

## EXECUTIVE SUMMARY

### *Background*

Indian Railways (IR) is a departmental commercial undertaking of the Government of India. It consists of 66,030 route kms\* on which 22,300 trains ply, carrying about 23 million passengers and hauling nearly 3.02 million tonne of freight everyday. Policy formulation and overall control of the Railways are vested in Railway Board (RB) comprising of the Chairman, Financial Commissioner and other functional Members. The IR system is managed through 17 zones having 68 operating divisions. Apart from the zonal railways representing the operational part of the system, there are seven production units engaged in manufacturing of rolling stock and other related items.

From 1 April 1950, a separate Railway Budget is being presented to the Parliament prior to presentation of the General Budget every year. Though the Railway Budget is presented to the Parliament separately, the figures relating to the receipts and expenditure of IR are also shown in the General Budget, as Railway Budget forms part of the total budget of the Government of India.

### *Summary of Conclusions*

Report of the Comptroller and Auditor General of India-Union Government (Railways) for the year ended 31 March 2014 (Report No.15 of 2015) highlighted that during 2013-14, total revenue receipts, increased by 13.50 *per cent* which was above the Compound Annual Growth Rate (CAGR) of 12.24 *per cent* during the period 2009-13. The growth of freight earnings and passenger earnings were 10.14 *per cent* and 16.63 *per cent* respectively against the CAGR of 13.38 *per cent* and 10.07 *per cent* achieved during 2009-13. Net surplus after meeting dividend liability was ₹ 3,740.40 crore in 2013-14. The Operating Ratio deteriorated to 93.60 *per cent* in 2013-14 from 90.19 *per cent* in 2012-13.

During 2014-15, total revenue receipts increased by 12.43 *per cent* which was below CAGR of 13.99 *per cent* during the period 2010-14. The growth of freight earnings was 12.66 *per cent* in 2014-15 which was below the CAGR of 14.32 *per cent* registered during 2010-14. The growth of passenger earnings

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\* *Route-kilometre-The distance between two points on the railway irrespective of the number of lines connecting them viz., single line, double line, etc. Statistical data of route kms., no. of trains, no. of passengers and freight loading are provisional.*

was 15.49 *per cent* in 2014-15 which was above the CAGR of 12.30 *per cent* registered during 2010-14.

The Operating Ratio improved to 91.25 *per cent* in 2014-15 from 93.60 *per cent* in 2013-14. Net surplus after meeting dividend liability stood at ₹ 7,664.94 crore in 2014-15 as against ₹ 3740.40 crore in 2013-14.

Railway funds closed at ₹ 6,872.73 crore at the end of 2014-15 against the fund balance of ₹ 342.51 crore in 2010-11. The improvement in fund balances was mainly due to not making payment of capital component of lease charges to Indian Railway Finance Corporation (IRFC) amounting to ₹ 12,629.49 crore during the period 2011-12 to 2013-14 from Capital Fund. However, IR started payment of capital component of lease charges to IRFC from Capital Fund from 2014-15 and made a payment of ₹ 5,449.24 crore. Capital Fund closed at ₹ 1,388.90 crore at the end of 2014-15. Depreciation Reserve Fund (DRF) and Pension Fund closed with balances of ₹ 1,777.12 crore and ₹ 1,360.36 crore respectively in 2014-15. Further, the contribution to the DRF was not made as per requirement despite there being a huge backlog of over aged assets amounting to ₹ 47,678.65 crore in the railway system required to be replaced for safe running of trains.

IR was unable to meet its operational cost of passenger and other coaching services. During 2013-14, there was a loss of ₹ 31,727.44 crore on passenger and other coaching services. The freight services earned a profit of ₹ 32,641.69 crore which indicated that 97.20 *per cent* of the profit from freight traffic was utilized to compensate the loss on operation of passenger and other coaching services. The above issues have regularly been highlighted in the preceding Reports of Comptroller and Auditor General of India-Union Government (Railways)-Railways Finances.

IR incurred ₹ 490.37 crore more than the authorization given by the Parliament in two revenue grants, one segment of capital grant and three revenue appropriations despite obtaining supplementary provisions in all except one revenue grant. In nine revenue grants and two segments of capital grant, there were savings of more than ₹ 100 crore.

Railways introduced new works on 'out of turn' basis during a financial year on safety and operational efficiency considerations through Supplementary Demands for Grants outside the regular budget cycle. The follow up audit was conducted on Chapter II of the Railway Audit Report No.5 of 2006-Union Government (Railways) with a view to obtain reasonable assurance about the commitments made by Ministry of Railways to follow the recommendations in the Audit Para contained therein.

Audit observed that IR failed to take advantage of the time gained by introducing these works on out of turn basis before the regular budget cycle. As many as 254 new works taken up through Supplementary Demands for Grants (out of 443 reviewed in Audit) could not be completed even after one to five years of their approval by the Parliament. No improvement was seen in compliance of recommendations given by Audit in Railway Audit Report No.5 of 2006-Union Government (Railways) and accepted by the Ministry of Railways. Further, the urgency stated at the time of seeking sanction to the works on out of turn basis in the Supplementary Demands for Grants was not sustained in the subsequent years after sanction.

### ***Major Recommendations***

Recommendations on various aspects of Railways Finances are given in the relevant chapters of this Report; some of the major recommendations are summarized below:

- ***Ministry of Railways needs to revisit the passenger and other coaching tariffs so as to recover the cost of operations in a phased manner and reduce its losses in its core activities.***
- ***Non-availability of sufficient funds in Depreciation Reserve Fund to replace the overaged assets is indicative of poor financial health of Indian Railways. Ministry of Railways should explore suitable means to improve their fund balances.***
- ***Ministry of Railways needs to strengthen the process of budgetary estimation so that the supplementary demands for grants do not remain unutilised or become short of the requirement. Cases of defects in budgeting need to be analysed and measures taken to avoid recurrence in future.***
- ***Internal control mechanism should be strengthened to reduce the instances of misclassification of expenditure. Deterrent sanctions should be put in place to foster greater responsibility and accountability at the level of key controlling officers.***
- ***Ministry of Railways needs to strengthen its mechanism for selection, periodical monitoring of works at every stage of execution like preparation of detailed estimate, tendering process, provision of fund etc., so that the significance of including works in Supplementary Demands for Grants is not lost.***