PRESS RELEASE

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Audit Report No. 13 of 2021 - Union Government (Railways)- Railways Finances Presented in Parliament

Audit Report No. 13 of 2021 – 'Union Government (Railways) – Railways Finances' was laid on the table of both Houses of Parliament on **21st December 2021** and has now become a public document.

The Report contains three Chapters. Chapter 1 focuses on the financial health of the Indian Railways based on various parameters such as earnings, expenditure, reserves, operational efficiency etc. Chapter 2 contains an overview of the financial performance of the Railway Public Sector Undertakings (PSUs). Chapter 3 contains audit observations on the efficiency and effectiveness of Integrated Pay Roll and Accounting System (IPAS) in delivery of desired outcome.

Chapter 1: State of Railways Finances

During 2019-20, Indian Railways generated total receipts of `1,74,694.69 crore against Budget Estimates (BE) of ` 2,16,935 crore. The Railways could not achieve even revised estimate target of ` 2,06,269 crore. The total receipts decreased by 8.30 *per cent* during 2019-20 as compared to the previous year.

There was heavy dependence on transportation of coal which constituted around 49 *per cent* of the total freight earnings during 2019-20. Any shift in bulk commodities transport pattern could affect the freight earnings significantly.

Net surplus was ` 1,589.62 crore in 2019-20, as compared to ` 3,773.86 crore in 2018-19. Railways would have ended with a negative balance of ` 26,328.39 crore instead of surplus of ` 1,589.62 crore, had the actual amount (` 48,626 crore) required to meet the expenditure on pension payments of Zonal Railways been appropriated to the Pension Fund.

Operating Ratio (OR) represents the ratio of working expenses to traffic earnings. A higher ratio indicates poorer ability to generate surplus. Against the target of 95 *per cent* in the BE, the OR of Railways was 98.36 *per cent* in 2019-20. The OR deteriorated from 97.29 *per cent* in 2018-19 to 98.36 *per cent* in 2019-20. Further, the OR of the Railways would have been 114.35 *per cent* instead of 98.36 *per cent,* if the actual expenditure on pension payments was taken into account. Thus, the OR of 98.36 *per cent* shown by the Railways does not reflect the true financial performance of the Railways.

For the first time, the overall fund balances, turned into negative balance of ` 25,730.65 crore in 2019-20. Under provisioning for depreciation resulted in piling up of 'throw forward' works estimated at ` 95,217 crore up to 2019-20.

Chapter 2: Financial Performance of Railways PSUs

The amount of investment in equity and loans in Railway PSUs as at the end of March 2020 was `3,16,437 crore. During the last two years, the major contribution of investment in the Railway PSUs was through Long Term Loans from Financial Institutions and others. The Long Term Loans increased from ` 1,98,585 crore in 2018-19 (84 *percent* of the total Investment) to ` 2,68,126 crore during 2019-20 (85 *percent* of the total investment).

As on 31 March 2020, shares of the five Railway PSUs (CONCOR India Limited, IRCON International Limited, RITES Limited, IRCTC Limited and RVNL), were listed on the various stock exchanges in India. The total value of market capitalization of the shares of these Railway PSUs as on 31 March 2020 was ` 48,337 crore.

The overall profits of the Railway PSUs during the past three years had increased from ` 4,999 crore (2017-18) to ` 6,536 crore (2019-20). Out of 40 Railway PSUs, 30 had earned profits after tax during 2019-20. 11 Railway PSUs had declared dividend amounting to ` 1,856 crore during the year.

Return on Equity (RoE) of the Railway PSUs had steadily decreased from 9.17 *per cent* in 2017-18 to 7.53 *per cent* in 2019-20. IRCTC Limited had the highest RoE of 39.81 *per cent* during 2019-20 followed by RITES Limited (23.15 *per cent*) and RVNL (17.55 *per cent*).

Chapter 3: Implementation of IPAS

Indian Railways (IR) implemented a centralized web-based application "Integrated Payroll and Accounting System" (IPAS) during 2011-16. It enables preparation, processing, bill passing and accounting of salary, allowances, loans etc. It has also a provision to exercise budgetary control besides preparation of account current and appropriation accounts and other financial statements.

Audit observed that the incomplete migration of legacy data to IPAS resulted in data inconsistencies in employee database. There was lack of proper validation control besides absence of extant rules/provisions inbuilt into IPAS for efficient delivery of output. Several instances of acceptance of erroneous data by IPAS, irregular withdrawal of PF, National Pension System and excess payment of allowances to employees were observed.

Audit also observed that the status of implementation of IPAS was partial. Instead of implementing modules available in the existing IPAS application, another application "Human Resource Management System' (HRMS) was rolled out in 2000 using IPAS database. This had resulted in duplication of works besides wasteful expenditure in developing those modules for IPAS. IR failed in achieving automation of budgetary control. Budget compilation and manual reconciliation continued outside IPAS.

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