

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 just a little above six per cent over the year 2004-05. The net revenue also increased by almost 52 per cent over the previous year (**Para 1.2**).
- Of the overall increase in traffic earnings, the major portion (77 per cent) was comprised of goods earnings amounting to Rs.5,508.57 crore followed by Rs.1,013.46 crore (14 per cent) from passenger earnings (**Para 1.3**). The increase in the passenger earnings was also due to revision of various components of the passenger fares such as reservation charges, superfast charges, cancellation charges, clerkage charges etc. as well as due to introduction of earmarking of certain seats in all trains for tatkal reservation scheme yielding an additional amount of Rs.50 to Rs.300 per passenger (**Para 1.3.1**).
- The increase in freight traffic and corresponding increase in goods earnings was largely due to enhanced loading of wagons over and above the carrying capacity by six tonne to ten tonne as well as upward revision of classification of certain commodities such as coal, iron ore, cement, limestone, dolomite and food grains, resulting in overall increase in freight rates (**Para 1.3.2**).
- About 82 per cent of the unrealised earnings (Rs.1,586.42 crore) was on account of outstanding dues recoverable from the State Electricity Boards (SEBs)/ Power Houses. (**Para 1.4**).
- The change in the accounting pattern of the capital component of lease charges to IRFC as well as the addition of Rs.540 crore to gross receipts representing the registration fees for container services contributed substantially to the improvement in operating ratio (**Para 1.5**).
- The overall saving of Rs.1,222.63 crore constituted 1.24 per cent of the total provision of Rs.98,312.35 crore. The saving was the net result of savings in sixteen grants and five appropriations and excess in four grants and eleven appropriations (**Para 1.9.1**). The excess of Rs.2,296.12 crore in four Grants (three Revenue and one Capital) and eleven Appropriations (ten Revenue and one 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 results of audit of revenue earning activities of Railways carried out during the year 2005-06 and also the results of audit carried out in earlier years which could not find place in the Reports of those years. 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 nine paragraphs pointing out lacunae in rules/decisions, which caused an overall loss to the tune of Rs.41.19 crore. The deficient decisions pointed out include incorrect decision to book salt meant for export under subsidised rates applicable to salt meant for human consumption within the country (**Para 2.1.1**), loss due to running of a luxury tourist train without conducting traffic survey to adjudge the traffic prospects (**Para 2.1.2**), delay in finalisation of the contract for leasing of a Parcel Van (**Para 2.1.3**), assigning lower classifications to Granite/Marble and motor vehicles (**Para 2.1.4 and Para 2.1.9**), non-declaration of a fast train as super fast (**Para 2.1.5**), non-revision/ incorrect fixation of permissible carrying capacity of wagons leading to loss of revenue (**Paras 2.1.6 and 2.1.7**) and non-formation of separate rakes of high speed wagons resulting in non-achievement of the benefits of improvement in turn round (**Para 2.1.8**).
- Nine paragraphs have been included pointing out instances where Railways suffered an overall loss of Rs.30.44 crore by not observing rules/orders. The instances include deviation from prescribed procedure resulting in avoidable payment of commission charges of Rs.5.05 crore (**Para 2.2.1**), irregular booking of traffic to stations not capable of handling full rakes and allowing the benefit of train load rates ignoring the instructions(**Para 2.2.2**), loss due to running of rakes of size lower than the prescribed standard size (**Para 2.2.3**) non-implementation of rules framed for levying punitive charges on overloaded wagons (**Para 2.2.5**), loss due to non-recovery of haulage charges/shunting charges and non-levy of surcharge on "To Pay" traffic wrongly booked as paid (**Paras 2.2.6, 2.2.7, 2.5.2 and 2.5.3**).
- The chapter also includes five paragraphs involving loss of Rs.31.94 crore incurred by Railways due to non-compliance of instructions for routing of traffic/rationalisation of routes (**Paras 2.3.1 and 2.3.3**), withdrawal of rationalisation orders for traffic regularly carried via longer route (**Para 2.3.2**) and non-notification of distance for a stretch of newly opened line via which traffic was actually moving (**Para 2.3.4**).
- Fifteen paragraphs pointing out instances of heavy detention of coaches, wagons and locomotives during periodical overhauling, repairs and loading/unloading operations in yards, sidings and workshops leading to a loss of Rs.326.27 crore (**Paras 2.4.1 to 2.4.14 and 2.5.1**) have been included.

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 37 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 ten paragraphs where investments were made on unremunerative projects or works were sanctioned and executed without adequate planning, taking into account their utility (**Paras 3.1.1 to 3.1.10**). Railways have incurred avoidable/ unproductive/ infructuous expenditure of Rs.262.75 crore on such instances.
- Five paragraphs include instances where there was delay in completion/commissioning, leading to excess expenditure of Rs.77.56 crore (**Paras 3.2.1 to 3.2.5**), nine paragraphs indicating deficiencies in management of contracts leading to excess expenditure of Rs.21.15 crore (**Paras 3.3.1 to 3.3.9**) and thirteen paragraphs leading to loss/extra/ avoidable expenditure of Rs.118.11 crore (**Paras 3.4.1 to 3.4.8 and Paras 3.5.1 to 3.5.5**) on account of various flaws such as incorrect assessment of rates and deficiencies in planning and execution of the works.

Chapter 4 - Stores and Assets Management – Given the size of operation of the Indian Railways, it is necessary to ensure availability of stores and material in time. 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 assets management as detailed below:

- Two paragraphs bring out instances of non-utilisation of assets (bogies and High Speed Track Recording Car) valuing Rs.16.33 crore. There were delays ranging from 11 to 23 months in sending the bogies to the places where they were required (**Para 4.1.1**). The High Speed Track Recording Car was not commissioned for six years (**Para 4.1.2**). Six paragraphs bring out various deficiencies in procurement practices leading to loss of Rs.20.69 crore (**Paras 4.2.1 to 4.2.6**).
- Ten paragraphs point out various deficiencies in management of railway land such as non-observance of prescribed procedure of Railway land resulting in loss of Rs.34.12 crore (**Para 4.3.1**), non-adjustment of land costing Rs.27 crore occupied by Jaipur Development Authority (**Para 4.3.2**) and irregular deposit of advance for payment of compensation, irregularities in licensing of land and encroachment of land etc. (**Paras 4.3.3. to 4.3.10**)
- Three paragraphs pointing out improper handling of insurance claim, injudicious manufacture of EMU bogie frames and non-recovery of cost of rejected stores leading to loss of Rs.7.19 crore (**Para 4.4.1 to 4.4.3**) have also been included in this chapter.

Chapter 5 - Other Topics - This chapter contains five paragraphs relating to various deficiencies such as non-execution of siding agreements, non-raising of bills for maintenance of sidings leading to non-recovery of Rs.102.06 crore (**Paras 5.1.1 to 5.1.5**), six paragraphs pertaining to non-recovery of Railways dues of Rs.19.76 crore such as non-recovery electricity charges from private parties/Government departments, maintenance charges of ROB/RUBs, level crossings and maintenance cost of coaches of defence department (**Para 5.2.1 to 5.2.6**) and thirteen paragraphs covering miscellaneous irregularities (money value Rs.279.65 crore) such as avoidable payment of surcharge and penalties on account of exceeding the contract demand of electricity load, non-recovery, avoidable payment of sales tax, maintenance charges of wagons owned by CONCOR and avoidable payment of electricity and water charges on account of non-segregation of connections for domestic and commercial purposes (**Paras 5.3.1 to 5.3.13**).

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**).