow execution.

Specific funds have been raised and created for particular purpose in order to meet the current demand and future needs. For the replacement and renewal of assets, Depreciation Reserve Fund is maintained which is financed by transfer from revenue. This fund was created in 1924-25. It is observed by audit, that the opening balance in the fund as on 1 April 2000 was Rs.50.81 crores and Rs.2424.89 crores (inclusive of Rs.123.82 crores from manufacture suspense-capital) was contributed to the fund during the year 2000-01. An amount of Rs.4.36 crores was credited as interest at 7 percent per annum on the fund balance during the year. The withdrawals on account of expenditure on renewals and replacements was Rs.2402.02 crores, leaving a
balance of Rs. 78.04 crores on 31 March 2001, during the Railway Budget, 2001-02.

An other fund known as the Development Fund is doing work since 1946-47 and is financed by appropriation from surplus or loans from general revenue to the extent required to meet expenditure on works relating to amenities for users of railway transport such as labour welfare works, safety works and unremunerative operating improvement works. It was observed that the opening balance in the fund on 1 April 2000 was Rs.0.45 crores. During 2000-01 out of the surplus of Rs. 763.59 crores, Rs. 732.11 crores were appropriated to the fund for meeting expenditure (Rs. 518.11 crores) chargeable to Development Fund. An amount of Rs. 12.87 crores was credited to the fund as interest at 12 percent per annum on fund balance in 2000-01 and the fund had a closing balance of Rs. 227.32 crores on 31 March, 2001 during the Railway Budget, 2001-02.

The Pension Fund was constituted in 1964 for meeting expenditure on pensionary benefits to retiring railway employees, was to be financed on the basis of actuarial calculations so that the fund had adequate balance to meet the estimated liability on this account. After 1974, there was no actuarial assessment and the contribution to the fund continued to be with reference to the trend.
of actual withdrawals. In the Pension Fund, the closing balance on
31 March 2000 was Rs. 76.14 crores. Rs.11.98 crores being the
Government contribution to State Railway Provident Fund of those
who had opted for pensionary benefits upto 31 March 2000 were
transferred to the fund on 1 April, 2000. Total appropriation from
revenue and capital amounted to Rs.5041.85 crores (inclusive of
Rs.200 crores from capital and Rs.10 crores from miscellaneous
expenditure other than working expenses) during 2000-01. An
amount of Rs. 0.01 crore, being the Government contribution to the
State Railway Provident Fund of those who opted for pension upto
30 September 2000, was also transferred to pension fund. The
withdrawals during 2000-01 were Rs. 5102.05 crores. The fund
received Rs.4.06 crores on account of interest at 7 percent per
annum for the year 2000-01, leaving a balance of Rs.31.99 crores
as on 31 March 2001. Thus there was a net depletion of Rs.44.15
crores in the fund balance during 2000-01.

The Capital Fund was created with effect from April
1993 to finance the capital works of the railways. The balance
amount of surplus left after appropriation to Development Fund is
credited to this fund. It is found that Ministry of Railways obtained a
loan of Rs. 249 crores from general revenues, as the surplus of
Rs.31.48 crores that was appropriated to Capital Fund fell short, by
Rs. 242.18 crores, of the expenditures of Rs. 273.66 crores from Capital Fund. Had the Ministry not appropriated Rs. 214 crores more than the requirement of funds to Development Fund, the loan amount of Rs. 249 crores could have been reduced to Rs. 35 crores in 2000-01.

For the expenditure of railways, the Appropriation Accounts are prepared under which the different components of expenditures are involved. The summary of appropriation accounts comes under the demands for grants for expenditure of Central Government on railways. The summary of these accounts compared with the sums of authorised in demands for grants. It was observed by the audit that, in the year 2000-01, there was aggregate saving of Rs. 3327.90 crores in all the 18 grants (grant nos. 1 to 15 of revenue section and all the three segments of grant no. 16 under capital section) and in 9 Appropriations (appropriation nos. 4, 5, 7 to 13 under revenue section and appropriation no. 16 railway funds under capital section) amounting to Rs. 3315.74 crores and Rs. 12.16 crores respectively.1 Apart from savings of over Rs. 100 crores in six grants (grant nos. 6, 13, 14, 15, 16 – capital and 16 railway funds), savings ranged between Rs. 20 crores and Rs. 89 crores in seven grants (grant nos. 5 and 7 to 12) and less than Rs.

1 Ibid, p.19.
20 crores in remaining five grants (grant nos. 1 to 4 and 16 – revenue). In the previous year 1999-2000 saving had occurred in 15 grants. The appropriation audit is done by comparing the gross expenditure with the gross amount of grants/appropriations, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting. In revenue section, against the revised estimated recoveries of Rs.5626.45 crores and the actual recoveries were Rs.5630.20 crores. On the other hand in capital section, against revised estimated recoveries of Rs.13839.16 crores while the actual recoveries were Rs.13587.94 crores during the year 2000-01.

The summary of freight services and coaching services are very essential documents of railways because these shows the end results of both services. The summary of end results of freight services and coaching services were published by the Ministry of Railways, in July and August respectively, every year, and these are brought out very late. In framing, either the revised estimates of the ensuring year or the budget estimates of the second following year, have no use of these services results. However, the end results of freight services provided statistics of unit costs only, but their profitability is not disclosed. Now, we are able to express the views of audit in respect of traffic receipts and working expenses between the coaching and goods
services. About 28.97 percent, as against 29.36 percent in 1998-99, of expenses on coaching services during 1999-2000 were left uncovered by actual receipts from coaching services and about 19.80 percent, as against 19.78 percent in 1998-99, of receipts from goods services during 1999-2000 went to make up the loss in operation of coaching services. However, metre gauge services, for both passenger and goods, were incurring losses in all the railways which amounted to Rs. 1090.66 crores on passenger services and Rs. 699.45 crores on goods services. Over the years, the increase in passenger fares has not kept pace with the increase in cost of operation of passenger services. The loss on passenger services, other than Electric Metro Unit (EMU), increased by Rs. 155.64 crores from Rs. 2761.08 crores in 1998-99 to Rs. 2916.72 crores in 1999-2000. The losses incurred on running of EMU suburban services and catering services were also higher at Rs. 433.18 crores and Rs. 332.28 crores in 1999-2000, as against Rs. 343.03 crores and Rs. 301.22 crores during 1998-99 respectively. The loss on parcel/luggage/postal services were also increased by Rs. 140.96 crores from 713.46 crores in 1998-99 to Rs. 854.42 crores in 1999-2000. Overall losses on coaching services which was Rs. 3945.25 crores in 1998-99 increased to Rs. 4366.69 crores in 1999-2000.¹ This was also observed that as per the summary of end results for 1999-2000 of coaching services, while the total loss on the

¹ Ibid p.25.
different classes in mail/express trains is Rs. 752.77 crores as against Rs. 1062.24 crores in 1998-99 and the loss on ordinary trains is Rs. 2163.95 crores as against Rs. 1698.85 crores in 1998-99. Review on classwise performance in 1999-2000 against 1998-99, is indicated in the following table:

Table No. 4.1
Statement of Profit Making Services and Loss Making Services
(Rupees in crores)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Profit Making Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>i) AC 1st Class (M/E)</td>
<td>22.41</td>
<td>41.17</td>
<td>(+) 18.76</td>
</tr>
<tr>
<td></td>
<td>ii) AC Sleeper (M/E)</td>
<td>189.31</td>
<td>306.92</td>
<td>(+) 117.61</td>
</tr>
<tr>
<td></td>
<td>iii) AC III Tier (M/E)</td>
<td>5.42</td>
<td>191.97</td>
<td>(+) 186.55</td>
</tr>
<tr>
<td></td>
<td>iv) AC Chair Car (M/E)</td>
<td>(-) 23.76$</td>
<td>48.19</td>
<td>(+) 71.95</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>193.38</td>
<td>588.25</td>
<td>(+) 394.87</td>
</tr>
<tr>
<td>2.</td>
<td>i) First Class (M/E)</td>
<td>4.51</td>
<td>3.64</td>
<td>(-) 0.87</td>
</tr>
<tr>
<td></td>
<td>ii) Sleeper Class (M/E)</td>
<td>1089.62</td>
<td>958.97</td>
<td>(-) 130.65</td>
</tr>
<tr>
<td></td>
<td>iii) Sleeper Class (M/E)</td>
<td>161.48</td>
<td>378.40</td>
<td>(+) 216.92</td>
</tr>
<tr>
<td></td>
<td>iv) First Class (Ordinary)</td>
<td>34.01</td>
<td>33.71</td>
<td>(+) 0.30</td>
</tr>
<tr>
<td></td>
<td>v) Sleeper Class</td>
<td>82.79</td>
<td>102.22</td>
<td>(+) 19.43</td>
</tr>
<tr>
<td></td>
<td>vi) Second Class (Ordinary)</td>
<td>1582.04</td>
<td>2028.03</td>
<td>(+) 445.99</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2954.45</td>
<td>3504.97</td>
<td>(+) 550.52</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td>(-)2761.08$</td>
<td>(-)12916.72</td>
<td>(-) 155.64</td>
</tr>
</tbody>
</table>


$ AC Chair Car (M/E) made loss in 1998-99.

# Differences of Rs. 0.01 crore is due to rounding off.

The table shows both components, profit making services and loss making services, of 1999-2000 and compared with 1998-99 in different classes. The total profit making from
mail/express trains during 1998-99 was Rs. 193.38 crores while it was Rs. 588.25 crores in 1999-2000. The total profit was increased by Rs. 394.87 crores during 1999-2000, however, the total loss from Mail/Express and Ordinary trains was increased by Rs. 550.52 crores from Rs. 2,954.45 crores in 1998-99 to Rs. 3504.97 crores in 1999-2000. The overall passenger services continued to incur heavy losses which increased by Rs. 155.64 crores in 1999-2000 over 1998-99. The loss in Second Class (ordinary) and Second Class Mail/Express (M/E) increased substantially by Rs. 445.99 crores from Rs. 1582.04 crores in 1998-99 to Rs. 2028.03 crores in 1999-2000 and Rs. 216.92 crores from Rs. 161.48 crores in 1998-99 to Rs. 378.40 crores in 1999-2000 respectively.

From the analysis of receipts and expenditure on this class, the audit revealed that whereas the receipts increased by 42.35 percent over 1998-99, against an increase of 4.98 percent in 1998-99 over 1997-98 and the working expenses of this class increased by only 2.33 percent over 1998-99, against 21.83 percent in 1998-99 over 1997-98. It was also observed that the AC Chair Car (M/E) which suffered a loss of Rs. 23.76 crores in 1998-99 not only recovered the loss but also made profit of Rs. 48.19 crores in 1999-2000.
After given the audit observations about the financial management there is a need to check the other departments of railways also. And now, we give the observations of audit about the earnings of railways.

In case of earnings, the non-revision of siding charges in respect of electric locomotives used for placement and removal of wagons resulted in short recovery of Rs.24.67 crores. The siding charges are normally fixed on the basis of All India Engine Hour Cost. It was observed the siding charges should be reviewed periodically at intervals of not less than once a year to ensure that they adequately cover the cost of haulage of wagons over the siding. The short recovery of Rs.24.67 crores belong from South Eastern Railways. As on 31 March 1999, altogether 1295 sidings were in operation. Out of these Eastern Railway had 216 sidings in operation on the same date but in respect of these full information was not available. It had shown in audit report of 2000, that total freight earnings on the 8 Zonal Railways, excluding Eastern Railway Zone, during 1994-95 to 1998-99 Rs.76,688.74 crores, of which Rs.56,807.99 crores were from siding (74.08 percent).¹

The objective of the railways is to run longer trains to earn more revenues at minimal operating expenses, The Railway

Board has been issuing instructions to Zonal Railways from time to time for running full load rakes of BCN/BCX/CRT wagons to avoid wastage of haulage capacity of locos, line capacity and crew capacity etc. In August 1994, Railway Board viewed the decrease in average load of rakes on Western Railway seriously and instructed that BCN/BCX and CRT rakes should not be run with less than 40 and 75 wagons respectively. But in June and July 1995, Railway Board emphatically instructed Zonal Railways that under no circumstances should BCN rakes be permitted to be loaded and run with less than 40 wagons.

The test-check of records of 9 loading points at 7 stations/siding (Dadhdevi, Morak, Lakheri, Beawar, Bangurgram, Chanderiya and Mangliagaon) on Western Railway revealed that in spite of the Board’s clear instructions, 1193 BCN rakes, booked during August 1994 to February 1999, were run with less than 40 wagons each. The shortfall ranged between 1 and 12 wagons. These rakes containing cement, rice, single super phosphate, urea, zinc bars and de-oiled cake were booked from the 9 loading points on Western Railway to several destinations for distances running from 62 to 2181 kilometres. For these 1193 rakes, railways accepted indents for 47,574 BCN wagons, but actually supplied only 44288 BNC wagons. The reason for short supply of wagons by
railway administration were not on record. Further, of the supply made, 1920 wagons were not loaded by the consignors and were hauled empty which the loaded wagons upto the destinations.

Consequently, there was empty haulage of 1920 BCN wagons supplied to parties resulting in loss of earning capacity of Rs.4.98 crores and there was wastage of hauling capacity of engines, capacity of line and crew to the tune of Rs.4.44 crores due to short composition of 1193 rakes. Thus, the aggregate loss came to Rs.9.42 crores.\(^1\)

The matter was taken up with Deputy Chief Accounts Officer (Traffic), Ajmer in December 1998. The railway administration in their reply, approved by Railway Board, stated in October 1999 that, the major reason for loading less than the full composition of BCN rakes was forfeiture of wagons by railway after their supply to the parties, and empty haulage of wagons was due to less loading by the parties and it would not have been prudent for railway administration to split up the rake and detain the wagons not loaded by the parties.

The Container Corporation of India (CONCOR) was set up with the prime objective of developing multi-modal transport logistics infrastructure to support the country’s growing

\(^1\) Ibid, p. 128.
international trade as well as for transport of domestic traffic in ISO containers by adopting the latest technology and practices. The Container Corporation of India had been collecting all charges including freight from the customers with effect from 1 November 1990. They are required to deposit the railway freight at the prescribed rates with the Traffic Account Office of the originating railway on fortnightly basis. However, as per Railway Board’s instructions, whenever railways were called upon to render additional services by way of placement of wagons in a siding, instead of regular goods shed, separate placement charges were to be recovered from the parties in addition to normal freight charges. It was noticed that Container Corporation of India had partially paid (March 1996) an amount of Rs.0.57 crores towards placement charges for the period from November 1990 to March 1996. Subsequent payments had, however, not been made deposit raising of bills. The Container Corporation of India had made no payment after March 1996 despite the fact that during the visit of a team consisting of General Manager (GM Container Corporation of India and Deputy Chief Account Officer/Traffic, Southern Railway, it was confirmed during the field study that extra operations were being carried out for placing the Container Corporation of India containers at lay-by siding. The railway administration failed to enforce clause
2.8 of memorandum of guidelines which specifically provided payment of a schedule of charges by Container Corporation of India determined mutually between Indian Railways and Container Corporation of India for pilot and shunting operations for any specific operational need that might arise.

As a result, an amount of Rs.3.44 crores for the period November 1990 to February 2001 excluding the amount of Rs.0.57 crores paid in March 1996, remained outstanding.\(^1\) The Western Railway incurred loss due to incorrect grant of benefit of trainload class rates on Liquefied Petroleum Gas booked in BTPGLN tank wagons. The Western Railway zone resulted in loss of revenue amounting to Rs.16.56 crores for period from October 1998 to March 2001 in respect of three siding.\(^2\) As per the instructions of Railway Board of 1 January 1982, that the benefit of train load class rates was admissible only when the minimum tonnage prescribed for various conditions was offered and loaded by the party. The minimum tonnage prescribed for Liquefied Petroleum Gas (LPG) was 1100 tonnes Broad Gauge. It was, however, reduced to 800 tonnes (BG) from November 1984. In July 1997, Railway Board took some corrective measures and revised the train load tonnage to

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\(^2\) Ibid, p.35.
conform to the number of wagons in rakes of different types of wagons. The benefit of train load rate would be admissible if the party loads all the fit wagons of a full rake. However, these instructions did not cover BTPGLN tank wagons, which are used by the oil companies for loading of Liquefied Petroleum Gas. The benefit of train load class rates therefore, continued to be allowed on minimum tonnage (800 tonnes). This condition could be achieved by the party by loading only 22 BTPGLN tank wagons. In January 2000, a review of records by Audit of Liquefied Petroleum Gas siding, Kandla, revealed that in absence of the prescribed standards rake size for BTPGLN tank wagons, the benefit of trainload rate was being granted in all such cases where the composition of rakes was 22 and above.

In case of Western Railway, Kandla Port resulted in loss of Rs.4.00 crores during the period August 1992 to November 2000, in respect of delay in notifying the through distance for levy of freight charges.\(^1\) The Metre Gauge rail link between Gandhidham and new Kandla Port Station was opened to traffic in June 1955. The distance from Gandhidham to Kandla Port Station is 11.88 kilometres out of which Western Railway’s portion is 7 kilometres from Gandhidham to the interchange point and that of Kandla Port

\(^1\) Ibid, p. 51.
Trust is 4.88 kilometres from the interchange point to Kandla Port station. For this entire stretch, haulage charges on kilometre basis was being collected by railways and shared between railways and the Kandla Port Trust proportionate to the length of line owned by them i.e. 7:4.88. The haulage charges leviable were initially fixed tentatively in June 1955. In December 1977, the Railway Board advised revised haulage charges to Western Railway Administration for this section. Western Railway Administration made the revised rates effective from 15 February 1978. Consequently, the haulage charges were not revised thereafter. Later, reviewing the position, the Western Railway Administration considered that the system of computation of haulage charges on the basis of working expenses was cumbersome, and, therefore, decided in July 1991, to do away with the existing arrangement and to levy freight charges for the entire stretch of 11.88 kilometres on through distance basis from Gandhidham station to Kandla Port Station. However, the progress in implementation of the decision was very slow. The notification for levy of freight charges on through distance basis upto Kandla Port was, however, issued in December 2001, effective from 15 December 2000. Throughout the period from March 1978 to December 2000, the basic haulage charges remained unrevised. The Railway Board issued instructions in December 1994 that BRH/BRN
wagons should not be used for any engineering loading and also
desired the railways should clearly indicate that there were no
BRH/BRN wagons with the Engineering Department and that these
wagons were not being utilised for any engineering loading. But yet,
BRH/BRN wagons were used for engineering loading by the Eastern
Railway and resulting in loss of earning capacity of Rs.2.65 crores
due to their detention. In December 1997, Railway Board further
desired that railways should set up a suitable system to avoid
recurrence of cases of loss of earning capacity due to avoidable
detention to wagons. Any such case coming upto the notice of the
General Manager was to be taken up suitably. This was revealed
from the records that 19 wagons (9BRH, 6BRF, 3BOX and 1
covered) loaded with rails, concrete sleepers, bridge girder etc. were
received at Gaya between 23 January 1993 and 14 November
1997. Out of these 19 wagons, 8 wagons consigned to different
engineering branches of Gaya had been detained for periods ranging
from 402 days to 2287 days, as on 30 April 1999, 2 wagons
consigned to other stations, received on 28 December 1996, had
been detained at Gaya for 852 days each, as on 30 April 1999, and
the remaining 9 wagons, also consigned to other stations, could be
despatched from Gaya to their destination only after receipt of
instructions from Divisional Operating Manager, Eastern Railway in
November 1998 after their detention for different periods ranging from 12 days to 105 days.

The observations are made by audit that the BRH wagons are still in use by railways for engineering loading in contravention of Railway Board order of December 1994, despite Railway Board’s orders to evolve a system to avoid recurrence of loss of earnings due to unnecessary detention to wagons, no system has been evolved so far, as is evident from the present case and consequently, due to lack of co-ordination among different departments, the railway administration suffered loss amounting to Rs.2.65 crores on account of earning capacity due to avoidable detention of these 19 loaded wagons for 11,595 days.

The Indian Railways provide services for the purpose of tourist also. For this purpose in January 1982, the Ministry of Railways (Railway Board) in collaboration with Rajasthan Tourist Development Corporation started running the tourist train called ‘Palace on Wheels’ on Metre Gauge sector of Western Railway. The Metre Gauge tourist train continued upto January 1995 and earnings were shared between Railways and Rajasthan Tourist Development Corporation in the ratio of 72:28. The entire cost of Metre Gauge tourist train was borne by railways. When the conversion of Metre Gauge sector into Broad Gauge, the Railway
Board decided to manufacture a Broad Gauge tourist train and operate it on the action as per revised itinerary finalised in consultation with Rajasthan Tourist Development Corporation. The cost of the new Broad Gauge tourist train was Rs.20.48 crores and was required to be shared equally by Railways and Rajasthan Tourist Development Corporation. The new Broad Gauge Palace on Wheels tourist train was introduced in September 1995.

It was observed, in case of Metre Gauge tourist train, earning sharing ratio between Railways and Rajasthan Tourist Development Corporation was 72:28 and the share of Rajasthan Tourist Development Corporation was low, the reason was the entire cost of this train borne by railways. However, in case of Broad Gauge tourist train, the cost of the train consisting of 21 coaches was shared equally by Rajasthan Tourist Development Corporation and Railways and the earning ratio was 55:45. The Railway Board insisted on higher earning ratio of 67:33 without working out the actual cost of operation of the tourist train. But Rajasthan Tourist Development Corporation did not accept this ratio. Now, from June 1997, Rajasthan Tourist Development Corporation started remitting earnings on 50:50 basis. The loss of earnings of Rs.4.17 crores due to non-implementation of mutually acceptable earning sharing ratio, which was 55:45 in 1996, railways also
suffered a loss of Rs.3.02 crores towards interest on delayed remittances of Rs.41.71 crores and non-payment of the full cost of the tourist train by Rajasthan Tourist Development Corporation.¹

The railway administration also provide service to their staff to travel by a train on concessional railway staff to travel from the nearest railway station to their work place without having to buy a ticket because they have residential card passed which are issued by the railway administration to such staff. With a view to providing transport facilities to these railways employees, a shuttle train was started long back between Itarsi Railway Station and Goods Cabin, New Yard, Itarsi. This shuttle train has been making three trips a day as per schedule prescribed for it. Prior to February 1997, a WAG-2 engine which is generally used for hauling a goods train, was being used. From February 1997 to October 2000, an inferior WAM-4 loco, which can be used both for passenger and goods trains, was used. From November 2000 onwards, AC locos, which are generally used for Mail/Express trains are being used to haul this train. The crew for this train consists of three drivers, three assistant drivers and two guards who are booked for this shuttle train according to their roster. However, the road transport for the work place was not available to the railway employees residing near

¹ Ibid., p.71.
the railway station and working in the offices of Senior Divisional Mechanical Engineer (Diesel Shed), Itarsi, Senior Divisional Electrical Engineer (Traction Rolling Stock) Itarsi, Area Manager, Itarsi and Senior Section Engineer (carriage and wagon) Itarsi, which are situated at a distance of around 6 kilometres from their work place.

It was noticed that this shuttle train was introduced when no other means of conveyance was available for the staff to commute distance from the residential colonies to their work places near the Goods cabin, New Yard, Itarsi. From April 1989, many minibuses started playing between the Itarsi railway station and the work place offices as per the prescribed time tables prepared in consultation with and permission of Sr. Divisional Electrical Engineer (Traction Rolling Stock) Itarsi and Sr. Division Mechanical Engineer (Diesel Shed) Itarsi. The residential card passes to the employees travelling by this train were not being used. Nor were any types of tickets being sold for this train to even passengers other than railway employees. No records to ascertain as to how many passengers were actually travelling by the shuttle train were being maintained. Therefore no earnings were derived from running of this shuttle train.

It was observed by Audit that around 3546 employees were working in these offices and out of these 3356 employees...
who are entitled to transport allowance since 1 August 1997 based on the recommendations of the Fifth Pay Commission were in receipt of the same. They are not availing officially the facility of the shuttle train and the remaining 190 employees residing within the radius of one kilometre from their offices, are not entitled to transport allowance. So those employees who are in receipt of transport allowance as per rules and are going to their places of work as per their own arrangement, there is no necessity to run this shuttle train. The unnecessary running of this train, therefore, resulted in avoidable loss to railway administration of Rs.2.85 crores (Rs. 0.43 crores on pay and allowances of the crew and earning capacity of Rs. 0.93 crores of coaching vehicles, from August 1997 to March 2001, and Rs. 1.49 crores on AC locos, from November 2000 to March 2001).

This issue was taken up with railway administration at the Divisional level in January 2000. The Divisional Operating Department stated in August 2000 that they had no objection to discontinue the shuttle train because private buses are easily available between Itarsi station and Itarsi yard.

In some cases the railway administration provide rebate on full payment of demurrage charges. On June 24, 1985, the Railway Board issued instructions to all Zonal Railways that a rebate
of 2 percent would be allowed if full payment of the undisputed amount of the demurrage charges is made within 10 days of the submission of the bill. For disputed amount of the bill with held by the Steel Plant, a reference is to be made by the Steel Plant to the Zonal Railways within 30 days of submission of the bill. It was found that payable on the disputed amount, the Steel Plants are required to pay to the railways interest at the rate of 0.5 percent per month to be applicable from the month following the month of submission of the bills. The interest would be payable for the number of months or part thereof for which the payment is withheld, subject to a maximum of twelve months. In May 1996, the Railway Board reiterated their earlier instructions of June 1985.

It was noticed, during the inspection of Senior Divisional Operating Manager’s Office, Adra in August 1996, that despite Railway Board’s instructions (June 1985 and May 1996), no claims of interest amounting to Rs.0.42 crores for the period from July 1992 to March 2001 and Rs.0.32 crores for the period July 1993 to December 2000 were preferred on Steel Authority of India Ltd., Bokaro and Vishakhapatnam respectively on delayed payment of demurrage charges. Even though, Area Manager, Bhilai preferred bills relating to interest on demurrage charges amounting to Rs.1.16 crores for the period July 1985 to January 2001 on Steel Authority
of India Limited, Bhilai, the payment is still awaited. Against an amount of Rs.0.10 crores due from M/s Tata Iron Steel and Company (TISCO) on this account for the period from March 1994 to February 2001, an amount of Rs.0.05 crores is still to be preferred and realised from them. Failure on the part of the railway administration to prefer claims/delayed submission of claims of interest on belated payment of demurrage charges, resulted in non-realisation of Rs.1.95 crores till March 2001.¹

In respect of wagons it is very necessary for the railway administration that to check and verify the wagons. Each wagon is to be thoroughly checked and examined by the Train Engineer’s (TXR) staff to see that it is made water tight. When the wagon is found to be defective, immediate steps are to be taken to get it repaired. Where TRX staff is not available, the commercial staff is to plug the holes and make the wagon water-tight with the aid of the roofing compound.

At Raasi Cement Siding empty rakes are coming from different stations are Southern Railway/South Central Railway, duly checked At TXR Depots. The rakes with invalid Brake Power Certificate (BPC) are checked by carriage and Wagon (C&W) Depot, Nadikudi entrusted with check of wagons being supplied to this

¹ Ibid, p.77-78.
siding. The check of records for the period June 1998 to March 2001 in this siding revealed that out of 258 rakes received at the siding, 532 wagons were not loaded due to rejection of wagons by the consigner, M/s Raasi Cement Limited, due to top holes, side holes, bottom holes and door holes etc. The rejected CRT wagons (114) were detached at the serving station (Vishnupuram). The remaining 418 wagons were moved empty with the loaded rakes to the destination. However in both cases the loaded rakes were hauled with less than the specified number of wagons to make a standard rake to qualify for train load rate.

Thus, supply of non-water-tight wagons led to their rejection by the consigners, resulting in unnecessary haulage of empty wagons and causing loss of earning capacity of Rs.1.58 crores.¹

The works and contract management also very necessary for the railways. After audit of railway revenues we are able to present the observations of audit about the works and management of railways.

When we discuss about the projects, firstly we can take the project of ‘Gaya-Manpur’ section. There was a provision of wired third line under traffic facilities and this was included in Final

¹ Ibid, p.79.
Works Programme 1990-91 with anticipated cost of Rs.3.74 crores, with target date of completion as 31 December 1993. The work was proposed to remove deterrents of cross movements and interferences etc. on Gaya-Manpur section causing serious problems for fluid operation of goods movement over Ground Chord. The General Manager, Eastern Railway, sanctioned the detailed estimate of Rs.4.98 crores in November 1990 the execution was started in May 1991. During the General Manager's inspection in January 1992 on Kiul-Gaya section, he ordered that the work should be suspended and desired that a comprehensive master plan about the freight pattern should be made by Chief Operating Manager (COM) concerning Kiul-Gaya section, electrification between Patna-Gaya section and the 3rd line between Gaya-Manpur. In April 1993, the Chief Engineer requested Chief Operating Manager to decide the scope of work of the 3rd line between Gaya-Manpur and sought orders for re-starting the work. The Chief Operating Manager ordered in July 1993 that the 3rd line between Gaya-Manpur section with the exception of stretch over Falgu bridge should be provided. The 3rd line on either side of bridge should have joint line working and cabins on either side of the bridge should be provided for passage of trains across the bridge.
The work was re-started in November 1993. By November 1996, most of the civil engineering works were completed except permanent way linking of track. However, the commissioning of the line was not possible unless the construction work of cabins at both ends of the Falgu river was completed and the cabins were not covered in the sanctioned estimate. The Signal and Telecommunication Department was provided sanction of material modification for construction of cabin. In November 1996, it was informed by the Deputy Chief Engineer (construction) to the Deputy Chief Signal and Telecommunication Engineer, Mughalsarai that his office was not able to produce further with the construction of cabins due to non-availability of sanctioned material modification even though the target date was December 1996.

In August 1997, it was decided in the conference of Chief Administrative Officer (construction) with other officers that to have the scope of the work of Gaya-Manpur section reviewed by the Additional General Manager (AGM). The Chief Administrative Officer (construction) also emphasised that no money was to be spent till the scope of work was decided and that arrangements should be made to dispose of the excess materials lying there. Accordingly the work was suspended in September 1997 on technical grounds. Thus, the scope of the work was still not decided
(January 2000) due to non-finalisation of the signalling plan of the work of Gaya Route Relay Interlocking and in view of the remarks of the DRM, Mughalsarai that the line was not required. There was expenditure of Rs.5.38 crores already incurred on the project remained unfruitful.

Another project was introduced by the Railway Board in respect of Southern Railway. In March 1995, Railway Board sanctioned the Gauge conversion project, Metre Gauge to Broad Gauge, of Yeshwantpur-Baiyyappanahalli-Salem section over Southern Railway including the provision of a bye-pass at Yeshwantpur. The section (Yeshwantpur-Baiyyappanahalli) when commissioned along with bye-pass would make available a direct Broad Gauge link for traffic coming from Jolarpettai side and the work was targeted for completion by February 1996. Under this project, the conversion of Salem- Baiyyappanahalli section was completed and commissioned for Broad Gauge traffic from 12 January 1997. The other work of residual section between Yeshwantpur-Baiyyappanahalli was completed on 31 August 1999 except bye-pass at Yeshwantpur, which was yet to be completed (August 2001). Upto February 2001, the cost incurred on the Yeshwantpur-Baiyyappanahalli Gauge conversion work was Rs. 15.10 crores. This line has not been commissioned and the goods
trains from Baiyyappanahalli side to areas beyond Yeshwantpur were routed through Baiyyappanahalli-Yelahanka-Yeshwantpur involving reversal of Train Engine and Brake Van twice, once at Yelahanka and again at Yeshwantpur.

It was observed from the work that the work of Baiyyappanahalli-Yeshwantpur section was completed in August 1999 except bye-pass at Yeshwantpur. This section was non-commissioned and had led the investment of Rs. 15.10 crores remaining unfruitful. The commissioning of the Traffic in the section, even without bye-pass at Yeshwantpur, could have avoided one reversal at Yelahanka and the reduction of resultant loss on account of detention of rolling stock to the extent of about 50 percent of total loss.

In the case of deposit work, under the provision of Para 1849 of Indian Railway code for Engineering Department, no expenditure in excess of either the sanctioned estimate or the sanctioned allotment of the deposit made, by the party, should be incurred. If there any excess expenditure is anticipated, acceptance of the party concerned should be called for an additional deposit obtained.

Para 1853 of the same, Accounts Officer could prefer a provisional bill on account of maintenance charges even before
sanction of the completion report. Further, in terms of Para 1171 of the Indian Railway Code for Engineering Department stipulates that for works costing rupees one crore or less, the completion report should be submitted within six months of completion of the work. In case of works on which no expenditure is recorded for three consecutive months, the Accounts Officer should call for the completion report. If abnormal delay in submission in reports by the executive officers should be brought to the notice of the Head of the Railway Administration by the Accounts Officer.

A private siding for Indian Oil Corporation Bangaigaon (IOC) was constructed by the railway administration. The railway administration incurred expenditure of Rs. 0.58 crore which exceeded the deposits made by the party by Rs. 0.09 crore. The siding was opened for traffic on 30 January 1985. Only one rake was placed on the siding in 1986 and since then no traffic was offered till January 2000.

The agreement was reached between the Railways and Indian Oil Corporation on 31 March 1986. According to the agreement, the railway administration was to maintain the track at Indian Oil Corporation’s cost and such cost being paid annually in advance.
Review of the records relating to this work, however, revealed that though the line was opened for traffic on 30 January 1985, the completion report could be drawn up only in January 1998. The railway administration attributed the delay in drawal of completion report to non-payment of the excess expenditure of Rs. 0.09 crore by Indian Oil Corporation. On the other hand, Indian Oil Corporation insisted on the completion report as a pre-requisite for making payment.¹

A meeting was held in February 1998 and it was decided that a joint inspection of the siding would be conducted by representatives of both parties in March 1998 and the siding would be handed over or commissioned subsequently.

In case of conversion of track, the Ministry of Railways (Railway Broad) is responsible for different Railway Zones track conversion or existence the lines. It was decided in April 1994 that conversion of Metre Gauge sections into Broad Gauge, the existing private Metre Gauge sidings also be converted into Broad Gauge on assisted siding terms. The maintenance charges for the converted sidings were directed to revised, and the agreements were also be revised or updated. The gauge conversion of defence siding should

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also be done on assisted siding terms, this provision was decided after one month of the previous decision.

Under Northern Railway Zone, the gauge conversion of Jodhpur-Jaisalmer Metre Gauge was taken up during 1994-95. In September 1994, defence authorities requested Northern Railway Administration for gauge conversion of defence sidings. It was also requested providing additional facilities at some of the stations and to send estimates for the same. The estimates of Rs.4.93 crores were prepared for providing Broad Gauge facilities of 5 stations, viz. Odaniya Chacha, ShriBhadriya, Lathi, Jetha Chandan, Thaiyat Hamira and Jaisalmer, in December 1994. The proposal for providing additional facilities at Phalodi and Pokaran Road stations were prepared as the insistence of defence authorities. The revised estimated cost amounted to Rs.5.34 crores. Out of this, the share of defence department worked out to Rs.3.42 crores.¹ The works of gauge conversion were completed and during April 1995 to October 1996 this was opened for traffic without getting any deposit or even a formal acceptance of defence authorities to bear the cost.

In August 1996, when defence authorities were requested to deposit Rs.3.42 crores towards their share of cost

because they did not make the payment. Thereafter, railway administration did not pursue the matter.

It was found that out of 6 stations where facilities were provided, the interest and the maintenance charges for only two stations were recovered and the other 4 stations (3 sidings were opened in June 1995 and 1 siding in October 1996) were not on record. For the recovery of maintenance charges the Accounts Department did not raise any bill. In respect of these 4 stations from the date of their opening to March 2001, the total interest and maintenance charges due for recovery from defence department worked out to Rs.1.78 crores and the agreements with the defence department have also not been executed as yet (September 2001) in respect of all the six slidings.

In September 1999 the matter was taken up by Audit. It was observed by Audit that for the 4 stations, the railway administration have not taken any action to raise the debit amount of Rs.1.78 crores for interest and maintenance charges for defence works. And Rs.3.42 crores were also deposited for defence authorities because no payment has been made. Thus, the railway administration start the work without getting any deposit from defence authorities and its failure to raise debits towards interest
and maintenance charges for these works at 4 stations resulted in non-recovery of Rs.5.20 crores.

In respect of recovery of electric charges the Railway Board recover charges for supply of electricity from employees residing in railway colonies. The electricity charges are recovered at the monthly average of the metered consumption during the previous six months multiplied by the pooled rate per unit. The bills for the first six monthly period are prepared on the basis of the charges fixed for similar type of quarters and are recovered each month till a new charge is fixed based on the metered consumption. It is the duty of Electrical Department to prepare bills separately for each pay bill until and sends to the bill preparing office and the accounts office concerned. The responsibility of correct and complete recovery of monthly electricity charges is the pay bill preparing office. At the time of recoveries of electric charges the Accounts Department comprise the bills with the rent rolls to ensure that electricity charges in respect of each electrified quarter have been duly accounted for, scrutinise the statement showing the amount to be recovered and the amount actually recovered.

It was observed by the audit, in case of Bhopal Division of Central Railway, that the recovery of electricity charges was less than the demanded billed for. During April 1993 to March 1996,
against a demand of Rs.1.29 crores, the recovery effected was Rs.1.21 crores. Thus, the short recovery was taken up with Divisional Accounts Department, Bhopal in October 1996. With a view to ascertaining position on other divisions a review of records maintenance in Electrical Department, Accounts Department and Personnel Department of all the seven divisions including Bhopal on Central Railway for the period from 1996-97 to 1999-2000 was conducted in audit and the review revealed that the total sum of half yearly electricity bills preferred against railway staff worked out to Rs.29.46 crores. Against this demand, the recovery made from railway employees amounted to only Rs.20.51 crores and resulted in short recovery of Rs.8.95 crores from the staff concerned.\(^1\) It clearly shows that the Accounts Department and pay bill preparing office failed to effect complete and correct recovery of the electricity charges billed to the occupants the railway quarters.

Further, there was wide gap between the number of quarters electrified in each division and actual number of quarters for which bills had been preferred, this was revealed from the scrutiny of the electricity bills preferred in each of 7 divisions. During 1999-2000, the number of electrified quarters on Central Railway was 67,283. Against this, the average number of quarters

\(^1\) Ibid, p.109.
for which monthly bills had been preferred was 57,723. And there were no reasons on record for not preparing the bills for remaining 9,560 quarters. This also clean that the Accounts Department failed to compare the bills with the rent rolls.

On the part of stores and assets management of railways, some important equipments are imported by the Railway Board from abroad. For ballast cleaning the Indian Railways use a machine known as the Ballast Cleaning Machine and this equipment Ballast Cleaning Machine is intended for deep screening the ballast to a width of 4 metre under the sleeper.

The Ministry of Railways (Railway Board) entered into a contract with an American firm, M/s Kershaw Manufacturing Company, USA, for supply of 2 Ballast Cleaning Machines with spares at Rs.13.10 crores per machine. This contract was done in December 1995 and the delivery of these two machines was to be completed by July 1997. These two Ballast Cleaning Machines were received in December 1998 and January 1999 respectively. The amount of Rs.2,86,89,447 was paid, as custom duty for each machine, by the purchaser. On delay of both machines, delivery received, the custom authority demanded additional Counter-Veiling Duty (CVD) of Rs.4.23 crores and the amount was paid by the

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railways as demanded. In December 1998, and September 1999, the Controller of Stores, Central Railway filed an appeal for refund of the excess custom duty of Rs.4.23 crores.\footnote{Ibid, p. 138.} The appeal, however, was rejected in February 2001 by the commissioner of customs (Appeal).

It was revealed from the performance of the contract in audit review that the two machines were to be supplied by 31 July 1997 and the firm failed to adhere to contractual dates of delivery of machines. The date of delivery was extended by the Railway Board upto June 1998 without liquidated damages and further extension was given upto 15 November 1998. The Southern Railway and Western Railway were received the machine on 2 December 1998 and on 23 January 1999 respectively. On 24 September 1999, one machine was commissioned on Southern Railway after a delay of more than 9 months. Delay in commissioning of the machine was attributed to modification of axle gear boxes, replacement of brake valve in brake system and replacement of roller and modification of rail lifter. After modifications carried out by the firm the machine is working satisfactorily. On the other hand, due to defect in the transmission system, the second machine could not be commissioned on Western
Railway. Railway administration is carrying out the work of deep screening of track by two existing machines. The amount of Rs.13.10 crores, invested by the railways, could not yield any profit. However, an amount of Rs.1.82 crore was paid by the railway to generate revenues for the years 1999-2000 and 2000-2001 for this defective machine. On account of excess payment of custom duty, the recoverable amount from the contractor worked out to Rs.9.48 crore by the Railway Board withheld Rs.3.81 crore under this contract and encashed bank guarantee of Rs.1.83 crore. Thus, the extra amount of Rs.3.84 crore was recoverable from the firm, however, a period of more than 2 years has passed and no efforts have been made by the Railway Board to recover the amount from the firm.

In South Eastern Railway, a Narrow Gauge section of Adra Division was closed for passenger traffic. The section Bankura-Damodar-Rainagar was closed for passenger traffic because the serving steam engine was beyond repair and there was no other engine to run the section, and also there was no goods traffic on this line. In 1997-98, the Hon’ble Railway Minister announced in his budget speech the introduction of Narrow Gauge Rail Buses on the four sections such as:

i) South-Eastern Railways – Bankura-Damodar
ii) Western Railway – Bodeli-Chhota Udepur
iii) Western Railway – Ankaleshwar – Raj Pipla
iv) North Eastern Railway – Maharajganj-Durandha.

On 4 March 1998, the first set of Narrow Gauge Rail Bus, cost of Rs.0.45 crore, was received at Bankura from Mysore Workshop. On 21 October 1998, the second set was received at Vishakhapatnam, and the other two Narrow Gauge Rail Buses were to be despatched to the Western Railway in April 1998. The two rail buses were not commissioned as the work of gauge conversion of the Bankura-Damodar-Rainagar section which were received on South Eastern Railway in March 1998 and October 1998. In October 1998, the General Manager of South Eastern Railway decided to introduce the Rail Bus Service on Naupada-Gunupur section of Waltair Division and the same date the two sets of rail buses were diverted into Naupada. However, the Chief Operations Manager stated that there was no traffic requirement of running Rail Buses on any section of Southern Eastern Railway. So both sets of Rail Buses were led without any traffic requirement at Naupada.

The railway administration incurred in fructuous expenditure of Rs.0.90 crore. On injudicious procurement of two sets of diesel Rail Buses for the period from April 1996 to March
1999.\textsuperscript{1} It was observed from the above that in 1998-99, a proposal for repair of track in order to introduce 'Rail Bus Service' in BDR section was sent to Railway Board for inclusion. In August 1998, Railway Board froze the work of track renewal and provision of Rs.1 crore allotted for 1998-99 was permitted to be utilised for other work.

The Railway Board provide the facilities of transfer of trains from one track to another. This crossing system consists of points and splice rails, wing rails and check-rails suitably held together. Under the solid crossings the Cost Manganese Steel are particularly useful in continuous welding of rails.


During the years 1997-98, 1998-99 and 1999-2000, the review of tenders finalised revealed that the Railway Board placed order for 10,489 numbers Cost Manganese Steel crossings against the total requirement of 5,044 crossings through three tenders without ascertaining the quantity available and quality utilised. The orders placed on the regular suppliers, developmental

orders for 5,350 numbers Cost Manganese Steel crossings, 2800 numbers in 1997-98, 2500 numbers in 1998-99 and 50 numbers in 1999-2000, were placed, which were outside the vetted and tenders quantity. For consumption, of these orders 1500 numbers were received and available. However, the availability of Pre-stressed Concrete Sleeper turnouts are very essential requirement because the utilisation of Cost Manganese Steel crossings depended upon these. The Railway Board revealed that the acute shortage of Pre-stressed Concrete Sleeper turnouts due to inability of manufacturers to supply the ordered quantity and it was clear from the procurement of Pre-stressed Concrete Sleeper turnouts. The Cost Manganese Steel crossings procured could not be utilised fully due to acute shortage of Pre-stressed Concrete Sleeper turnouts. The Railway Board made corresponding reduction in the orders placed for Cost Manganese Steel crossings but failed to link up the procurement of Cost Manganese Steel crossings with Pre-stressed Concrete Sleeper turnout. In the successive years (1997-98 to 1999-2000), there was excess inventory because of failure of the Board to correctly assess the requirement of Cost Manganese Steel crossings, by taking into account the supplies due orders placed and the availability of Pre-stressed Concrete Sleeper turnouts.
The Audit has worked out an excess stock balance of 2,846 numbers valuing Rs.20.05 crores at the end of 1997-98, 3,995 numbers valuing Rs. 28.14 crores at the end 1998-99 and 4,587 numbers valuing Rs.32.32 crores at the end of 1999-2000.¹

The permanent way and works are very essential for the railways. The Railway Board spend money on the repairing and maintaining of these permanent way and works. The Board is responsible for the new construction also. For this purpose the Board make contracts with the Contractors for construction of bridges from time to time.

In June 1989 and March 1991, the railway administration excluded two contracts with the same contractor in connection with the construction of Rail-cum-Road Bridge across river Brahmaputra at Jogighopa in Northeast Frontier Railway Zone. Against these two contracts, the works were started simultaneously in October 1991 and completed by December 1998. As par the provision of the contract the required cement and steel for the permanent work was to be supplied free of cost.

It was revealed from Northeast Frontier Railway that the provisions were not followed in as much as steel materials were supplied to the Contractor directly through Steel Authority of India.

Consequently audit observed that 38,081.041 metric tonne of steel was supplied to the contractor. Of this, only 32,097.435 metric tonne was consumed and 5,983.606 metric tonne valued at Rs. 10.13 crores (at the average purchase rate of Rs.16,935.00 per metric tonne) became surplus and further it was observed that this surplus steel material could have been utilised in various on-going conversion works where matching material was required. Instead, 3,828.08 metric tonne valuing Rs.6.48 crores was disposed off as scrap through tender/auction for Rs.4.47 crores, thereby incurring a loss or Rs.2.01 crores.¹

Thus, we can say that, in connection with Rail-cum-Road Bridge across the river Brahmapura at Jogighapa, the railway administration failed to exercise judicious control over the procurement process of steel materials. The railway administration also failed to invoke the provisions of the contract such as the required materials for the work was to be supplied free of cost and hold the contractor responsible for the excess supply of material.

The sale of scrap of wagons are used for recovery of losses in railways. The store depots attached to consuming departments or workshops are responsible for arranging regular collection of all items of scrap from the consuming department for

¹ Ibid, p.170.
its auction, this was prescribed in Indian Railway Code for Stores Department. The all scrap items are despatched to the other stores for its auction and railways earn income from this segment and may use as loss recovery of railways. To dispose of any particular item of scrap at site or at the point of generation of scrap, this may be decided by the Controller of Stores.

In February 1997, a review by audit of records maintained in the Office of Senior Divisional Mechanical Engineer (Diesel), Itarsi for the period from September 1994 revealed that turnings and borings wheel lathe at Diesel Shed, Itarsi were being loaded in covered wagons and despatched to Jhansi or Manmad Stores Depots for sale through auction.

It was noticed that Jhansi Stores Depot informed in 1994, Diesel Shed, Itarsi, that it had no arrangement to unload the wagons containing turnings and borings and requested that wagons loaded with turnings and borings should be disposed of at the spot itself instead of despatching them to Jhansi Depot. Similarly, the other, Stores Depot, Manmad had also refused to accept the scrap on the ground that weigh bridge had gone out of order. In July 1996, the Chief Mechanical Engineer asked the Senior Divisional Mechanical Engineer (Diesel), Itarsi to arrange sale of turnings and borings on 'as is where is' basis and not to despatch that material
to these depots. The Diesel Shed, Itarsi, however continued loading of the scrap in covered wagons and despatching them to Jhansi and Manmad on the ground that Diesel Shed, Itarsi had no arrangement of staff, facilities and layout etc. to handle the turnings and borings for direct disposal.

30 wagons were detailed in Diesel Shed Itarsi for the periods ranging from 10 days to 505 days before these were fully loaded and despatched to Manmad/Jhansi, this was revealed from scrutiny of records. 5 such wagons loaded with the turnings and borings were hauled from Itarsi to Jhansi and back and again from Itarsi to Manmad. These wagons were finally unloaded by Stores Depot, Manmad following issue of instructions by Controller of Stores (COS). The railway administration suffered loss of Rs.1.28 crores on account of loss of earning capacity of wagons detained.¹

A meeting was held between Controller of Stores and Chief Mechanical Engineer in October 1997 and it was decided in the meeting that disposal of turnings and borings should be done at site. Senior Divisional Mechanical Engineer (Diesel), Itarsi, followed this decision and submitted a proposal to the Engineering Department for development of the siding and creation of facilities

¹ Ibid., pp.172-73.
at an estimated cost of Rs.0.09 crore for disposal of scrap. The work was not undertaken due to shortage of funds.

As far as the audit of the Indian Railways is concerned, the accounts of Indian Railways are audited by Government of India. The Comptroller and Auditor General of India is responsible to check and verify the accuracy and correctness of accounts in order to secure that all revenues and receipts collected are brought into account under the appropriation heads, that all expenditure and disbursements are authorised vouched and correctly classified and that the final accounts represents a complete and true statement of the financial transaction. However, in most cases the responsible department do not provide the correct information about the collection of revenue, while the government auditor entirely depends upon the government officials and on the responsible departments for completion of their works.

In order to improve the standard of accounting and auditing, Indian Railways should reorganise its accounting procedure and auditing norms with an appropriate corporate structure. The Indian Railways should also follow the other emerging trends in accounting e.g. Human Resource Accounting System, Inflation Accounting System, Management Accounting, Responsibility Accounting and different modes of corporate reporting.
Thus we can say that the audit of railway accounts are very necessary because without audit of accounts no business enterprise can run successfully and the railways are no exception. The railways are a commercial enterprise, their accounts must be checked and verified by the auditor general. The functional area of railways are very vital. We are able to express the views of auditor general in respect of relationship between the different authorities as

i) The Chief Accounts Officer should be responsible to the General Manager for rendering of accounts

ii) There should be no impediments on the channel of communications between the Chief Accounts Officer and his subordinate officers.

iii) The Chief Accounts Officer should be entirely responsible for running his own department and assess the professional capabilities of his subordinate officers.

iv) In case of any difference of opinion between the Executive Officer and the Accounts Officer, the Executive Officer should refer the matter to the General Manager for a decision, and the General Manager should consult the Financial Adviser in the matter.
v) In cases, where there is a difference of opinion between the General Manager and the Chief Accounts Officer and they are unable to come to an agreement, the General Manager should make a reference to the Railway Board. In case, if the General Manager is unwilling to refer the matter to the Board, the Financial Adviser and Chief Accounts Officer may refer the matter direct to Railway Board.

Thus it can be said that the views of Auditor General of India about the really appreciable improvement of efficiency in the field of accounts and of financial advice.

In conclusion it may be observed that the discussion in this chapter brings out clearly the accounting system of Indian Railways and the process of audit also. There is need of proper maintenance of the accounts of railway and these accounts should be properly checked and verified by the Comptroller and Auditor General of India because it comes under the Public Undertaking and have an extensive area. In this chapter we have given the process of maintaining the railway accounts, internal check and internal audit system and then statutory audit system. We have also discussed the authorities, duties and powers of Comptroller and Auditor General of India, which comes under the Articles of 149 to 151 of
the Constitution of India, in respect of railway accounts. We have also prescribed the reporting of the Comptroller and Auditor General of India relating to railway accounts. In the end we have expressed the views of Auditor General for different authorities of railways.

With this conclusion we can now shift to make a conclusion of this work and attempt the finding and put concrete suggestions and recommendations of this work on the accounting and financial reporting of Indian Railways. The next chapter would, therefore, be a resume of the findings of all the preceding chapters.