

OVERVIEW

Chapter 1 – Financial Management - This chapter contains the financial results of revenue operations, Plan Expenditure, comments on Appropriation Accounts and other financial activities. A brief description of these activities is given below:

- The financial results of revenue operations of the Railways revealed a growth of 10.41 per cent in gross traffic receipts over 2003-04 while the total working expenses rose by 8.3 per cent (**Para 1.2**).
- Railways carried 272.59 million more passengers during 2004-05 as compared to the previous year (**Para 1.3.1**). The goods earnings rose by 11.44 per cent in 2004-05, in spite of the fact that there was no major change in freight rates. Railways earned 75.55 paise for carrying one tonne of goods over one kilometre in 2004-05 as against 72.44 paise in 2003-04. Against the budget projection of 580 million tones of originating revenue earning goods traffic, the Railways actually lifted 602.12 million tones which was more than the previous year by 44.73 million tonnes (**Para 1.3.2**).
- Against the projected clearance of Rs.150 crore of unrealised earnings in the Revised Estimates the Railways actually achieved a clearance of Rs.323.30 crore (**Para 1.4**).
- The operating ratio which was 92.13 per cent in 2003-04 improved to 90.98 per cent in 2004-05 for the Railways as a whole (**Para 1.5**).
- Railways provided for an expenditure of Rs.11048 crore in the Budget Estimate (2004-05) which was enhanced to Rs.12632.80 crore in the Revised Estimates. The actual expenditure fell short of Revised Estimates by Rs.251.64 crore (**Para 1.6.2**). Railways budgeted an investment of Rs.3400 crore for acquisition of rolling stock from Indian Railway Finance Corporation (IRFC). Due to the Railways inability to produce or acquire rolling stock as planned, IRFC was required to invest only Rs.2990.66 crore (**Para 1.6.4**).
- The liability on payment of deferred dividend in respect of new lines increased from Rs.4170.36 crore as on 31 March 2004 to Rs.4538.32 crore as on 31 March 2005 (**Para 1.7**).
- Under Railway Safety Fund (RSF) Railways could expend only Rs.201.37 crore against the budget provision of Rs.401 crore. The shortfall in expenditure was due to State Governments not providing their share of expenditure for road safety works viz. construction of road over/under bridges (**Para 1.8.5**).
- Against the budget provision of Rs.83542.83 crore, the Railways incurred the total expenditure of Rs.84228.91 crore during 2004-05. The excess (Rs.686.08 crore) was the net result of excess in nine grants and six appropriations and savings in eleven grants and nine appropriations (**Para 1.9**).

Chapter 2 - Earnings - This chapter contains the results of audit of revenue earning activities of Railways carried out during the year 2004-05 and also the results of audit carried out in earlier years which could not find place in the Reports of those years. The comments in this chapter include paragraphs relating to lacunae in rules/ decisions, non-observance/ incorrect application of rules, routing deficiencies/ error in computation of distances, detention/demurrage and others. Brief description of paragraphs included in these categories is given below:

- The chapter includes twelve paragraphs pointing out lacunae in rules/ decisions, which caused loss to the tune of Rs.274.25 crore overall. The deficient decisions pointed out include adoption of unremunerative method for charging postal traffic which caused loss of revenue/ short recovery of charges amounting to Rs.183.37 crore (**Para 2.1.1**), foregoing revenue amounting to Rs.18.74 crore by allowing injudicious concession in freight rates and incurring losses to the tune of Rs.8.79 crore due to non-revision of minimum weight condition for banana traffic (**Para 2.1.2**) injudicious introduction of Diesel Electrical Multiple Unit services causing underutilization of assets (Rs 17.76 crore) as well as loss of earning capacity (**Para 2.1.3**), extension of run of an Inter City train with infructuous expenditure of Rs 12.19 crore (**Para 2.1.4**), unsuitability of track leading to non-utilisation of traffic corridor and consequent extra haulage of Rs.8.94 crore (**Para 2.1.5**), non-introduction of separate class for maize, booked for industrial use, causing loss of Rs.6.32 crore (**Para 2.1.6**) and other similar paragraphs.
- Eleven paragraphs have been included pointing out instances where Railways suffered loss of Rs.52.89 crore overall by not observing rules/ orders. The instances include grant of higher than permissible rebate under Own Your Wagon Scheme with consequent loss amounting to Rs.14.01 crore (**Para 2.2.1**), loss on delay in implementation/ non-implementation of rules framed for levying punitive charges on overloaded wagons amounting to Rs.19.58 crore (**Paras 2.2.2 and 2.2.3**), loss due to non-levy of surcharge on "To Pay" traffic amounting to Rs.8.95 crore (**Paras 2.2.4 and 2.2.5**) and some other paragraphs.
- The chapter also includes three paragraphs involving loss of Rs.30.00 crore incurred by Railways on account of non-compliance of instructions for routing of traffic (**Paras 2.3.1, 2.3.2 and 2.3.5**), two paragraphs regarding incorrect computation of distances for charging freight/ passenger fares causing loss of Rs.4.10 crore (**Paras 2.3.3 and 2.3.4**) and other similar paragraphs.
- Eight paragraphs pointing out instances of detention of wagons/ locomotives in the yards, sidings and workshops (**Paras 2.4.1 to 2.4.8**) causing loss of earning capacity/ non-levy of demurrage charges have been included involving loss of earnings of Rs.52.50 crore.

Chapter 3 - Works and Contract Management -This chapter contains paragraphs arising as a result of audit of various construction activities of the Railways. The paragraphs in this chapter point out injudicious decisions

leading to avoidable/ unproductive/ infructuous expenditure and several instances of inadequate/ contract management.

- There are eleven paragraphs where investments were made on unremunerative projects (**Paras 3.1.1, 3.1.2 and 3.1.3**) or works were sanctioned and executed without conducting proper feasibility surveys taking into account their utility (**Paras 3.1.4, 3.1.5 and 3.1.6**). Some works were later on abandoned after incurring expenditure (**Para 3.1.8**). Railways have incurred avoidable/ unproductive/ infructuous expenditure of Rs.158.92 crore on such instances.
- Five paragraphs giving instances of poor contract management have been included involving Rs.68.63 crore. Contracts were awarded without getting the sites cleared and preparing plans and drawings, without assessing the sources of suitable soil, moorum etc. (**Paras 3.2.1 to 3.2.5**). Subsequently, the contracts were short closed or terminated, leading to extra expenditure, delay in completion and non-recovery of risk and cost charges.

Chapter 4 - Stores and Assets Management - This chapter deals with audit of procurement of stores and management of assets such as rolling stock, plant and machinery, land and buildings etc. The paragraphs in this chapter point out inadequate procurement practices and inadequate assets management as follows:

- There are two paragraphs pointing out instances of stores procured without conducting proper assessment of the quantities required, leading to excess procurement and consequent blockage of funds and also extra expenditure involving Rs.17.22 crore (**Para 4.1.1**), failure to incorporate necessary conditions in the tender documents resulting in additional/ avoidable expenditure of Rs.16.22 crore (**Para 4.1.2**) etc.
- One instance of deficiencies in materials management such as stores in excess of requirement issued to contractors (**Para 4.2.1**) has been included. Railway has suffered loss of Rs.5.82 crore in these instances.
- Management of railway land and residential quarters is the subject matter of six paragraphs, pointing out deficiencies in maintenance of land and estates records or lack of agreements due to which appropriate licence fee could not be collected for land leased to outsiders (**Paras 4.3.1 to 4.3.4 and 4.3.6**) or encroachment upon Railway land without effective action for vacation being taken by railways (**Para 4.3.5**). Railways have suffered loss of Rs.32.45 crore in such cases.

Chapter 5 - Establishment Matters - This chapter contains two paragraphs covering instances of irregular/ over payments of transport and overtime allowances of Rs.9.04 crore to the staff (**Paras 5.1.1 and 5.1.2**). Three paragraphs pertain to unauthorised occupation of Railway Quarters by officers and staff or their families after their transfer/ retirement (**Paras 5.2.1 and 5.2.3**). Some other instances of railway residential accommodation being occupied by outsiders or by Government Railway Police have also been

included (**Para 5.2.2**) Railways failed to take timely action either for vacation or for recovering damage rent leading to non-recovery of Rs.20.64 crore.

Chapter 6 - Other Topics - This chapter contains three paragraphs relating to avoidable payment of Rs.8.50 crore on account of Sales Tax/ Entry Tax to State Governments (**Paras 6.1.1 and 6.1.3**) non-recovery of Sales Tax from works contractors leading to avoidable liability (**Para 6.1.2**). Four paragraphs pertain to payment of penalty/ surcharge of Rs.8.14 crore to various Electricity Boards due to failure on the part of Railway Administrations to revise contract demands (**Paras 6.1.5, 6.1.6 and 6.1.7**), or failure to maintain the stipulated power factor (**Para 6.1.4**). There are five paragraphs where Railway Administration failed to recover Railway dues amounting to Rs.11.01 crore on account of maintenance charges of sidings, Road over/under bridges, level crossings and other dues from private parties/ other Government Departments (**Para 6.2.1 to 6.2.5**), one paragraph regarding excess consumption of HSD oil costing Rs.6.31 crore (**Para 6.3.1**) and one paragraph regarding non-utilisation of wheel lathe due to non-provision of DG set (**Para 6.3.2**).

Chapter 7 – Audit Effectiveness - This chapter contains four paragraphs giving the number of objections issued as a result of audit of Railways accounts and records, objections settled after Railways have taken corrective action and those outstanding for want of action by Railways (**Para 7.1**); recoveries effected or agreed to be effected at the instance of audit (**Para 7.2**); response of the Ministry of Railways (Railway Board) to provisional paragraphs (**Para 7.3**); and follow up action taken by Ministry of Railways (Railway Board) on the paragraphs contained in previous reports (**Para 7.4**).