

OVERVIEW

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

- The gross traffic receipts of the Railways registered a growth of 15 per cent and the working expenses rose by above seven per cent over the year 2005-06. The net revenue also increased by almost 80 per cent over the previous year (**Para 1.2**).
- Of the overall increase in traffic earnings, the major portion (66 per cent) comprised goods earnings amounting to Rs.5,429.53 crore followed by Rs.2,098.56 crore (25.47 per cent) from passenger earnings (**Para 1.3**).
- The increase in the passenger earnings was due to increase in number of passengers, enhanced reservation fees for tickets booked for journey originating from other ticket booking stations, tatkal reservation charges, increase in period of advanced reservation charges from two months to three months, cancellation charges etc. (**Para 1.3.1**)
- The increase in freight traffic and corresponding increase in goods earnings was largely due to upward revision of classification of certain commodities such as food grains and fertilizers and increase in freight rates of all commodities (**Para 1.3.2**).
- About 81 per cent of the unrealised earnings (Rs.1,213.39 crore) was on account of outstanding dues recoverable from the State Electricity Boards/ Power Houses (**Para 1.4**).
- Operating Ratio of all the zonal railways except Eastern, East Central and Northern Railways improved as compared to the previous year (**Para 1.5**).
- Undischarged liabilities on account of payment of interest (dividend) on investments made on new lines and shortfall in payment of current dividend due to inadequate net revenue stood at Rs.6,058.97 crore as on 31 March 2007 (**Para 1.7**).
- Appropriation to Depreciation Reserve Fund was not being made in a scientific manner taking into account the historical cost, expected useful life and the expected residual value of the depreciated asset (**Para 1.8.1**).
- Appropriation to Pension Fund was not being made on actuarial assessment (**Para 1.8.6**)
- The overall saving of Rs.3,157.08 crore constituted 2.75 per cent of the total provision of Rs.1,14,929.78 crore. The saving was the net result of savings in sixteen grants and seven appropriations and excess in four grants and nine appropriations (**Para 1.9.1**). The excess of Rs.365.16 crore in four Grants (three Revenue and one Capital) and nine Appropriations (four Revenue and five Capital), requires regularisation by Parliament under Article 115(1) (b) of the Constitution of India (**Para 1.9.3**)

Chapter 2 - Earnings - This chapter contains the result of audit of revenue earning activities of Railways carried out during the year 2006-07. The result of audit carried out in earlier years which could not find place in the Reports of those years have also been included. While the earnings of the Railways have shown an increase over the previous years, a test check of the transactions of the Railways has revealed a number of deficiencies resulting in avoidable losses. These relate to lacunae in rules/ decisions, non-observance/ incorrect application of rules, routing deficiencies/ error in computation of distances and detentions to rolling stock which have had an adverse effect on the overall operational efficiency of the Railways. A brief description of paragraphs included in these categories is given below:

- The chapter includes ten paragraphs pointing out lacunae in rules/ decisions, which caused an overall loss of Rs.949.83 crore. The deficient decisions pointed out include fixation of haulage rates at less than base class freight rates (**Para 2.1.1**), loss due to non-declaration of a station as port serving station (**Para 2.1.2**), loss due to non-cancellation of a pair of passenger trains (**Para 2.1.3**), running of a Millennium Special Parcel train without conducting cost analysis (**Para 2.1.4**) and running of MG special trains (**Para 2.1.6**), loss due to irregular grant of concessions to short lead traffic, grant of benefit of telescopic rates, introduction of two leg freight incentive scheme, irregular extension of 'Engine on Load' scheme to a siding (**Para 2.1.5 and Para 2.1.7 to 2.1.10**).
- Nine paragraphs have been included pointing out instances where Railways suffered an overall loss of Rs.28.40 crore by not observing rules/ orders. The instances include deviation from prescribed procedure resulting in non-realisation of punitive charges on overloaded wagons (**Para 2.2.1**), short recovery of maintenance charges of privately owned special type wagons (**Para 2.2.2**), irregular booking of traffic at train load rates and on freight 'To pay' basis (**Para 2.2.3, 2.2.4 & 2.2.5**), loss due to running of empty wagons and non-supply of standard size rakes (**Para 2.2.6 & 2.2.7**) and incorrect computation of siding charges and non-levy of reservation fee (**Paras 2.2.8 and 2.2.9**).
- The chapter also includes three paragraphs involving loss of Rs.8.51 crore incurred by Railways due to non-compliance of instructions for routing of traffic, rationalisation of routes and booking of passengers (**Paras 2.3.1 to 2.3.3**). Besides eighteen paragraphs containing comments on total loss of Rs.158.10 crore on account of earning capacity of wagons, coaches and locomotives due to abnormal detention in the sidings, yards, workshops etc. (**Para 2. 4.1. to 2.4.18**) and ten paragraphs containing miscellaneous irregularities, pointing out loss of Rs.22.20 crore, such as non recovery of Railway's share of earnings on a tourist train, non-revision of free time allowed to a siding, non-commissioning of facilities created for reversal of a engine, irregular diversion of loaded rakes as well as non-recovery of cost of contents of unconnected wagons have also been included (**Para 2.5.1 to 2.5.10**).

Chapter 3 - Works and Contract Management – A major portion of the Railways' expenditure is on works carried out for creation and maintenance of assets. Adequate planning and good contract management are prerequisites for carrying out works. Any deficiencies in these areas would have an impact on the operational efficiency and the financial health of the Railways. This chapter contains 46 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 planning/ contract management as detailed below:

- There are fourteen paragraphs on investments made on unremunerative projects, or on works sanctioned and executed without adequate planning (**Paras 3.1.1 to 3.1.14**). Railways have incurred avoidable/ unproductive/ infructuous expenditure of Rs.213.78 crore on such instances.
- Ten paragraphs include instances where there was delay in completion/commissioning, leading to excess expenditure/blocking up of capital of Rs.129.54 crore (**Paras 3.2.1 to 3.2.10**), eleven paragraphs indicating deficiencies in management of contracts leading to excess expenditure of Rs.55.09 crore (**Paras 3.3.1 to 3.3.11**) and eleven paragraphs leading to loss and extra/ avoidable expenditure of Rs.71.20 crore on account of various flaws such as excess consumption of ballast, inadequacies in survey before commencement, irregular outsourcing and deficiencies in planning and execution of the works (**Paras 3.4.1 to 3.4.9 and Paras 3.5.1 to 3.5.2**).

Chapter 4 - Stores and Assets Management – Keeping in view the quantum of stores required for the operations of the Indian Railways, it is necessary that stores are procured from reliable resources at most competitive rates and their timely availability is ensured. Delays in the availability of material would have a cascading effect on the maintenance of assets and thereby, on the operations of the Railways. It is also necessary to safeguard the existing assets of the Railways and ensure their optimal utilisation. 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 asset management as detailed below:

- There are sixteen paragraphs pointing out incurrence of extra/avoidable expenditure of Rs.118.49 crore due to inadequacies in procurement process of stores such as adoption of incorrect price index value of 'metallic minerals' instead of 'steel ingots' in fixation of prices of wheels and axles (**Para 4.1.1**), avoidable expenditure in procurement of corten steel, grease seals, CRTB (**Para 4.1.2 & 4.1.6**), extra expenditure in production of AC/DC EMU coaches and other vehicles (**Para 4.1.4 and 4.1.5**) and other deficiencies like procurement of ballast and stores at higher rates (**Para 4.1.3, 4.1.7 to 4.1.16**).
- Six paragraphs bring out various deficiencies such as excess consumption of HSD oil, poor management of rolling stock, non recovery of cost of

material consumed in excess of the permissible wastage etc. The Railways have incurred loss of Rs.59.47 crore on account of these deficiencies **(Paras 4.2.1 to 4.2.6)**. Eight paragraphs pertaining to various deficiencies such as procurement of machines, non-utilisation of facilities created for in-house production, production of machines without proper assessment of the requirements etc involving loss of Rs.125.66 crore have also been included **(Paras 4.3.1 to 4.3.8)**.

Chapter 5 - Other Topics - This chapter contains eleven paragraphs involving loss of Rs.104.25 crore relating to various deficiencies such as non-execution of agreements in respect of construction of ROB/RUBs before commencement of works and non-preparation of completion reports leading to non-raising of bills for maintenance leading to non-recovery **(Paras 5.1.1)**, non-recovery of licence fee of land and ground space allotted for installation of ATMs by banks **(Para 5.1.2 to 5.1.4)** and non-recovery of Railway dues on account of deposit works, cost of staff deployed at level crossings and railway quarters occupied by GRP staff from various State Governments/local bodies **(Paras 5.1.5 to 5.1.11)**. Ten paragraphs pertaining to incurrence of avoidable/extra expenditure of Rs.60.66 crore on account of non-abolition of Box Porter System, undue payment of sales tax to contractors, payment of demand charges for exceeding contract demand and other miscellaneous irregularities have also been included **(Para 5.2.1 to 5.2.3 and Paras 5.3.1 to 5.3.7)**

Chapter 6 – Audit Effectiveness - This chapter contains four paragraphs indicating the number of objections issued as a result of audit of Railway accounts and records, objections settled after Railways have taken corrective action and those outstanding for want of action by Railways **(Para 6.1)**, recoveries effected or agreed to be effected at the instance of audit **(Para 6.2)**, response of the Ministry of Railways (Railway Board) to provisional paragraphs **(Para 6.3)** and follow up action taken by Ministry of Railways (Railway Board) on the paragraphs contained in previous reports **(Para 6.4)**