

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1931-32

Volume I—REPORT

PART II—RAILWAYS.



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CONTENTS.

	PAGE.
Composition of the Public Accounts Committee	(iii)
Report—	
Position as regards estimating	1
Position as regards control of expenditure	2
Excess over voted grants	4
Re-appropriations not made in accordance with prescribed rules	4
Comments on matters outstanding from previous Reports	5
Comments on matters arising out of the accounts for 1931-32	6
Proceedings of the Committee—	
Proceedings of the Tenth* Meeting held on Wednesday, the 9th August 1933, at 2-30 P.M.	9
Proceedings of the Eleventh Meeting held on Thursday, the 10th August 1933, at 11 A.M.	11
Proceedings of the Twelfth Meeting held on Thursday, the 10th August 1933, at 2-30 P.M.	15
Proceedings of the Thirteenth Meeting held on Friday, the 11th August 1933, at 11 A.M.	17
Proceedings of the Fourteenth Meeting held on Friday, the 11th August 1933, at 2 P.M.	19
Appendices—	
<i>Appendix I.</i> —Second Quarterly Statement showing action taken or proposed to be taken on recommendations, etc., so far made by the Public Accounts Committee which have not been finally disposed of—Part II—Railways	21
<i>Appendix II-A.</i> —Letter No. 214-Rep./7-33, dated the 10th July 1933, containing comments of the Auditor General on the Appropriation Accounts of Railways in India for the year 1931-32	27
<i>Appendix II-B.</i> —Letter No. T.-677-Rep./7-33, dated the 12th July 1933, containing comments of the Auditor General on the Financial Commissioner's Review of the Appropriation Accounts of Railways in India for the year 1931-32	33
<i>Appendix III.</i> —Memorandum giving particulars of Railway advertisements in connection with the "Hill Station Advertising" campaign during 1929-30	35
<i>Appendix IV.</i> —Memorandum regarding earlier preparation of monthly accounts	37
<i>Appendix V.</i> —Report on the working of the "Rules for the maintenance of Priced Stores Lists on State-managed Railways"	39
<i>Appendix VI.</i> —Memorandum of doubtful cases of "New Service" appearing in the Accounts for 1931-32	41

*The first nine meetings were held in connection with Civil, Military and Posts and Telegraphs Appropriation Accounts.

	PAGE.
<i>Appendix VII.</i> —Statement of the actual action taken by Government on the proposals made by Mr. A. C. Badenoch in his report dated the 26th of April 1932 on the Limitation of Audit and Retrenchment in the Railway Audit Department	45
<i>Appendix VIII.</i> —Instructions issued to Railway Administrations on the Appropriation Accounts of Railways in India for 1931-32 and the Report of the Director of Railway Audit	49
<i>Appendix IX.</i> —Memorandum on the Colliery Accounts	53
<i>Appendix X.</i> —Memorandum on the Fraud Case in the North-Western Railway Workshops reported in paragraph 233 of the Director of Railway Audit's Appropriation Report for 1931-32	55
<i>Appendix XI.</i> —Memorandum regarding recovery of cost of stone supplied to a contractor	59
<i>Appendix XII.</i> —Note on the Report by the Director of Railway Audit on the financial results of the Bombay Electrification schemes	61

**Composition of the Committee on Public Accounts which met in
1933 (*vide* rule 51 of the Indian Legislative Rules).**

Chairman.

- | | | | |
|--------------------------------|----|----|-----------------|
| 1. The Hon'ble Mr. A. H. LLOYD | .. | .. | Finance Member. |
|--------------------------------|----|----|-----------------|

Elected Members.

Date of Election.

- | | | | |
|---------------------------------|----|----|------------------|
| 2. Rao Bahadur M. C. RAJAH | .. | .. | 24th March 1932. |
| 3. Mr. T. N. RAMAKRISHNA REDDI | .. | .. | 24th March 1932. |
| 4. Kunwar HAJEE ISMAIEL ALIKHAN | .. | .. | 24th March 1932. |
| 5. Mr. S. C. MITRA | .. | .. | 24th March 1932. |
| 6. Mr. K. P. THAMPAN | .. | .. | 20th March 1933. |
| 7. Mr. B. DAS | .. | .. | 20th March 1933. |
| 8. Mr. MUHAMMAD ANWAR-UL-AZIM | .. | .. | 20th March 1933. |
| 9. Mr. A. H. GHUZZAVI | .. | .. | 20th March 1933. |

Nominated Members.

Date of Nomination.

- | | | | |
|-------------------------------|----|----|----------------------|
| 10. Maulvi Sir MUHAMMAD YAKUB | .. | .. | 21st March 1931. |
| 11. Mr. J. RAMSAY SCOTT | .. | .. | 21st March 1931. |
| 12. Dr. R. D. DALAL | .. | .. | 23rd September 1931. |

Report of the Public Accounts Committee on the Accounts of 1931-32.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end, and the actual results :—

				(Lakhs of Rupees.)		
				Budget.	Revised.	Actuals.
(1) Traffic receipts (less refunds)	..	..	..	1,01,00	86,75	86,63
(2) Miscellaneous receipts	..	..	..	1,58	1,30	1,20
(3) Working Expenses	..	..	..	66,43	62,83	62,77
(4) Miscellaneous Expenditure	..	..	..	61	58	55
(5) Surplus Profits	..	..	..	75	83	64
(6) Interest charges	..	..	..	33,57	33,28	33,07
(7) Surplus (+) or deficit (—)	..	..	..	1,22	—9,47	—9,20
(8) Contribution to general revenues	..	..	..	5,36	..	..
(9) Payment to (+) withdrawal from (—) Reserve	..	..	..	—4,14	—4,95	—4,95
(10) Loans from the Depreciation Fund	..	..	..	..	4,52	4,25

2. The budget estimate anticipated a net surplus of Rs. 1,22 lakhs which with a withdrawal of Rs. 4,14 lakhs from the Reserve Fund was to be utilised to meet the contribution of Rs. 5,36 lakhs to general revenues. In framing this estimate it had been assumed that the year would show a modest improvement in traffic over the abnormally low figures of the previous year and an allowance was made for increased receipts from alterations of rates and fares already given effect to or under investigation at the time. Far from improving, the traffic showed a considerable decline and the revised estimate pointed to a deficit of Rs. 9,47 lakhs which was to be met by transfer of the whole balance of the Reserve Fund (Rs. 4,95 lakhs) and a loan of Rs. 4,52 lakhs from the Depreciation Fund. The actuals proved to be slightly better than the revised and a loan of Rs. 4,25 lakhs only from the Depreciation Fund was necessary. The large deterioration as compared with the original estimate was mainly due to the continued economic depression, the low level of prices and the decreased spending power of the people. Increasing road motor competition was also probably an important contributory cause. Compared with the revised estimate the actual receipts were Rs. 22 lakhs less and the actual expenditure Rs. 49 lakhs less with the result that the deficit on the working of the railways during the year was less by Rs. 27 lakhs. But for a saving of Rs. 21 lakhs in the interest charges due to the actual rate of interest being slightly lower than that assumed in the revised estimate the net deficit would have been only Rs. 6 lakhs less than what was assumed in the revised estimate.

Position as regards control of expenditure.

3. The following table compares the final voted grants with the expenditure against those grants :—

					(Lakhs of Rupees.)	
	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.	Excess + Saving —	
<i>Expenditure charged to Revenue.</i>						
1. Railway Board	10·50	..	10·50	10·26	—·24	
2. Inspection	·90	..	·90	·80	—·10	
3. Audit	14·20	..	14·20	13·78	—·42	
4. Working Expenses, Administration	13,00·00	..	13,00·00	12,99·78	—·22	
5. Repairs, maintenance and operation.	37,54·00	..	37,54·00	33,94·59	—3,59·41	
6. Payment of surplus profits ..	75·00	7·75	82·75	64·19	—18·56	
9. Appropriation to Depreciation Fund.	13,00·00	..	13,00·00	13,03·49	+3·49	
11. Miscellaneous expenditure ..	10·75	·25	11·00	3·38	—7·62	
14. Strategic lines	1,97·50	..	1,97·50	1,80·13	—17·37	

Expenditure charged to Capital and Depreciation and Reserve Funds.

7. New construction	2,86·80	..	2,86·80	2,75·87	—10·93	
8. Open line works	8,38·40	..	8,38·40	3,98·93	—4,39·47	
10. Appropriation from Depreciation Fund.	8,25·00	4,52·02	12,77·02	12,52·12	—24·90	
13. Appropriation from Reserve Fund	4,14·67	80·39	4,95·06	4,95·06	..	
15. Strategic lines Capital ..	17·00	..	17·00	—3·23	—20·23	

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

					(Lakhs of Rupees.)	
	Original appropriation.	Supplementary appropriation.	Final appropriation.	Actual expenditure.	Excess + Saving —	
<i>Expenditure charged to Revenue.</i>						
1. Railway Board	4·60	—·25	4·35	4·39	+·04	
2. Inspection	3·10	—·11	2·99	2·96	—·03	
3. Audit	5·60	—·25	5·35	5·34	—·01	
4. Working Expenses, Administration	1,00·00	+9·43	1,09·43	1,07·82	—1·61	
5. Repairs, Maintenance and Operation.	1·00	+·20	1·20	1·29	+·09	
11. Miscellaneous Expenditure ..	10·75	—·32	10·43	9·97	—·46	
14. Strategic lines	6·00	—·72	5·28	5·51	+·23	

Expenditure charged to Capital.

7. New construction	..	..	2.20	+ .61	2.81	2.72	— .09
8. Open line works	..	..	.60	+ .70	1.30	1.33	+ .03
15. Strategic lines	..	..	..	..	..	.01	+ .01
Interest on debt	..	..	32,21.28	—31.09	31,90.19	31,75.50	—14.69
Interest on Capital contributed by Companies.			1,35.92	+1.98	1,37.90	1,31.14	—6.76

5. We give in paragraph 6 below the reason for the excess over voted grant No. 9 which requires the vote of the Legislative Assembly. There was only one excess in the year under report against six and four in 1930-31 and 1929-30 respectively. The excesses over non-voted appropriations numbered five in 1931-32 against four in 1930-31 and five in 1929-30. The percentage of individual excesses, votable and non-votable, varied from .27 per cent. to 7.89 per cent. under heads of expenditure charged to Revenue. The excess under capital expenditure was small.

As regards savings, they varied from .02 per cent. to 118.99 per cent. under individual heads the biggest savings occurring under the revenue grants 2, 5, 6, 11 and 14 and the capital grants 8 and 15. Taking the total railway expenditure both voted and non-voted, there was a saving of 4.24 lakhs or 4.18 per cent. under expenditure charged to revenue and a saving of 4.95 lakhs or 16.96 per cent. under capital expenditure. The position in this respect compares as follows with the last two years :—

Expenditure charged to Revenue.

(Excluding appropriations to and from the Reserve Fund.)

Year.				(Lakhs of Rupees.)		
				Final grant and appropriation.	Savings.	Percentage of column (3) to column (2).
1				2	3	
1929-30	..	..	..	1,01,55	—66	.64
1930-31	..	..	..	1,05,11	—2,98	2.83
1931-32	..	..	..	1,01,38	—4,24	4.18

Expenditure charged to Capital.

1929-30	..	..	..	45,03	—3,08	6.84
1930-31	..	..	..	25,74	—1,14	4.39
1931-32	..	..	..	29,18	—4,95	16.96

We agree with the Auditor General that the conditions of the year 1931-32 were such as not to afford a fair test of budgeting on railways, that railway administrations are making real attempts to control expenditure despite the

difficulties connected with the present unsuitable system of units of appropriations and that a high standard of efficiency and control cannot be expected until the form of the demands for grants is altered to conform more to the structure of the initial accounts. We shall deal in later paragraphs with the question of the alteration of the form of demands for grants.

Excesss over voted grants.

6. There was only one excess over a voted grant which requires to be regularised by an excess vote of the Legislative Assembly :—

	Final grant.	Actual Expenditure.	Excess.
	Rs.	Rs.	Rs.
Demand No. 9—Appropriation to Depreciation			
Fund	13,00,00,000	13,03,49,498	3,49,498

The excess was mainly due to the fact that a typographical error in the Revised Estimates of the East Indian Railway involving a sum of Rs. 3 lakhs escaped detection. We recommend that the Assembly should assent to the excess grant which the Governor General in Council will place before them in due course.

Reappropriations not made in accordance with prescribed Rules.

7. Under Rule 52 (2) (ii) of the Indian Legislative Rules we are required to bring to the notice of the Legislative Assembly every appropriation within a grant which is not in accordance with such rules as may be prescribed by the Finance Department. We give below with our comments the cases brought to our notice by the Director of Railway Audit :—

- (i) The Railway Department communicated to the Agent, Burma Railways, a grant of Rs. 57·85 lakhs for expenditure in India and of Rs. 5·80 lakhs for expenditure in England. The Agent sanctioned a reappropriation of Rs. 1·37 lakhs from the English provision to the Indian provision which was beyond his powers. The matter was virtually regularised by the Railway Board in their final appropriation orders.
- (ii) The total appropriations made by the Railway Board under the voted portion of grant 11 aggregated Rs. 11,25,000 against a sum of Rs. 11,00,000 voted by the Assembly. The practice of over-allotment under this grant is not covered by the convention established with the previous Public Accounts Committees and set forth in paragraph 23 of their Report on the accounts of the year 1928-29. The Railway Department explained that this was done in expectation of certain credits accruing on the Eastern Bengal and East Indian Railways under "Surveys" a sub-head of this grant but that no formal withdrawal of funds was made from those two railways on the ground that originally, no allotment had been made to them under this head.

We agree with the Auditor General that none of the above irregularities is important from our point of view.

Comments on matters outstanding from previous Reports.

8. *Special concessions for military traffic.*—The Financial Commissioner explained that the Railway Department were endeavouring to come to some agreement with the Army Department and that a memorandum would be circulated to the members of the Committee as soon as possible.

9. *Remodelling of the form of demands for grants for railways.*—The main difficulty in the proper control of railway expenditure is that the present form of the demands for grants is entirely different from the structure of the railway accounts. For example, under the present system, the total working expenses of railways are shown under two demands and under each demand there are a large number of sub-heads. These sub-heads do not correspond to the heads under which accounts are kept and consequently the Railway Administrations have to re-arrange all the figures in their accounts in order to enable them to compare expenditure with the grants. This not only involves a lot of unnecessary labour but also makes it very difficult for the Railway Administrations to watch the progress of expenditure against the grants. In order to meet this difficulty the Public Accounts Committee which examined the accounts of 1930-31 recommended that it was imperatively necessary that the arrangement of the working accounts and the sub-divisions of the demands should correspond so that administrative and executive authorities may have no difficulty in carrying out the wishes of the legislature. In accordance with these recommendations the Financial Commissioner has made certain proposals regarding the alteration in the form of demands. We accept these proposals. As regards the division of working expenses of railways into the various demands there are two alternatives (1) to make each railway a separate demand and the various accounts abstracts into sub-heads under the demand or (2) to make each abstract a separate demand and each railway a sub-head under the demands. The Financial Commissioner favours the second alternative subject to a convention being established that a saving under one demand should be considered as a set off against an excess in another. We agree with the Financial Commissioner. We are glad to note that these changes have been given effect to in the demands for grants for 1934-1935.

10. *Allocation of expenditure to capital, Depreciation Fund and to Revenue.*—The Financial Commissioner intimated to us that the matter was still under the consideration of the Government. The Auditor General explained that the problems involved were exceedingly difficult and what he feared was that if they were postponed further, decisions might have to be taken hurriedly in connection with the drafting of the Bill relating to the Statutory Railway Board. He therefore suggested that the matter should be expedited. We endorse the Auditor General's suggestion.

11. *Delay in the apportionment of joint station expenses.*—The Financial Commissioner informed us that the question of devising a simpler system of apportioning joint station expenses had been referred to the Railway Conference Association whose recommendations had been received and that a

decision would be reached without avoidable delay. We desire that a memorandum should be placed before the Committee next year explaining the action taken.

Comments on matters arising out of the accounts for 1931-32.

12. *Date of issue of the Financial Commissioner's Review.*—In paragraph 11 of the Report on the accounts for 1930-31, Part II, the Public Accounts Committee expressed the opinion that the Financial Commissioner's Review of the Appropriation Accounts should be in the hands of the Director of Railway Audit before the latter wrote his report in order that he might be able to take into account all the material furnished by the Financial Commissioner and thus minimise duplication in the presentation of results. To meet the desire of the Committee the Financial Commissioner undertook to endeavour to send his Appropriation Accounts with his Review to the Director by the middle of April each year so as to enable the Director to submit his report to the Auditor General by the middle of May. The Financial Commissioner explained to us the difficulties involved in preparing the Review by the middle of April and stated that he would try to give it by the end of May. We recognise the difficulties pointed out by the Financial Commissioner but desire that he should try to have his Review ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts.

13. *Utilisation of unanticipated credits to cover excess expenditure.*—We adhere to the recommendation already made in paragraph 11 of the first part of the Report on the Accounts of 1931-32, viz., that in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

14. *Policy of overallotment.*—The Auditor General explained to us that under the convention agreed to by the previous Committees overallotment was allowed only in respect of grants Nos. 4, 5 and 6, but in 1931-32 the Railway Board had extended the convention to other grants. After careful consideration of the explanation given by the Financial Commissioner (*vide* paragraph 12 of the Proceedings) we do not see any reason for agreeing to the extension of the convention to other grants. We recognise, however, that it may be necessary in very exceptional cases to depart from the convention and in such cases the Public Accounts Committee should consider the matter when it reviews the accounts of the year.

15. *New Service.*—The Auditor General has brought to our notice two doubtful cases of new service in the accounts of 1931-32 (Appendix VI), namely, (1) additions and alterations to the locomotive running shed at Bhusawal and (2) installation of wireless sets on railways. On the assumption that the additions and alterations to the locomotive running shed involve merely an extension of the facilities for carrying out running repairs, it is debatable whether the item should be classified as an item of new service but in view of the amount involved we consider that it should be treated as an item of new service. The second item should be treated as an item of new service.

16. *Utilisation of the Reserve provision for an item of new service.*—In accordance with the recommendation of the Public Accounts Committee in their Report on the accounts of 1928-29 a reserve provision is being included in the railway estimates to meet unforeseen emergencies. The Auditor General raised the question whether the Railway Board could utilise such provision to meet expenditure on an item of new service without obtaining a specific vote from the Assembly as required by the rules. We consider that the existence of this provision does not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the Statutory Rules for expenditure on a new service. In cases of real emergency, however, *i.e.* where delay in executing a work is likely to affect the public interest seriously the Railway Board could utilise this provision for an item of new service but should bring the matter to the notice of the Assembly as soon as possible. In other cases the Railway Board should obtain the specific vote from the Assembly for every item of new service (possibly by a token vote) even if expenditure could be met from the emergency provision.

17. *Balance Sheets of Railways.*—The Director of Railway Audit in paragraph 115 of his report has offered certain criticisms regarding the present form of the balance sheets and has suggested that in order to get over these difficulties the double account system should be used for preparing these balance sheets, *i.e.*, capital and assets should be omitted from the balance sheets and constituted into a separate capital statement giving greater details of the assets. We understand that this system has been introduced in England to exhibit the expenditure of monies obtained by the creation of fixed liabilities and is applied generally to bodies that have been incorporated by a special Act of Parliament to work public undertakings such as railways. We generally accept the proposals in the Financial Commissioner's Review regarding the introduction of this system but leave the details to be settled by the Director of Railway Audit in consultation with the Financial Commissioner.

The Director of Railway Audit also raised the question whether in view of the difficulties involved in preparing accurate balance sheets and profit and loss accounts of individual railways such accounts should continue to be prepared. We agree with the Auditor General and the Financial Commissioner that profit and loss accounts of individual railways should continue to be prepared as accurately as possible, as the public Accounts Committee is much interested in the financial results of the working of individual railways and such accounts would afford it some basis for comparing efficiency of work. The preparation of balance sheets of individual railways is not so important but the same treatment may be applied to them.

18. *Delay in the execution of agreements.*—The Director of Railway Audit has brought to our notice a case in which the negotiation of an agreement about certain collieries had been pending for over 20 years. In order to avoid such delays we desire that the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.

19. We append to our report minutes of the proceedings which we consider should be treated as part of the report. We assume that in accordance with the established practice action will be taken by the Department as necessary on the observations and recommendations contained in these paragraphs.

T.N. RAMAKRISHNA REDDI.

I. ALIKHAN.

R. D. DALAL.

M. C. RAJAH.

J. RAMSAY SCOTT.

S. C. MITRA.

K. P. THAMPAN.

K. SANJIVA ROW,
(Secretary).

*Dated the 6th August,
1934.*

As the Chairman of the Committee which examined the Railway Accounts of 1931-32 has left India it has not been possible to obtain his signature to the Report.

A. A. L. PARSONS,

*Secretary to the Government of India,
Finance Department.*

PROCEEDINGS OF THE COMMITTEE.

**Proceedings of the Tenth* Meeting of the Public Accounts Committee held on
Wednesday, the 9th August 1933, at 2-30 P.M.**

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

The Committee took up the further consideration of Appendix XIX† regarding the amendment of the rules relating to the constitution of the Public Accounts Committee. The Committee agreed that if the life of the Assembly was extended beyond the normal period of three years a fresh Committee should be elected.

2. The Committee decided to proceed with the examination of the Railway Appropriation Accounts on the understanding that the question of the coal purchase policy of the Government of India, the Railway Board's summary of the working of Railways during 1932-33 and any other matters which the members might bring forward should be discussed at a meeting to be held later in the year.

3. The Committee then took up the consideration of the items shown in the Quarterly List of Outstandings (Appendix I) and accepted the action taken and the explanation given in regard to items subject to the following remarks :—

Item 2. Special concessions for military traffic.—The Financial Commissioner explained that the Railway Department were endeavouring to come to some sort of agreement with the Army Department and that a memorandum would be circulated to the members of the Committee as soon as possible.

Item 4. Financial results of Railway electrification scheme.—The Committee was informed that a note‡ was under preparation and would be circulated to the Committee shortly.

* The first nine meetings were held in connection with the Appropriation Accounts relating to Civil, Military and Posts and Telegraphs.

† Printed in Part I of Report.

‡ Since circulated, *vide* Appendix XII.

Items 5 and 6.—Remodelling of form of demands for grants for Railways.—These two items were reserved for consideration at the meeting to be held on the 11th August at 2-30 P.M.

Item 7. Allocation of expenditure to capital depreciation fund and to revenue.—The matter was reported to be under the consideration of the Government of India. The Auditor General explained that the problems involved were exceedingly difficult and what Sir Ernest Burdon feared was that if they were postponed further, decisions might have to be taken hurriedly in connection with the drafting of the Bill relating to the Statutory Railway Board. He therefore suggested that the matter should be expedited. The Committee endorsed the Auditor General's suggestion.

Item 9. Delay in the apportionment of joint station expenses.—The Financial Commissioner informed the Committee that the question of devising a simpler system of apportioning joint station expenses had been referred to the Railway Conference Association whose recommendations had been received and a decision would be reached without avoidable delay. The Committee desired to have a memorandum placed before it next year stating the action taken.

Item 10. Earlier submission of monthly accounts.—The question was reported to be still under consideration*.

4. Paragraph 2 of the Auditor General's letter (Appendix II-A)—Date of issue of the Financial Commissioner's Review.—The Financial Commissioner explained the difficulties involved in preparing the Review earlier and stated that he would try to give it before the end of May. The Committee recognised the difficulties pointed out by the Financial Commissioner but desired that the Financial Commissioner should try to have his Review ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts.

5. Paragraphs 20 and 22 of the Report of the Director of Railway Audit.—The Committee examined the reasons for the excesses in voted grants and non-voted appropriations and decided to recommend that the excess in the voted grant be voted by the Legislative Assembly and that the excesses in non-voted appropriations be sanctioned by the Government of India.

6. Paragraph 24 of the Director's Report.—The Director raised the question whether Annexure II to the Report which gives a list of misclassifications detected during the year should be continued. The Committee desired that it should be continued.

7. The Committee then adjourned till 11 A.M. on Thursday, the 10th August 1933.

* Memorandum circulated, *vide* Appendix IV.

**Proceedings of the Eleventh Meeting of the Public Accounts Committee held
on Thursday, the 10th August 1933, at 11 A.M.**

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer HAJEE ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

8. *Paragraph 30 of the Director's Report—Unanticipated Credits.*—After considerable discussion, the Committee decided to adhere to the suggestion already made by them, *viz.*, that in cases, where substantial unanticipated credits were to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

9. *Paragraphs 31 and 35 of the Director's Report.*—The Financial Commissioner gave the following explanation :—

Under the present arrangements the Demand is sub-divided into a large number of sub-heads based on different categories of expenditure, and the provision made for each sub-head is distributed among the individual railways. This final detailed distribution is, owing to the inadequate information available to the Railway Board as to the detailed requirements of each administration, very often imperfect ; it cannot naturally be considered as having any finality and the Agent has to be empowered to make whatever redistribution he feels necessary between these sub-heads. Further he is expected to do whatever he can to ensure by re-appropriation that the total sum allotted to him is utilised to the best advantage and that there are no excesses under any of these sub-heads while there are savings under others. For this reason the Railway Board have also found themselves unable to distribute supplementary grants obtained from the Assembly about the close of the year between the various sub-heads. Their opinion is that for the purposes of their general control it is most important that the additional grant to be placed at the disposal

of an administration under each separate Demand should be definitely fixed and that the administrations should be left to distribute these among the various sub-heads as required, because they have in their possession much later information than the Railway Board have as to actual requirements, and, whatever allotments are made by the Railway Board, they not only can but should change them if and as soon as necessary, even though it is immediately after they are informed of these allotments. The Audit Department point out that (a) a grant should be considered as voted according to the distribution in the Pink Books and (b) a supplementary grant should be distributed in the same detail as an original grant. From the strict theory of appropriation audit they may be right, but from the practical standpoint a formal redistribution by the Railway Board according to the Agent's redistribution would be an unnecessary waste of time. A reconciliation of these points of view in relation to supplementary grants will be achieved by making the distribution a division by railways, but this will not settle the question of the original distribution. In the case of supplementary grants if the Railways are taken as sub-heads the Railway Board would be in a position to satisfy constitutional requirement on which emphasis is laid by the Audit Department, by distributing the supplementary grant by sub-heads. At the same time they would not have to face the practical absurdity of making detailed distributions which would be liable to be modified immediately thereafter.

The Auditor General concurred in this view in so far as supplementary grants were affected but said that the decision regarding the original grant depended on how far the Pink Books were considered as receiving the imprimatur of the legislature. Audit must have some authoritative distribution against which to exercise a check.

It was explained that it would be sufficient if the Agent's redistribution were assumed to have Railway Board authority, the Pink Books being considered merely explanatory memoranda, and the Committee agreed that this course should be followed.

10. *Paragraphs 43 and 44 of the Director's Report—Railway Schools.*—The Financial Commissioner informed the Committee that the matter was receiving attention but that he was unable to say when it would be settled. The Committee desired to have a report next year.

11. *Paragraph 56 of the Director's Report—Postponement of Adjustment for want of funds.*—The Committee was informed that this was not a postponement for want of funds but that when the Agent was asked for sanction to write off Rs. 85,000 on account of obsolete stores he issued instructions to find out whether they could not be utilised elsewhere. As a result of this, the major portion of these stores was utilised elsewhere and the amount that had actually to be written off ultimately was only Rs. 14,000.

12. *Paragraph 73 of the Director's Report—Over-allotment.*—The Auditor General explained to the Committee that under the convention agreed to by the Public Accounts Committee over-allotment was allowed only in respect of grants 4, 5 and 6, but in 1931-32 the Railway Board had extended the convention to other grants. The Financial Commissioner gave the following explanation to the Committee:—

“About the end of the year 1931-32 certain orders were issued by the Railway Board authorising certain railways to incur expenditure up to a definite maximum in excess of sums originally allotted to them. The Railway Board were satisfied from the progress of the actual expenditure that the total grant would not be exceeded, and that there would be savings in the same grant on other railways to cover the extra expenditure incurred on the authority of these orders. While it was probable that in the particular railways in question additional funds would be necessary, it was at the same time difficult to say where exactly the savings would occur. Apart from the fact that it was at the time practically too late to ask the Assembly to vote a supplementary grant, it was considered that it would be improper to ask for such a grant when it was fairly certain it would not be required. It might be objected that the course of action taken by the Railway Board practically amounted to allotment of funds in excess of the total granted by the Assembly, or at least to authorisation of expenditure beyond what was permitted by the Assembly. The only other course open to the Railway Board, apart from asking for an additional unnecessary grant, was to take no action on the request of the railway administrations. In my view, this would have been open to serious objection, and would have been tantamount to the Railway Board abdicating their functions. If railway administrations are expected to obtain the sanction of the Railway Board for additional expenditure when they cannot, by the exercise of all possible economy, keep within their original grant, it is obvious that any such demand must receive careful consideration; and if the Railway Board are satisfied that a certain amount of additional expenditure is inevitable on a particular railway, but that, taking railways as a whole, no additional expenditure is likely, it seems to me that the only proper and practically correct course for the Railway Board is to authorise whatever additional expenditure they consider necessary, holding themselves responsible to the Assembly if the total is thereby exceeded. Such orders, can, if considered necessary, be brought to the notice of the Public Accounts Committee. While the consolidated appropriation account would take no cognizance of such an order, as any formal over-allotment of funds is *ultra vires*, the appropriation account of the individual railway concerned should take note of it, as it is the authority for the railway administration to spend the money. Such an authorization is, however, quite distinct from an additional

allotment and will not be treated as affecting the grants ; but against any expenditure in excess of the formal allotments made a note will be recorded showing to what extent the excess was authorized by the Railway Board. In 1931-32, the grants affected and the amounts are as follows :—

				Rs.
Grant No. 4 ..	..	..	..	16,28,000
Grant No. 6 ..	..	..	..	1,17,000
Grant No. 10	..	..	..	37,42,000
Grant No. 11	..	..	..	25,000

The last is special, because the Railway Board were aware at the time of issuing the orders of the existence of credits due to the transfer of survey expenditure to capital on the commencement of construction ; but these credits were in railways in which no expenditure was expected and no grants had been allotted ; and partly in deference to what was supposed to be the audit point of view that negative appropriation was *per se* objectionable, the orders did not mention these credits. There was not in this case even a technical over-allotment. ”

The Committee did not see any reasons for agreeing to the extension of the convention to the other grants, but recognised that it might be necessary in very exceptional cases to depart from the convention and that in such cases the Committee would consider the matter when it reviewed the accounts of the year.

13. The Committee then adjourned till 2-30 P.M.

Proceedings of the Twelfth Meeting of the Public Accounts Committee held on Thursday, the 10th August 1933, at 2-30 P.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. S. C MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

Members

Mr. A. C. BADENOCH, Auditor-General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. Taylor, Financial Secretary. } *Were also present.*

Mr. P. R. RAU Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts. } *Witnesses.*

14. The Committee took up the Auditor General's Memorandum of doubtful cases of 'new service' appearing in the accounts of 1931-32 (Appendix VI). The Auditor General had included in the Memorandum two cases, viz. (1) additions and alterations to the locomotive running shed at Bhusawal and (2) installation of wireless sets on railways. After full discussion the Committee considered that, on the assumption that the additions and alterations involved merely an extension of the facilities for carrying out running repairs, it was debatable whether the first item should be classified as an item of 'new service', but in view of the amount involved they decided that it should be treated as an item of 'new service'. As regards the second item also the Committee decided that it should be treated as a 'new service'.

15. In accordance with the recommendations of the Public Accounts Committee in their Report on the accounts of 1928-29, a reserve provision is being included in the Railway estimates to meet unforeseen emergencies. The Auditor General raised the question whether the Railway Board could utilise such provision to meet expenditure on an item of 'new service' without obtaining a specific note from the Assembly as required by the rules. The Committee decided that the existence of this provision did not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the Statutory rules for expenditure on a 'new service'. In cases of real emergency, however, i.e. where delay in executing a work was likely to affect the public interest seriously, the Railway Board could utilise this provision for an item of 'new service' but should bring the matter to the notice of the Assembly as soon as possible. In other cases the Railway Board should obtain a specific vote from the Assembly for every item of 'new service' (possibly by a token vote) even if expenditure could be met from the emergency provision.

16. *Paragraphs 96—98 of the Director's Report:—Defective Rules of Allocation.*—The Financial Commissioner informed the Committee that, as stated at the previous meeting, the general question was still under consideration but that certain individual points had been settled.

17. *Paragraphs 102 and 103 of the Director's Report:—Allocation of expenditure on rolling stock.*—The Committee was informed that the question was under the consideration of the Railway Board. The Committee desired to have a report next year.

18. *Paragraphs 105 and 113 of the Director's Report.*—The Committee desired to discuss these paragraphs with the Director of Mechanical Engineering, Railway Board.

19. *Paragraph 107 of the Director's Report and paragraph 9 of the Auditor General's letter.*—The Auditor General raised the issue of how far any expenditure incurred as a matter of policy but admitted to be unjustified financially should be left at the debit of capital. The Financial Secretary explained that the main question was whether expenditure which was unjustified financially was to be incurred at all. If it had to be incurred the question whether it should be debited to capital or revenue should follow the ordinary rules of classification. An impossible situation would arise if it was held that only expenditure which was later found to be financially remunerative should be debited to capital as a logical sequence of this would be the valuation of the total railway assets according to their earning capacity. The Committee generally agreed with the Financial Secretary.

20. The Committee then adjourned till 11 A.M. on Friday, the 11th August 1933.

**Proceedings of the Thirteenth Meeting of the Public Accounts Committee held
on Friday, the 11th August 1933, at 11 A.M.**

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

Mr. J. M. D. WRENCH, Director, Mechanical Engineering,
and Chief Controller, Standards.

Members.

Were also present.

Witnesses.

21. *Paragraph 105 of the Director's Report.*—The Committee discussed with the Director of Mechanical Engineering, Railway Board, the case relating to the relaying of the Parbatipur Siligari Section with 90 pound rails. When this line was converted from metre gauge to broad gauge in 1926, new 75 pound rails were used, but within three years the track showed signs of weakness and at places the rails fractured. It had been suggested that the principal reason for the failure of the track, was the introduction of a heavier type of engine which the 75 pound rails could not carry; but the Director of Mechanical Engineering explained to the Committee in detail that this was not the true reason, as in the case of the XB type of engines used on this section the stress on the rail was actually less than in the case of the older type of engines. He stated that the actual causes of deterioration of the track were increase in traffic and the nature of ballast.

22. *Paragraph 113 of the Director's Report.*—Another case which the Committee discussed with Mr. Wrench was the purchase of a large number of YF class engines in 1929 for use on certain branch lines. The Committee was informed that this type of engine was purchased as the railways wanted an engine with a wide fire box so as to use low grade fuels. Though the engines initially proved defective and derailments occurred in some instances, the Railway Board had recently been able to remedy the defects at a small cost and the engines were now reported to be working quite satisfactorily.

23. *Paragraph 116 of the Director's Report and paragraph 10 of the Auditor General's letter—Balance Sheets of Railways.*—The Director of Railway Audit proposed that the double account system should be used for preparing the balance sheets of the railways, i.e., capital and assets should be omitted from the balance sheets and constituted into a separate capital statement giving greater details of the assets. The Committee generally accepted the proposals in the Financial Commissioner's Review but left the details to be settled by the Director of Railway Audit in consultation with the Financial Commissioner.

24. *Paragraphs 117-123 of the Director's Report.*—The Director of Railway Audit also raised the question whether in view of the difficulties involved in preparing accurate balance sheets and profit and loss accounts of individual railways such accounts should continue to be prepared. The Committee agreed with the Auditor General and the Financial Commissioner that profit and loss accounts of individual railways should continue to be prepared as accurately as practicable as the Committee was much interested in the financial results of the working of individual railways and such accounts would afford them some basis for comparing efficiency of work. The preparation of balance sheets of individual railways was not so important but the same treatment might be applied to them.

25. *Paragraph 128 of the Director's Report and paragraph 11 (a) of the Auditor General's letter—Contracts.*—The Committee was informed that detailed instructions embodying all the important principles had been issued some time ago.

26. *Paragraph 138 of the Director's Report and paragraph 11 (b) of the Auditor General's letter—Recovery of cost of stone supplied to a contractor.*—As the Director of Railway Audit was of opinion that the Legal Adviser would not have advised payment if he had been consulted before the payment was made, the Committee desired that the Railway Board should now consult* the Legal Adviser as to whether, if he had been consulted at the proper time, he would have been able to advise that the amount was not payable under the contract and in that case whether a successful attempt could be made to recover it from the contractor. The Committee also desired that, if the Legal Adviser was prepared to give a clear opinion on the case, a description of the facts of the case should be circulated* to Railway Administrations for guidance.

27. *Paragraphs 169-172 of the Director's Report and paragraph 11 (c) of the Auditor General's letter—Stores balances.*—The Committee was informed that the increase in the percentage of closing balance to issue in 1931-32 was mainly due to the stoppage of a number of works as a result of the economy campaign. The Committee noted with satisfaction that the stores balances had been reduced from 23,67 lakhs in 1921-22 to 11,82 lakhs in 1932-33.

28. *Paragraph 177 of the Director's Report—Periodical revaluation of stores.*—As the Railway Board was not yet in a position to express an opinion on the points raised in this paragraph, the Committee desired that it should be included in the next year's report together with the report of the further action taken in the matter.

29. *Paragraph 233 of the Director's Report and paragraph 11 (d) of the Auditor General's letter—Defalcation by a clerk on the North Western Railway.*—The Financial Commissioner promised to circulate† a memorandum to the members of the Committee before the next meeting.

30. *Paragraph 242 of the Director's Report.*—In this paragraph the Director of Railway Audit has brought to notice a case in which the negotiation of an agreement about certain collieries had been pending for over 20 years. The Committee desired that in order to avoid such delays the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.

31. The Committee then adjourned till 2 P. M.

* Vide Appendix XI, since circulated.

† Vide Appendix X, since circulated.

**Proceedings of the Fourteenth Meeting of the Public Accounts Committee held
on Friday, the 11th August 1933, at 2 P.M.**

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

Members.

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

Were also present.

Mr. W. M. BRAYSHAY, Chief Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

Witnesses.

32. Paragraph 11 (g) of the Auditor General's letter—Unsatisfactory state of stores accounting on the East Indian Railway.

Paragraph 275 (1) of the Director's Report.—The Director of Railway Audit desired that consideration of this paragraph should be postponed as he wanted to go into greater detail and explain the matter in the next year's report.

33. Paragraph 275 (2) and 275 (3) of the Director's Report.—The Committee was informed that steps had been taken to improve matters.

34. Form of Demands for Grants.—The Financial Commissioner explained to the Committee that under the present system the total working expenses of railways were shown under two demands and under each demand there were a large number of sub-heads. These sub-heads did not correspond to the heads under which accounts were kept and consequently the railway administrations had to rearrange all the figures in their accounts in order to enable them to compare the expenditure with the grants. This not only involved a lot of unnecessary labour but also made it very difficult for the railway administrations to watch the progress of expenditure against the grant. It was therefore necessary to recast the demands so as to improve the current control of expenditure. He stated that the present system should be considered to have broken down and that a change was necessary but left it to the Committee to decide whether in view of the impending constitutional changes a change in the form of demands should be effected now or should be left over till the new constitution came into force. The Committee decided that the change should be introduced immediately.

35. The Committee generally accepted the proposals of the Financial Commissioner as regards the form of the demands which it was explained had yet to be considered by the Government of India.

36. As regards the division of working expenses of railways into the various demands, there were two alternatives: (1) to make each railway a separate demand and the various accounts abstracts into sub-heads under the demands or (2) to make each abstract a separate demand and each railway a sub-head under the demands. The Financial Commissioner favoured the second alternative subject to a convention being established that a saving under one demand should be considered as a set-off against an excess in another. After considerable discussion the Committee agreed with the Financial Commissioner.

37. The Committee adjourned till 11 A.M. on Saturday, the 12th August 1933.*

* The meeting held on the 12th August did not relate to Railways.

APPENDICES.

APPENDIX I.

(SECOND QUARTERLY)

**Statement showing action taken or proposed to be taken on
recommendations, etc., so far made by the Central Public
Accounts Committee which have not been finally disposed of.**

Part II—Railways.

[Quarter ending July 1933.]

*Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed*

PART II—

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
1	1927-28 . 1928-29 . 1929-30 . 1930-31 .	63 R . 34 P . 48 P . 3 P [' Item No. 77 '].	That the Auditor General should report to the Committee whether he or the Director of Railway Audit has any comments to make on the rules regulating the custody and relinquishment of railway lands and buildings which the Railway Department have promised to issue before the end of 1932.
2	1928-29 . 1929-30 . 1930-31 .	5 P . 53 P . 3 P [' Item No. 80 '].	That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible.
3	1930-31 .	13 (iii) R	That the Committee should be furnished in due course with a statement of the actual action taken by Government on the proposals for retrenchment made by Mr. Badenoch in his report, dated the 26th April 1932, on the Limitation of Audit and Retrenchment in the Railway Audit Department.
4	1930-31 .	14 R .	That a joint note by the Railway Board and the Director of Railway Audit should be submitted to the Committee in 1933 as to the possibility of reaching some general agreement regarding the methods of calculation and the desirability of pursuing further the line of enquiry regarding the financial results of Railway electrification schemes adopted by the Director in his Report on the Accounts of 1930-31.
5	1930-31 . .	16 R .	That details be worked out in mutual consultation by the Railway Department and the audit authorities in pursuance of the principle laid down by the Committee regarding correspondence between the arrangement of the working accounts abstracts and the Sub-divisions of the Demands and a report furnished to the Committee in due course.
6	1930-31 .	19 R .	That the Committee should be supplied in 1933 with skeleton forms of demands for Grants, Appropriation Accounts and working Accounts prepared on the basis of their proposals and that they should be given a final opportunity of expressing their views on those forms before they are actually introduced in 1934-35.
7	1930-31 . .	28 R .	That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately.

so far made by the Central Public Accounts Committee which have not been finally of.

Railways.

Action taken or proposed to be taken.

The rules in question have since been issued and copies thereof supplied to the Director of Railway Audit. Neither he nor the Auditor General has any comments to make and this fact has been reported to the Committee by letter.

The matter is receiving attention.

A statement is being supplied to the Committee (Appendix VII).

Necessary action is being taken to meet the wishes of the Committee.*

The matter has been dealt with fully in the Financial Commissioner's Review of the Appropriation Accounts of Railways for 1931-32 (*vide* paragraphs 108—126), copies of which were supplied to the members of the Committee on the 14th July 1933.

The matter is under consideration.

* *Vide* Appendix XII, *since circulated.*

*Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed*

PART II—

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
8	1930-31 .	3 P [' Item No. 83 '].	That the information regarding railway advertisements given to newspapers, promised by the Financial Commissioner, Railways, should be supplied to the Committee.
9	1930-31 .	46 P .	That some definite procedure calculated to obviate the present delays in the apportionment of Joint Station expenses between railways should be laid down as soon as possible.
10	1930-31 .	63 P .	That a report on the extent to which it is found feasible to adopt the various suggestions of the Director of Railway Audit made in paragraph 28 of his Appropriation Report for 1930-31 with a view to expediting the submission of monthly accounts should be furnished to the Committee in 1933.

so far made by the Central Public Accounts Committee which have not been finally of.

Railways—concl'd.

Action taken or proposed to be taken.

A Statement giving the necessary information was furnished to the Committee on the 16th March 1933 (Appendix III).

The matter is under consideration.

The matter is under consideration and the required report will be furnished to the Committee in due course.*

*Vide Appendix IV, since circulated.

APPENDIX II-A

LETTER FROM A. C. BADENOCH, Esq., C.I.E., I.C.S., OFFICIATING AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 214-REP./7-33, DATED THE 10TH JULY 1933.

SUBJECT.—*Appropriation Accounts of Railways in India for the year 1931-32 and the Report of the Director of Railway Audit thereon.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1931-32 together with two copies of the Report thereon prepared by the Director of Railway Audit for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2. *Date of issue of the Financial Commissioner's Review.*—The Financial Commissioner has prepared a valuable financial review and survey of the Appropriation Accounts which reached me after I had prepared the first draft of this letter. In paragraph 11 of Part II of the Report on the Accounts of 1930-31, the Public Accounts Committee expressed the opinion that the Financial Commissioner's Review of the Appropriation Accounts should be in the hands of the Director of Railway Audit before the latter writes his Report in order that he may be able to take into account all the material furnished by the Financial Commissioner and thus minimise duplication in the presentation of results. To meet the desire of the Committee the Financial Commissioner undertook to endeavour to send his Appropriation Accounts with his Review to the Director by the middle of April each year so as to enable the Director to submit his Report to the Auditor General by the middle of May. It has been found impossible fully to carry out this programme in connection with the presentation of the Appropriation Accounts of Railways for 1931-32. The printed volume of Appropriation Accounts was available only on 20th May. The portion of the Financial Commissioner's Review which explains the Appropriation Accounts themselves was given to the Director of Railway Audit in draft form on the 27th April : but although I had seen portions of the Review in draft at an earlier date, a printed copy was not received by me until 3rd July. In consequence of the delay in the final issue of the Appropriation Accounts, and in the preparation of the Financial Commissioner's Review, the Report of the Director of Railway Audit was not received by me until 20th June.

In paragraph 107 of the Review the Financial Commissioner, Railways, has explained why it has not been possible to satisfy the demand of the Public Accounts Committee made at the instance of Sir Ernest Burdon ; and it appears that the requirements which the Public Accounts Committee consider to be essential for the proper presentation of the Railway Appropriation Accounts and of the results of the audit of these accounts cannot be satisfied unless something can be done to expedite their preparation. The Financial Commissioner proposes the 15th of July as the date on which his Review should issue ; but I suggest that it is unsatisfactory that the Director's Report and the Auditor General's letter should be written wholly without reference to the Financial Commissioner's Review and that if the Director's Report is to be delayed until after this date

there may be serious interference with the arrangements both of Government and of the Public Accounts Committee. The better course would be to arrange that that portion of the Financial Commissioner's Review which explains the Appropriation Accounts themselves should be sent to the Director at a date not later than that suggested by the Public Accounts Committee in paragraph 11 of Part II of last year's Report, viz., the 15th of April. It is not absolutely essential that the Financial Commissioner's remarks on the more general questions connected with the Appropriation Accounts should be made available to the Director before he prepares his Report, and it might be a convenient arrangement for the Financial Commissioner to prepare his Review in two parts, the first, dealing with the explanation of the accounts, to be ready by the 15th of April, and the second containing his observations on more general questions and on matters discussed by the Director in his Report to be issued on a date, before the meeting of the Public Accounts Committee, convenient to the Financial Commissioner himself.

3. *Earlier preparation of Appropriation Accounts.*—It is important that there should be further enquiry whether the Appropriation Accounts of Railways cannot be prepared, audited by the Railway Audit Department, and made available to the Financial Commissioner in a final form at a date earlier than appears to be possible at present. The Financial Commissioner in paragraph 108 of his Review admits that little or no improvement can be achieved until the preparation of the accounts is simplified by the assimilation of the form of Demands for Grants (and hence of the Appropriation Accounts) to the structure of the initial accounts. Some of the proposals to modify the Demands for Grants approved in principle by the Public Accounts Committee have already been carried out; it is of the utmost importance that the remaining proposals to bring the forms of the Demands and of the Appropriation Accounts into line with the structure of the initial accounts should be approved and that the approved scheme should be introduced at the earliest possible date. It is not necessary for me to labour this point as the Financial Commissioner has dealt with it in his Review and has placed concrete proposals before the Public Accounts Committee. I suggest however that the forms approved by the Committee should be used in the budget for 1934-35 and that the programme suggested in paragraph 11 of the Committee's Report of last year be modified only to the extent proposed in paragraph 2 above until it is known that, even after the introduction of the new forms of Appropriation Accounts, earlier preparation of these accounts is impossible. I do not believe I exaggerate when I say that earlier and more satisfactory preparation of Appropriation Accounts and the achievement of a successful system of expenditure control on Railways is bound up with the removal of the defects in the forms of Demands for Grants commented upon in Sir Ernest Burdon's letter on the accounts of 1930-31 and briefly summarised in paragraphs 25 to 28 of the present Report.

Experience of Railway Appropriation Accounts and of the Railway expenditure control system during the past few years suggests the conclusion that it was perhaps unfortunate that the forms of the Demands for Railway Grants were approved by the Railway Standing Finance Committee without reference to the Public Accounts Committee.

4. *Outstanding questions.*—The remarks in the foregoing paragraph relate to items 5 and 6 of part II of the list of questions outstanding from previous discussions and hence to a matter already under consideration but the difficulties experienced in presenting the Appropriation Accounts for 1931-32 and the Report thereon have proved that it is necessary to emphasise the importance and the urgency of the question involved in these items. I assume that the Public Accounts Committee will as usual deal in detail with the list of outstanding items some of which are of great importance, and I have no further comments to offer on these items individually at this stage.

5. *General results of appropriation audit.*—The Director's comments on these matters will be found in chapter 3 of his Report. It will probably be accepted without question that the conditions of the year 1931-32 were such as not to afford a fair test of budgeting on Railways. I desire to direct the attention of the Committee again to paragraphs 25 to 29 of the Director's Report when they are considering the efficiency of the control over expenditure on Railways. My own conclusion is that Railway administrations are making real attempts to control expenditure despite the difficulties connected with the present unsuitable system of units of Appropriation; a high standard of efficiency in control cannot be expected until the form of accounts used for expenditure control purposes is altered to conform more to the structure of the initial accounts. It is believed that a satisfactory settlement of this important question will lead to the solution of other problems with regard to which the Director of Railway Audit and the Financial Commissioner, Railways, have for long been at issue, *e.g.*, the question of the distribution of supplementary grants over sub-heads dealt with in paragraph 35 of the Director's Report.

The Committee will note with concern the abnormal increase in the cases of defective budgeting and misclassifications brought out in paragraph 24 of the Report.

6. *Irregular Reappropriations.*—The Committee's attention is directed to paragraph 36 which describes the irregular reappropriations the duty of scrutinising which devolves on them by statutory rule. In paragraph 83 of the Financial Commissioner's Review an explanation, which appears to me adequate, is given of the orders to which objection is taken by the Director in paragraph 36(c). In my opinion none of the irregularities described in this paragraph is important in principle from the Committee's point of view.

7. *Policy of Over-Allotment.*—I desired to direct the attention of the Public Accounts Committee to the remarks of the Director under Grant 10 in paragraph 73 of the Report. The Committee will no doubt remember the convention they established with the Financial Commissioner and though the justification offered in paragraph 82 of his Review, by the Financial Commissioner, for the breach of this convention, may be considered eminently reasonable, it is for consideration whether there should be any departure from a convention thus deliberately established without prior consultation with the Committee. Unless there be some such agreement there appears to be a danger that the practice of establishing conventions may be stultified. It is doubtful whether the distinction drawn by the Financial Commissioner between 'authorisation' and 'allotment' can be justified either in theory or in practice.

8. *Depreciation Reserve Accounts.*—The matter contained in paragraphs 77 to 79 of the Report is important with reference to the general question of the permanent basis of allocation of expenditure between Capital, Revenue and the Depreciation Reserve Fund, *vide* item 7 of the list of outstanding questions. The remarks made in these paragraphs seem to indicate that the attempt to maintain Depreciation Reserve accounts in detail for particular classes of assets is not in fact successful.

9. *Capital Accounts.*—In paragraphs 97 and 98 the Director describes influences of a comparatively minor character, yet important in themselves, which tend to produce over-capitalisation. The Public Accounts Committee doubtless will be interested to know how far it is possible and how far it is intended to take measures to counteract them. In chapter 5 a number of instances of possibly infructuous expenditure likely to produce inflation of the capital account have been described; the case recorded in paragraph 107 raises the issue of how far any expenditure incurred as a matter of policy but admitted to be unjustified financially should be left at the debit of capital.

10. *Balance Sheets.*—Attention is specially directed to the whole of chapter 6 which provides the first audit criticism of the Balance Sheets and Profit and Loss Accounts prepared at the instance of the Public Accounts Committee. The Financial Commissioner has dealt with the subject in paragraphs 89 to 105 of his Review. The criticisms in paragraph 115 are important and generally valid and the Director's suggested method of meeting the difficulty, *vide* paragraph 116, requires careful consideration by the Public Accounts Committee. The system suggested, known as the 'Double Account System', has been introduced in England to exhibit the expenditure of moneys obtained by the creation of fixed liabilities and is applied generally to bodies that have been incorporated by a special Act of Parliament to work public undertakings such as Railways. It may be surmised that the system is used in England partly to meet difficulties similar to those described by the Director. The Double Account System is not unknown in India but has been adopted to my knowledge by the Calcutta Port Trust, and I believe that it is suitable to the present purpose though some further scrutiny will be necessary before the method of application suggested by the Financial Commissioner can be accepted.

It is also important to consider whether the conclusion reached in paragraph 122 is valid. As against the view put forward in the Report I might venture to suggest that the Public Accounts Committee are interested in the financial results of working individual Railways, and that it should not be beyond the ingenuity of the responsible authorities to work out a system of Profit and Loss Accounts for individual Railways at any rate approximately accurate which will afford some basis of comparing efficiency of work.

11. *Other points of importance.*—The foregoing paragraphs contain my observations on important matters of principle discussed in, or arising from, the Director's Report. The larger portion of the Report is generally concerned with detail and with individual irregularities. I desire to invite special attention to the following points but I must make it clear that in doing so I do not exhaust the important matters discussed in the report which are deserving of the Committee's consideration.

(a) *Paragraph 128.*—The Public Accounts Committee doubtless consider it to be of great importance that instructions regarding the regulation of contracts should be issued at the earliest possible date and will desire to know when Government will be able to issue these instructions.

(b) The individual irregularities described in paragraphs 138 to 141 deserve special study by the Committee.

(c) The Public Accounts Committee have always displayed special interest in the balances of stock maintained by Railways and paragraphs 169 to 172 contain the Director's remarks upon this subject. The Financial Commissioner's comments on the same subject appear in paragraphs 85—88 of his Review. An unsatisfactory state of affairs on the East Indian Railway is disclosed in paragraphs 173 and 181. Paragraph 177 describes a point of some importance in connection with which Audit and the Railway authorities have differed for some time regarding the duties of the Railway Administration.

(d) The most important individual defalcation mentioned in the report is described in paragraph 233. The Public Accounts Committee will doubtless desire to have a further report about the disciplinary action taken against the staff not actually involved in the criminal proceedings and to know the reason why there has been such delay in deciding whether disciplinary action should be taken.

(e) In paragraph 239 to 246 the Director has again focussed attention upon the great delays which occur in settling financial adjustments between Railways. This question also forms the subject of item 9 of the outstanding list. The occurrence of such delays constitutes one of the gravest defects of Railway Administration in India.

(f) Special attention is directed to the analysis of the working of branch lines contained in paragraphs 247 to 254 of the Report and Annexure 1.

(g) The Public Accounts Committee will be disappointed to learn from paragraph 275 that the stores accounting on the East Indian Railway is not yet as satisfactory as might be desired. Although it will probably be infructuous to deal with defects due to the state of affairs existing before the reorganisation it is necessary that those occurring after the reorganisation should be explained and the Public Accounts Committee should be satisfied that proper measures are being taken to remove them.

12. *Conclusion.*—It is difficult to sum up the results of scrutiny by audit of an account of such magnitude and complexity as that of Indian Railways. The impression I have formed, however, is that while a real effort has been and is being made to secure greater efficiency in control and greater regularity in expenditure, the progress in these directions is slow, slower possibly on State-managed Railways than on Railways managed by Companies.

APPENDIX II-B.

LETTER FROM A. C. BADENOCH, Esq., C.I.E., I.C.S., OFFG. AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. T.-677-REP./7-33, DATED THE 12TH JULY 1933.

SUBJECT.—*Appropriation Accounts of Railways in India for the year 1931-32 and the Report of the Director of Railway Audit thereon.*

In continuation of this office letter No. 214-Rep./7-33, dated the 10th July 1933, on the subject noted above, I have the honour to transmit herewith two copies of the Review of the Appropriation Accounts of Railways in India for 1931-32 prepared by the Financial Commissioner of Railways.

APPENDIX III.

Statement giving particulars of Railway Advertisements in connection with the "Hill Station Advertising" campaign during 1929-30, furnished by the Railway Department on the 9th March 1933 with reference to paragraph 3—Item No. 83—of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part II.

		Place of publication.		Inser- tions.	Space occupied.
<i>Central Publicity Bureau—</i>					
Madras Mail	..	Madras	..	2	80×2—160".
The Statesman	..	Calcutta	..	1	154".
The Times of India	..	Bombay	..	1	4 Columns.
<i>Great Indian Peninsula Railway—</i>					
The Times of India—Daily Edition.		Bombay	..	7	4 Col. full page depth. 3 „ × 8½".
					3 „ × 10".
					3 „ × 10".
					3 „ × 8".
					3 „ × 9".
					3 „ × 8".
<i>East Indian Railway*—</i>					
The Statesman	..	Calcutta	..	6	60"×3 Col.
Englishman	..	Calcutta	..	6	60"×3 Col.
The Times of India (Weekly)		Bombay	..	4	32"×2 Col
Capital	..	Calcutta	..	2	20"
<i>Bengal Nagpur Railway—</i>					
Madras Mail	..	Madras	..	5	8" 8" 12" 14" 14" .
<i>Bombay, Baroda and Central India Railway—</i>					
The Times of India	..	Bombay	..	3	58 Column in. 120 „ 92 „
Bombay Chronicle	..	Bombay	..	2	48 „ 32 „
Indian Daily Mail	..	Bombay	..	2	56 „ 30 „

* In addition to this, special letter press advertisements were inserted in all those papers, viz., the "Statesman", "Bengalee", "Capital" and "Commerce" with whom this Railway has contract space. Regret particulars of the number of insertions of these advertisements and the space taken up by same are not readily available.

		Place of Publication.	Inser- tions.	Space occupied.
<i>North Western Railway—</i>				
Himalaya Journal	..	Calcutta	..	2 2 pages.
Civil and Military Gazette		Lahore	..	8 159 inches.
Tribune	..	Lahore	..	8 156 „
Hindu Herald	..	Lahore	..	8 168 „
Hindustan Times..	..	Delhi	..	8 160½ „
Daily Chronicle	..	Delhi	..	8 162 „
Muslim Outlook	..	Lahore	..	2 24 „
Daily Gazette	..	Karachi	..	2 24 „
North Western Railway				
Supplement to the Indian				
State Railway Magazine		Lahore	..	12 Front page. per year.
Daily Inqilab	..	Lahore	..	2 Half page.
Daily Siyasat	..	Lahore	..	2 Half page.
Tahzib-i-Niswan	..	Lahore	..	2 Full page.
Nairang-i-Khiyal	..	Lahore	..	1 Full page.
Shabab-i-Urdu	..	Lahore	..	1 Full page.
Adabi Dunya	..	Lahore	..	1 Full page.
Daily Al-Aman	..	Delhi	..	2 Half page.
Al-Khalil	..	Delhi	..	2 Half page.
M'auji	..	Amritsar	..	2 Half page.

APPENDIX IV.

Memorandum on the earlier preparation of monthly accounts, furnished by the Railway Department on the 7th August 1933 with reference to paragraph 63 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part II.

In paragraph 28 of the Director of Railway Audit's Report on the Appropriation Accounts for 1930-31 certain suggestions were made for the purpose of expediting the submission of monthly accounts, and, at the instance of the Public Accounts Committee, the Controller of Railway Accounts undertook to examine these suggestions. The Committee asked for a report this year on the extent to which these suggestions had been found feasible and how far they had achieved the object in view.

2. The Director of Railway Audit, in consultation with whom the Controller of Railway Accounts has been examining the suggestions, found it necessary to re-examine the whole question in consultation with his subordinate Audit officers. As a consequence, there has been some delay and the final views of the Director of Railway Audit were received by the Controller of Railway Audit only in the beginning of July. The Controller of Railway Accounts is examining these suggestions and a further report on the subject will be submitted to the Public Accounts Committee next year.

APPENDIX V.

Report on the working of the " Rules for the maintenance of Priced Stores Lists on State-managed Railways " promulgated with Railway Board's letter No. 3688/S., dated the 22nd September 1931, furnished by the Railway Department on the 7th August 1933 (vide remarks against item 74 of Appendix I to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II).

Since the above orders were issued, the desirability of uniform Price Lists being maintained on all State-managed Railways was considered by the Railway Board ; and it was decided that the East Indian Railway's new detailed lists of stores might, with alterations to suit local conditions, be advantageously adopted by other State Railways.

2. The progress made is shown below :—

East Indian Railway.—Price and Part lists have been prepared for all items in stock on this Railway with the exception of 20 per cent. of the E a 1 class (Locomotive Parts and Fittings). This exception, it is hoped, will be completed by the 15th August 1933. The work has taken about three years to complete.

A standard description has now been given to each item and, in addition, diagrammatic drawings of the fittings have been prepared. These drawings make it clear to the indentors what items are to be indented for and eliminate requisitioning for a wrong fitting.

Copies of all Price, Part lists and Drawings have been forwarded to other State Railways to enable them to complete new lists and remodel existing ones on the lines of the East Indian Railway procedure.

Owing to stringency of funds and consequently the difficulty of finding additional staff, it was decided to concentrate on the preparation of the lists and to postpone the revision of the rates for a short time. Now that the preparation of the Lists has been practically completed, revision of the rates is in hand. The rates for two classes of stores have been revised and issued. Rates for the remaining classes will, it is hoped, be revised before the end of this financial year. A procedure has now been introduced under which the rate for each item will be examined annually and revised if necessary.

Monthly revisions of all items of which new supplies have been received during the past month are made whenever necessary. The rate of the new supply is compared with the book rate, and if there is an appreciable difference between the book and new supply rates, average rates are struck and issues are then made at the revised rates. This procedure ensures that stores are not issued at out-of-date rates.

Great Indian Peninsula Railway.—A printed Price List has been in use on this Railway for many years, which is being recast in conformity with the latest procedure introduced on the East Indian Railway. The work is in hand.

Eastern Bengal Railway.—A detailed report received from the Railway shows that satisfactory progress is being made.

North Western Railway.—The preparation of a revised Price List has been in hand since 1931. Out of 46 classes, two are not being changed, 31 have been revised and brought into use, 8 are under print and 5 are in course of preparation.

General.—A meeting will shortly be held between the Controllers of Stores of the State-managed Railways and the Railway Board at which the progress made in this work will be reviewed and the further steps to be taken considered in the light of the difficulties that have been experienced. It is also intended to review this question of up-to-date Price lists every year at the meeting of the Controllers of Stores with the Railway Board.

APPENDIX VI.

Memorandum of doubtful cases of " New Service " appearing in the Accounts for 1931-32, furnished by the Auditor General on the 29th June 1933 with reference to paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1927-28.

The following doubtful cases of ' New Service ' are submitted for the consideration of the Public Accounts Committee.

2. *Locomotive Running Shed at Bhusawal.*—In May 1929, the Railway Board sanctioned an estimate amounting to Rs. 5,25,543 for the provision of a Divisional Loco. Repair Shop at Bhusawal. For various reasons the scheme was, however, reconsidered and a fresh estimate was sanctioned by the Railway Board in June 1931 amounting to Rs. 3,50,549 (Rs. 3,50,189 chargeable to Capital and Rs. 360 chargeable to Revenue) for additions and alterations to the Locomotive Running Shed at the same place. No specific provision of funds for either of these works was made in the budgets of these years. While sanctioning the latter estimate, the Railway Board stated that, if funds were required for the work, they could be made available by the postponement of some less urgent work. The Railway Administration finally appropriated Rs. 1,91,600 for these additions and alterations and against this amount expenditure of Rs. 1,68,943 was incurred during 1931-32.

3. According to the precedent of Kadu Lake decision mentioned in paragraph 30 of Volume I of the Public Accounts Committee's Report on the accounts for 1928-29, the Director of Railway Audit considered that this project was a " new instrument of service ". As some expenditure had been incurred in 1931-32, and as there was then still an opportunity of remedying the defect, the Railway Board was requested by the Director of Railway Audit in his letter No. D.-6-64, dated the 26th February 1932, to obtain a supplementary vote from the Legislature. In reply to this the Director of Railway Audit was informed by the Railway Department in a letter, dated the 3rd March 1932, that they did not agree that the expenditure referred to could be considered as a ' new instrument of service '. They, however, left it to the Director to bring the matter before the Public Accounts Committee for a decision on the subject.

4. The reasons which led Sir Ernest Burdon to consider that the expenditure on this case is on a " new instrument of service " are as follows :—

" The original idea of the Railway Administration apparently was that there should be a Divisional Repair shop at Bhusawal the purpose of which would be to carry out repairs to Locomotives or stock which would otherwise have to be carried out in the main shops at Bombay. The advantage would be that the repairs would be executed more expeditiously on the spot than in the larger shops in Bombay where practically all the major repair work of the line is done. The additions to the Locomotive Running Shed constitute merely a less expensive method of doing, in part at least, what was to be done by the Divisional

Repair shop. To a certain extent there is an additional service, as the repair facilities in Bhusawal must to some extent be additional to those existing at Bombay. The case is analogous with the Kadu Lake decision mentioned above and is covered by that decision, the effect of which is really to make every substantial capital outlay on improving existing services a 'new service' or a 'new instrument of service', if there has been no provision for this capital outlay in the budget. Judged in the light of this decision, the expenditure on the additions to the Running Shed at Bhusawal is a 'new instrument of service'."

5. These views were communicated to the Railway Department (Railway Board) but were not accepted by them. The reasons which led them to hold a contrary view were explained in their letter to the Auditor General, No. 1669-B., dated the 4th January 1933, as follows:—

"The main reasons for the Government of India holding that the expenditure on the Locomotive Running Shed at Bhusawal is not a new service is that it is only one of the innumerable cases in which railways have to incur from day to day additional capital expenditure in order to deal with the necessities of traffic. The work consisted only of additions to an existing Locomotive Running shed in order to provide for adequate maintenance facilities at Bhusawal Depot where it was considered a breakdown would be a most serious matter. Funds could not be provided for the more ambitious scheme, which was originally sanctioned by the Board in 1929, and consequently it was decided on the representation of the Agent to make the minimum improvements in the maintenance facilities of the Depot necessary to enable Bhusawal adequately to handle its day-to-day engine maintenance, and the money was provided by reappropriation within the sanctioned budget. The Railway Board are of opinion that such minor improvements should not be considered as a new service."

The necessity and urgency of the work mentioned by the Railway Department are not open to dispute but, in the opinion of Sir Ernest Burdon, emergency is no argument relevant to the question whether the work constituted a 'new service' and on which the views expressed by him in paragraph 4 above remain unmodified.

6. *Installation of wireless sets on Railways.*—The Government of India (Railway Department) sanctioned the installation of four wireless sets, one on the Great Indian Peninsula at Bombay, two on the North Western at Delhi and Lahore, and one on the East Indian at Calcutta. The total estimated cost of these installations is Rs. 1,43,310 (Bombay Rs. 34,597, Delhi Rs. 31,596, Lahore Rs. 30,425 and Calcutta Rs. 46,692) and the following expenditure was incurred on them in 1931-32 for which no specific provision was made in the budget—

		Rs.
Bombay (Great Indian Peninsula Railway) ..	..	26,298
Calcutta (East Indian Railway) ..	..	28,415

It is considered that these installations involve a form of service which, as applied to Railways, is entirely new. The expenditure therefore appears to come within the scope of rule 50 (1) (ii) of the Indian Legislative Rules and must be regularised *ex post facto* by the Legislature in the manner recommended by the Public Accounts Committee in paragraph 29 of their Report on the accounts of 1930-31, Part II—Railway Accounts (Government of India, Finance Department, letter No. F. XV-1-Ex.II/32, dated the 12th December 1932).

7. This view has not however been accepted by the Railway Department and the reasons which led them to a different conclusion have been explained in their letter to Director of Railway Audit, No. 1821-B., dated the 4th May 1933, reproduced below :—

“ The reasons which led the Government of India to arrive at the decision that the installation of wireless sets mentioned in the draft paragraph was not a ‘ new service ’ are as follows. What is new about the installation of these sets is not that Railways should not have their own telegraphic or telephonic service—for they have always had, and from time to time extended, such a service—but that this extension of the service is a wireless and not a wired extension. Though there were special reasons of an emergency character which led them to make the extension in this form at the particular moment, they could not draw any real distinction between a change over from wired to wireless telegraphic communication and any other improvement due to modern invention, for example, the change to super-heated locomotives. Even apart from this, the ‘ emergency ’ provision which the Government include as the result of a recommendation of the Public Accounts Committee, was specifically designed to avoid the necessity for asking for a supplementary grant when the chances of the year threw expenditure on Railways which could not be foreseen at the time of budgeting. ”

8. As almost every new alteration or improvement follows from some scientific discovery, the first argument employed by the Railway Board could be used to explain away many cases of ‘ New Service ’ (*e.g.*, the electrification of a railway). I consider that a change from “ wired ” to “ wireless ” communication involves a most important alteration in character of an existing facility even if it does not constitute the adoption of a new policy ; and in general constitutional practice I believe that important modifications in character of existing facilities are considered as introducing a ‘ new service ’.

9. The argument of the Railway Department relating to the “ emergency provision ” raises certain important questions. The recommendation of the Public Accounts Committee was as follows :—

“ We take this opportunity of suggesting that individual items in the demands for grants presented to the Assembly should not contain a margin for emergent expenditure of this character, and that, as a corollary to this, a specific but reasonable reserve provision might be made therein to meet such expenditure. ”

I can confidently assume that it was not the intention of the Public Accounts Committee that the existence of an emergency provision could be used to discount any objection in audit to unforeseen expenditure as having been incurred on a 'New Service'. Only such unforeseen expenditure can legitimately be covered by this provision as is declared, before it is incurred, to be so urgent that it cannot be postponed until a vote of the Legislature is obtained. The existence of the reserve cannot affect expenditure that is not in fact met from it and failure to obtain a vote of the Legislature cannot be excused by a statement that the expenditure might have been met from the emergency provision. Further it is doubtful whether the Public Accounts Committee ever intended to give the executive Government a free hand to incur expenditure on a 'new service' through this emergency provision.

10. *General*.—In this connection it has been brought to my notice by the Director of Railway Audit that quite irrespective of the intrinsic difficulty of distinguishing clearly in many instances whether a new service not provided for in the budget of the year is, or is not, involved in a particular item of expenditure, it does not appear generally to be appreciated by officers in the Railway administration that, if such a 'new service' is concerned, funds must be specifically provided (either in full or in token) by the Legislature itself and that a mere reappropriation of savings for the purpose does not satisfy the requirements of the law.

APPENDIX VII.

Statement of the actual action taken by Government on the proposals for retrenchment made by Mr. A. C. Badenoch, C.I.E., I.C.S., in his report dated the 26th April 1932, furnished by the Finance Department on the 25th July 1933 with reference to paragraph 13 (iii) of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

1. The proposals for retrenchment made by Mr. A. C. Badenoch, C.I.E., I.C.S., in his report, dated the 26th April 1932 on the Limitation of Audit and Retrenchment in the Railway Audit Department were discussed in a Conference of representatives of the Finance and Railway Departments and the Auditor General. The proposals relating to the limitation of test audit were generally accepted subject to any modification of detail which closer examination proved to be necessary. The proposals regarding retrenchments were also accepted *in toto*. The latter proposals involve the following changes in the Gazetted posts :—

(i) Conversion of—

- (a) The Class I posts of Deputy Director of Railway Audit and Deputy Chief Auditor, North Western Railway, into Class II posts of the General List ;
- (b) The posts of Chief Auditor, Clearing Accounts Office, and Chief Auditor, Eastern Bengal Railway, which are posts in Class II of Accountants General, into posts of Class I of the General List ;
- (c) The Class II posts of Deputy Government Examiner, Assam-Bengal Railway, and Deputy Government Examiner, Madras and Southern Mahratta Railway, into posts of Assistant Audit Officers ;

and (ii) The abolition of—

- (a) The Class I post of Deputy Chief Auditor, East Indian Railway ;
- (b) The Class II post in the office of the Chief Auditor, Clearing Accounts Office, which is now unfilled and one Class II post in the number of leave reserve in the Indian Audit and Accounts Service ; and
- (c) One permanent post of Assistant Audit Officer in the office of the Deputy Chief Auditor, Burma Railways, and three temporary posts—one in each of the offices of the Director of Railway Audit and the Chief Auditors, North Western and Great Indian Peninsula Railways. The total effect of these proposals is as follows :—

			Accountants General.	Class I.	Class II.	Assistant Accounts Officers.
Reductions	..	..	2	3	3+1 (leave reserve)	4 (3 temporary)
Increases	..	..	..	2	2	2
Net result	..	..	—2	—1	—2	—2 (temporary)

2. The proposals have been approved by the Government of India and the Secretary of State. It has also been decided that the selection grade posts of Accountants General and Class I proposed to be reduced should be held in abeyance as administrative considerations render this possible and be actually abolished formally on the occurrence of permanent vacancies in the grades of Accountants General and Class I after 1st September 1933. As regards the disposal of officers of the Indian Audit and Accounts Service rendered surplus in consequence of these retrenchments it has been decided that primarily reductions should be effected by absorption in vacancies occurring in the normal course, it being, however, open to the Auditor General to propose discharges on the principles already accepted by the Government of India if circumstances make this a convenient and economical course to follow.

3. According to the agreement reached in the Conference, the post of Chief Auditor, Railway Clearing Accounts, has been down-graded from 19th March 1933. It has also been possible to down-grade the post of Deputy Chief Auditor, North Western Railway, from 1st April 1933. As regards other selection grade posts, it has been decided that the posts of Chief Auditor, Eastern Bengal Railway, and Deputy Director of Railway Audit should continue until the beginning of the cold weather of 1933 and that the remaining Class I post of Deputy Chief Auditor, East Indian Railway, should be reduced at any rate in connection with the changes consequent on the postings for the cold weather of 1933-34.

4. The total effect of retrenchments, so far as they relate to the non-gazetted staff in the Railway Audit Department, is as follows :—

	Senior Auditors.	Junior Auditors.	Upper Division Clerks (including clerks on fixed pay of Rs. 100 or Rs. 110).	Lower Division Clerks (including clerks on fixed pay below Rs. 100).	Steno- graphers.
Reduction ..	7	8	41	12	1
Addition ..	..	..	..	27	..
Net result ..	—7	—8	—41	+15	—1.

5. The total annual average savings from the retrenchment measures as estimated in Mr. Badenoch's report are Rs. 2,63,784.

6. It has also been accepted that, as Company Railway Accounts form part of Government Accounts in the same way as State Railway Accounts, the same degree of audit must be applied to Company Railway transactions. It has accordingly been decided to make the extended Audit Scheme permanent.

7. With reference to the remarks of the Public Accounts Committee that the scope for retrenchment in Railway Audit is limited and that, in view of the volume and complexity of Railway transactions, any drastic attempt at retrenchment might involve risks, which could not be lightly undertaken, the Auditor General has satisfied himself that the acceptance of the proposals will not involve any undue risk but if, in course of time, it is found that there is

actual and serious loss of efficiency due to the reduction of the higher posts, he will address the Government of India and submit such proposals as circumstances may suggest.

8. In order to consider the possibility of effecting further economies, it was also agreed in the Conference—

- (1) that the question of reducing the status of the Chief Auditors, North Western Railway, Great Indian Peninsula Railway and East Indian Railway, to that of Class I of the Indian Audit and Accounts Service may be revived later, if conditions under the new constitution suggest the reopening of the question ;
- (2) and that the Class I post of Deputy Government Examiner, Bengal Nagpur Railway, should be continued as a temporary post for one year only and its reduction to Class II status be considered at the end of that period.

APPENDIX VIII.

Instructions issued to Railway Administrations on the Appropriation Accounts of Railways in India for 1931-32 and the Report of the Director of Railway Audit.

Letter from the Railway Department (Railway Board), to the Agents of various Railways, No. 1728-B., dated the 7th August 1933.

I am directed to draw your attention to the Appropriation Accounts of Railways in India for 1931-32, and to the Report of the Director of Railway Audit thereon as well as to the Auditor General's remarks, a copy of which is enclosed for your information.

2. The Railway Board are glad to note that in the opinion of the Director of Railway Audit, increased interest and activity has been noticeable on most railways in the matter of the control of expenditure. They trust that both the Administrative and Accounts Officers will devote careful attention to this in order to improve the detailed machinery for such control.

3. Among the various points that the Director of Railway Audit has brought to notice in his Report, all of which deserve careful study, the Board desire to mention a few to which they consider special attention might be profitably directed.

Paragraph 24.—The Board note with concern the increase in the cases of defective budgeting and misclassifications brought out in this paragraph, and hope that as a result of the instructions given in paragraph 3 of this office letter* No. 1728-B., dated 29th August 1932, the position will show an improvement in the Accounts of 1932-33.

Paragraph 32.—Limiting expenditure to allotments.—On the question of Railway administrations limiting expenditure to the reduced allotments sanctioned by the Railway Board, instructions were issued in this office letter No. 1692-B., dated the 16th December 1932. The Board trust that steps have been taken to provide that expenditure is limited to the amounts allotted and distributed by the Board in their Budget Orders.

Paragraph 33 (b) ; Reasons for reappropriations.—The Board commend the suggestion made by the Director of Railway Audit in this paragraph. It would greatly facilitate and expedite the preparation of the Appropriation Accounts if reasons are recorded at the time of making reappropriations.

Paragraphs 104—113.—Doubtful investments.—In these paragraphs a number of instances of apparently infructuous expenditure have been given. In this connection attention is invited to the instructions already issued in this office letter No. 33/256-S., dated 8th July 1933, in which it has been laid down that before any substantial changes in methods, designs, materials, plant and equipment are introduced on a large scale, a preliminary investigation, or experiment on a small scale, should be carried out in order to make certain that the changes proposed are reasonably likely to be successful.

*Appendix XVI to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

Paragraphs 128—139.—Contracts.—The new Contract Rules contained in the Revised State Railway Code (recently issued) prescribe the procedure to be adopted by railway administrations in regard to the giving out of contracts and altering them. The instances cited in paragraphs 131—135, however, point to the desirability of railway administrations reviewing, wherever possible, all long term contracts and contracts of indefinite duration with a view to revising them to the Railway's advantage in view of the present day economic conditions.

Paragraphs 161—168.—Purchase of Stores.—In this office letters* No. 1728-B., dated 29th August 1932 and 10th November 1932, it has already been stated that purchases are to be restricted to urgent requirements and that it should be made clear that Controllers of Stores are expected to take every possible step to avoid the unnecessary purchase of stores. No doubt in some of the cases mentioned by the Director of Railway Audit, it was not possible to utilise the material owing to the present financial stringency, but there are others which call for a strict adherence to the principles enunciated above.

Paragraph 180.—The suggestion contained in this paragraph is commended for your consideration. Attention is invited in this connection to the provisions contained in paragraph 247 of the State Railway Open Line Code, Volume II, which is reproduced below :—

“ Cashiers, Pay Masters, Pay Clerks, Sub-storekeepers and Depot Storekeepers, holding direct charge of stores, whether appointed permanently or temporarily, must furnish security under the general rules contained in the following paragraphs, the amount being regulated according to circumstances and local custom in each case under the sanction of the Manager. Lower subordinates and all traffic subordinates entrusted with the custody of cash or stores may be required to furnish security at the option of the Manager, who shall determine whether the amount shall be paid in lump sum or by deductions from salary.”

Paragraph 182.—Losses of Stores.—The defects which rendered it possible for the theft mentioned in this paragraph to be committed should be guarded against.

Paragraph 185.—Security Deposits.—The action taken by the Bombay, Baroda and Central India Railway in regard to security deposits from certain categories of temporary employees is commended for your consideration.

Paragraphs 188—198.—Apportionment of earnings.—The Board note with concern the numerous cases of wrong apportionment between working and worked lines. They agree with the Director of Railway Audit's criticism in this respect, and trust that necessary steps have been taken by all railway administrations to prevent the recurrence of such mistakes in future.

Paragraphs 216—228.—Residential Buildings.—The revised Rent Rules referred to in paragraph 228 have already been issued as one of the Sections of

* Appendices XVI and XXI to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

the Revised State Railway Code. The Board are aware that railway administrations appreciate the importance of the considerations brought to notice in this paragraph and are trying their best to secure an adequate return on the capital invested in houses, etc.

Paragraphs 230—238.—Inspections.—You have already been requested in this office letter* No. 1728-B., dated 29th August 1932, to impress on all your Accounts and Administrative Officers the necessity of inspections and particularly an occasional inspection of the various Executive offices.

Paragraphs 239—245.—Inter-Railway Settlements.—The Railway Board have been informed that steps are being taken by railway administrations to speed up an agreement on all outstanding cases of inter-railway settlements, and they hope that the agreements in all these cases will be executed without delay.

*Appendices XVI and XXI to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

APPENDIX IX.

**Memorandum on the Colliery Accounts furnished by the Railway Department
on the 24th October 1933.**

The accounts of Railway Collieries were presented in a commercial form for the first time with reference to the accounts of the year 1930-31. The Public Accounts Committee which examined these accounts, while approving generally the form of the Commercial accounts adopted, desired that the accounts should be amplified and notes and explanations given, where necessary, as to how the figures relating to the assets given therein were arrived at, and so forth. An Assistant Accounts Officer was accordingly placed on special duty a few months ago in order to overhaul the accounts of State Railway Collieries generally, and also to examine certain cognate matters relating to budgeting arrangements, the sinking and depreciation funds, cost of production, etc. His reports which deal largely with matters of detail have disclosed certain mistakes which have been set right. Generally speaking, these mistakes, however, are not so serious as materially to vitiate the cost of production figures in the past.

2. The more important of these items are set out below :—

(a) The records of Capital Expenditure will in future be maintained in more detail to facilitate the preparation of the Balance Sheet and other returns in the detail required by the Public Accounts Committee.

(b) Some of the figures in the accounts were taken from statements received from the Colliery Managers and not from figures verified by the Accounts Office. It has now been decided to build up the accounts from vouchers checked in the Accounts Office.

(c) Certain items of expenditure, *e.g.*, interest, provident fund bonus, gratuities, repairs to colliery sidings, etc., were being generally exhibited in the working accounts of the collieries only *pro forma* without being included in the issue price of coal, the corresponding credit entry in the working account being shown as a *pro forma* loss. It has now been decided to adjust them by debit to the working account so as to include them in determining the issue price of coal.

(d) A sum of Rs. 6 lakhs odd representing Capital Expenditure of Giridih Colliery prior to 1880 was not previously included in the balance sheet. This has now been done.

(e) For the purpose of the *pro forma* entries interest was being calculated in the case of Giridih Colliery at 5½ per cent. on the assets, whereas it ought to have been charged at 3·3 per cent. on capital expenditure incurred up to March 1917 and at the average rate in respect of subsequent expenditure.

(f) Certain supervision charges in respect of stores supplied to Collieries from railway depots had not been debited to Collieries. These will now be added on and reflected in the issue price of coal.

(g) Proper cost accounts will now be maintained for the Power House attached to certain Collieries.

(h) The present procedure (which is not uniform) of bringing to account the unliquidated liabilities of a year in the accounts of the year is being revised. The procedure of exhibiting the opening and closing balances of stock of coal and the rate at which they are to be shown are also being examined.

3. At present, no contributions are made to the Depreciation Fund in respect of assets of collieries. On the other hand, the assets are written down every year through a sinking fund adjustment at a flat rate of so much per ton based on the capital outlay and the estimated deposits under-ground. This arrangement is not quite satisfactory because it does not ensure that the cost of machinery and heavy plant is written off within their life time. As a consequence, with every addition or replacement of machinery and plant, capital expenditure goes on progressively increasing with the result that the sinking fund rates per ton have to be increased from time to time. In future it is proposed to separate the contributions for depreciation and sinking funds, the former being confined only to certain large items of machinery and plant and being so calculated as to charge off the whole cost of the asset to the working account before the expiry of its normal life-time, and the latter providing for the gradual extinction, within a reasonable time not exceeding the estimated life of the mine, of all other capital expenditure, less residuary value of the mine and plant, if any. The contribution for depreciation, however, will not be accumulated in a fund but used to write down the assets from year to year. A periodical review will also be made of the adequacy of the sinking fund contribution, say, every 5 years, though it is hoped that if the estimate in the first instance is made on a conservative basis, it may not be necessary materially to vary the sinking fund rate per ton from time to time. The sufficiency or otherwise of the existing sinking fund rates in respect of certain collieries is separately under examination.

4. Many of the corrections necessitated by the overhaul of accounts referred to above have been carried out in the printed balance sheets, etc., of Collieries for 1932-33 presented to the Public Accounts Committee, while other points are, as explained above, under consideration. Suitable explanatory notes have also been given, where necessary, in the balance sheets and other returns for 1931-32.

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APPENDIX X.

Memorandum by the Railway Board on the Fraud Case in the North-Western Railway Workshops reported in paragraph 233 of the Director of Railway Audit's Appropriation Report for 1931-32 (vide Paragraph 29 of the Proceedings in this Part—page 18).

When the frauds came to light in 1930, the defects in procedure were immediately set right and the following changes introduced :—

- (a) All muster rolls received from the Time Office for completion in the Workshops Accounts Branch now bear on each page in ink the total of the time shown on that page and also the signature of the Head Time Keeper.
- (b) In the Accounts Office the amounts filled in by one clerk are checked by another, and this check embraces not only the details against each man but the money totals on each page and the summary.
- (c) Accounts clerks employed on filling in the money columns and on checking them are not employed on paying the relative bills. For this purpose a register has been opened showing the names of the clerks compiling and checking each muster roll and the name of the clerk selected for paying the muster roll.
- (d) The sub-heads check the totals in respect of 20 per cent. of the pages in each muster roll and some individual entries in addition to checking the summary completely. The check by the Accountant has also been made closer.
- (e) The Section Officer, after receiving all the month's muster rolls checks 5 per cent. of the page totals, 10 per cent. of the summaries and 10 per cent. of the analyses showing the amounts remaining unpaid.
- (f) Arrangements have also been made for the systematic comparison of the total of each muster roll with the total of the corresponding muster roll for the previous month.
- (g) It has also been arranged that no checking clerk should take the assistance of any other clerk without the written orders of the sub-head, and if such assistance is given, the name of the assisting clerk should also be entered along with that of the compiler in the register prescribed. See (c) above.
- (h) The question of improving the existing reconciliation between the totals of the muster rolls and the totals of the job cards is under active consideration.

2. The previous procedure which had been in force for a long period was faulty mainly inasmuch as it did not necessarily ensure that the same person who calculated the amounts payable did not also check them and make payments according to them.

3. As regards disciplinary action, it has been decided not to punish the sub-heads, since the investigation made by the Chief Accounts Officer has disclosed that, under the long standing procedure, the sub-heads were *not* required to check the page totals of the muster rolls. As regards the Accountants, one of the Accountants is now working in the Audit Department and the Director of Railway Audit has stopped his increment for one year. The other two Accountants who are still in the Accounts Department, were in-charge, however, for short periods, and it has been decided that the increment of one should be withheld for a period of six months and a sum of Rs. 90 should be deducted from the gratuity of the other. As regards the gazetted officers, the Chief Accounts Officer has recommended that, in view of the fact that the procedure was of long standing and in view of the very heavy work which fell to the lot of the Workshops Accounts Officers in the days when the frauds took place, no disciplinary action should be taken against the gazetted officers concerned. The Controller of Railway Accounts has endorsed the Chief Accounts Officer's views and the Financial Commissioner has accepted them particularly in view of the practical impossibility of apportioning responsibility at this distance of time and of the fact that there were five different officers-in-charge during the period of less than three years covered by the frauds.

4. The proposal made by the Director of Railway Audit that workshop staff should in future be paid by the Cashier's staff instead of by the staff of the Accounts Department has been carefully considered but it is likely to cost Government much more than at present since it would be either necessary to make payments during the workshop hours, thus causing heavy loss in workmen's time or to make other expensive arrangements to make payments in the workshops as at present in a couple of days after workshop hours. Moreover, the proposed reform is unnecessary so long as it is ensured that the clerks making the actual payments are not the same as those who have had anything to do with the compilation of the particular muster rolls and that the totals on the muster rolls are checked independently.

5. As regards the delay in taking disciplinary action, time was lost between February 1930 and January 1931 in the belief that the departmental investigations might prejudice the enquiries which the Police were then making. The nature of the frauds necessitated an elaborate re-examination of the payments in the entire workshops for a fairly long period ; and this examination was made by the Police in consultation with the Chief Accounts Officer. In January 1931, the case went before the Magistrate and the trial went on till the end of that year, judgment being delivered on the 23rd January 1932. The clerk then appealed against the Magistrate's judgment and the final judgment of the High Court was delivered only on the 2nd of December 1932. During all this period, from the beginning of 1931, the relevant records were all filed in the Court and no action could be taken by the Chief Accounts Officer until the records had been returned by the High Court. The records were received back from the High Court only in March last and the Chief Accounts Officer who was new to the case had to go through the voluminous records, make certain further investigations, obtain the supplementary explanations of the staff concerned in

regard to matters arising out of this further investigation and again re-examine certain questions arising out of such explanations before he could submit his report to the Controller of Railway Accounts. The magnitude of the work he had to do can be judged from the fact that this report, together with its accompaniments, covers over 169 pages of typewritten foolscap matter.

6. It will be seen from the above that the delay in taking disciplinary action was primarily due to the decision taken by the Chief Accounts Officer (in consultation with the Police) not to take any departmental proceedings until the prosecution had been started. Instructions have now been issued that in such cases the fact that criminal proceedings may be, or have been, instituted should not stand in the way of departmental proceedings being undertaken and concluded as expeditiously as possible.

APPENDIX XI.

Memorandum regarding recovery of cost of stone supplied to a contractor, furnished by the Railway Department on the 6th March 1934 with reference to paragraph 26 of the Proceedings in this Part—page 18.

In paragraph 138 of his Appropriation Report for 1931-32, the Director of Railway Audit commented on a case in which the North Western Railway, after deducting from a contractor the cost of stone supplied by the Railway administration at the agreed rate on the basis of the usual method of truck measurements, accepted later on, without taking legal advice, the contractor's plea that the recovery should have been based on measurements of finished pitching and not of loose stone in trucks, and refunded a sum of Rs. 11,009 to the contractor. It was explained by the Financial Commissioner of Railways that the Railway Board had informed the North Western Railway that in their opinion the Chief Engineer should have consulted the Chief Accounts Officer and taken legal advice as to the proper construction of the clause in the contract before accepting the contractor's contention and making the payment.

The Public Accounts Committee expressed the desire that the Railway Board should obtain legal opinion on the point in dispute, and whether it could be held that the amount was not payable under the contract and, in that case, whether a successful attempt could be made to recover it now from the contractor; that, Government have been advised that, in the Railway's letter undertaking, if so requested by the contractors, to supply stone required for pitching, the provision regarding the supply of the stone in question is loosely worded, and in the absence of any correspondence or interview showing a different intention the wording of the letter would be held to mean that the price of stone to be recovered from the contractor had to be based on the amount of stone delivered on rail in the construction yard in accordance with the usual practice and not on the amount of stone in the 'finished pitching' on the work, which might be considerably less. They have been further advised that the contractor would not be held liable to repay the amount already paid if sued therefor in a court of law.

In the circumstances, no action can be taken to recover the amount from the contractor, but a circular letter (Annexure) has been issued to all railway administrations drawing their attention to the lesson to be learnt from this case.

ANNEXURE TO APPENDIX XI.

Instructions issued to Railway Administrations regarding the drawing up of contracts and the making of payments in connection therewith.

Letter from the Railway Department (Railway Board) to the Agents of various Railways, No. 1818-B., dated the 5th March 1934.

I am directed to invite your attention to the case reported in paragraph 138 of the Director of Railway Audit's Appropriation Report for 1931-32 and to state that the Government of India have now been advised that in the Railway's letter undertaking, if so requested by the contractor, to supply stone required for pitching, the provision regarding the supply of stone, though loosely worded, would be held to mean that the price of stone to be recovered from the contractor had to be based on the amount of stone delivered on rail in the construction yard in accordance with the usual practice and not on the amount of stone in the 'finished pitching' on the work. The Government of India are further advised that the contractors would not be held liable to repay the amount already paid to them if sued therefor in a Court of Law now. The case has thus resulted in an extra expenditure to Government which would have been avoided (i) if the wording in the Railway's letter undertaking to supply stone had been precise so as to convey the exact intentions of the Railway, and (ii) if legal opinion had been taken before payment was made.

2. General instructions have already been issued regarding the care to be exercised in the drawing up of contracts and in making payments which are not strictly covered by the terms of contracts. Attention is specially drawn to rules 17 and 46 of the Chapter on contracts in the revised edition of the State Railway Code and to the observations on sections E, F and G made in the Railway Department's Circular letter No. 1728-B., dated the 29th August 1932 (Appendix XVI to the Public Accounts Committee's Report on the Accounts of 1930-31, Part II). The Railway Board desire that steps should be taken specially now to impress on all the officers concerned in the drawing up of contracts and the making of payments in connection therewith, the desirability of taking great care to see that the terms of contracts are as accurately worded as possible. Payments which are not exactly covered by the terms of the contracts should not be made without a thorough examination, and consultation with the financial and legal advisers of the railways wherever necessary.

APPENDIX XII.

Note on the Report by the Director of Railway Audit on the financial results of the Bombay Electrification schemes, furnished by the Railway Board on the 23rd March 1934 with reference to paragraph 14 of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

The attached report of the Director of Railway Audit on the financial results of the electrification schemes on the Great Indian Peninsula and the Bombay, Baroda and Central India Railways (Annexure) has been prepared in accordance with the desire expressed by the Public Accounts Committee. It has been drawn up by him in consultation with the railway administrations concerned who accept the correctness of the financial results shown in it. In accepting his facts and conclusions the Railway Board desire to stress another aspect of the question.

2. In the first place, the Board wish to draw particular attention to the fact that the position as envisaged when the schemes were taken up was so different from the position that was actually in existence when they were completed that it is extraordinarily difficult, not only to make but to draw any useful conclusions from comparisons of final results with original anticipations. From a practical point of view they consider that the important point is to ascertain how much Railways can reasonably be said to have saved by electrification and what percentage these savings bear to the additional expenditure incurred. Taking the figures in the report it will appear that the percentage of net savings on the net outlay is as follows :—

						G. I. P.	B. B. & C. I.
1930-31	..	..	..	..	..	4.80%	6.26%
1931-32	..	..	..	..	..	5.37%	8.28%

As they stand, these figures may be considered to be satisfactory.

3. These percentages have however been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra steam outlay that would have been required for increased traffic if no electrification had been carried out. This last is problematical. Increased traffic has not materialised to the extent that was anticipated and it is possible that some part of this estimated saving should be neglected. If *the whole* of it is neglected the percentage will be as follows :—

						G. I. P.	B. B. & C. I.
1930-31	..	..	..	..	..	3.12%	1.29%
1931-32	..	..	..	..	..	3.58%	2.22%

4. The real percentage of net savings for each railway probably lies between the figures in the last two paragraphs and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is *not* now possible to state with any degree of accuracy the number of additional steam

locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

5. A large part of the difference between the estimated savings and actual savings on the Bombay, Baroda and Central India Railway is due to the fact that some drivers are being continued as motormen on higher rates of pay than they were expected to have to be paid. It is understood that this matter is receiving the attention of the administration and active steps are being taken to set the position right as soon as possible.

ANNEXURE TO APPENDIX XII.

Financial results of the electrification of the Bombay Railways.

INTRODUCTION.

1. In their report on the accounts for 1929-30, the Public Accounts Committee emphasised the desirability of obtaining an accurate picture of the financial effects of electrification on the various railways. They recommended that the question should be scientifically studied by the Railway Board. In a memorandum submitted by the Railway Board to the Public Accounts Committee of 1930-31 (Appendix VI to the report of the P. A. C., Volume I, Part II, page 65), the Railway Board came to the conclusion that until conditions of traffic approximated more closely to those postulated by the estimates, any fair comparison was impossible. The Board added that it would be in a better position to judge the results of electrification in India after a study of the report of the main line electrification of the London and North Eastern Railway and of the German State Railways. Meanwhile the Director of Railway Audit had made a rough attempt to compare the results of electrification with the estimates on which the schemes had been originally justified. His report, which, as was pointed out by him, was no more than a first approximation, was brought to the notice of the Public Accounts Committee of 1930-31. The Railway Board furnished a critical memorandum on this report together with certain figures compiled by the Chief Accounts Officers (published as Appendices XIV and XV, to the Public Accounts Committee Report, Volume I, Part II). After considering the report of the Director of Railway Audit and the criticisms of the Railway Board, the Public Accounts Committee suggested the submission of a joint note by the Audit and Railway Departments which would set out the financial effects of electrification on the various railways on the basis of agreed figures. The present note represents an endeavour to meet the wishes of the Public Accounts Committee.

2. The electrification schemes carried out in India were to a very great extent justified by the Consulting Engineers on financial grounds and the Railway Board has itself suggested that it would be useful to ascertain from actual experience the extent to which anticipations have been realised. The method followed has been to compare the financial results of electrification as worked out on the basis of the estimates as they were originally framed, with the actual results.

GREAT INDIAN PENINSULA RAILWAY.

The estimates of the Consulting Engineers—Steam working.

3. Three main estimates were prepared on different dates in regard to the electrification of three different sections of the G. I. P. Railway. The Consulting Engineers adopted the method in all these estimates of ascertaining

the savings in working expenses due to the electrification of the services and of expressing these savings as a percentage of the gross additional outlay involved in electrification. For this purpose, they assumed a certain volume of traffic to be expected at a future date (in the years 1930 to 1933) and the justification of the schemes was worked out on the basis of this traffic. The following are the unit steam costs as estimated by the Consulting Engineers for the several services :—

	Suburban.	Harbour Branch.	Main Line.
Estimated No. of steam train miles (Lakhs)	15.82	3.50	33.99*
1. Fuel Annas per Tr. mile.	18.55	18.01	26.55
2. Water, oil, stores and sundry shed charges	1.27	1.23	3.93
3. Locomotive repairs	6.63	5.49	8.48
4. Cleaning and repair of coaches	5.67	1.42	..
5. Train wages	214	4.48	9.58
6. Running expenses and Drivers' wages	5.53		
7. Special charges for ghat working—			
(a) Shunting in the ghat .. ..	..	..	4.42
(b) Traffic delays in Division .. ..	..	..
(c) Maintenance of released track .. ..	..	..
Total annas per train mile	39.79	30.62	52.96

*Excludes 2.09 lakhs of Ballast Train Miles.

4. The largest item of operating costs under steam working is "fuel" and this is the only item wherein variations of cost from year to year are readily and directly obtainable, although it is true that the present case is complicated by the impossibility of ascertaining with any degree of certainty, what the respective proportions of coal and fuel oil would have been in the years 1930—33 under conditions of steam working. It has been stated, and the statement has been generally accepted as correct, that the cost of coal has greatly decreased between 1923 and 1933, and that in estimating the cost of steam services in 1930—33 an allowance should be made for such decrease, the steam costs as worked out by the Consulting Engineers being correspondingly reduced. It may however be noted that the recorded pit's-mouth cost of Kargali Coal (the cheapest coal of suitable quality from a colliery owned by the State) has actually *increased* from Rs. 3-4-6 in 1922-23 to Rs. 4-0-10 in 1932-33, and that the freight and handling charges on this coal delivered at Kalyan) now aggregate Rs. 12-6-6 per ton as against about

Rs. 11-0-0 in 1922-23, *i.e.*, the cost of this coal, which is of the grade and price most likely to have been used on the services now electrified, has gone *up* by about Rs. 2-3-0 per ton. Central Provinces coal, owing to its low calorific value, would not have been used on the ghat and suburban sections. As regards oil fuel, a large quantity of which was previously used on these sections, the present day cost of oil is *greater* than its cost in 1923.

5. Other costs, such as wages, have increased and any apparent lowering in the costs of maintenance and repairs of steam locomotives in recent years may be attributed to improvements in workshop machinery, and expenditure on progress and production departments, elements of cost which are outside the adopted items of comparison. It is therefore difficult to estimate with any pretensions to accuracy the *probable* costs of these items of expense had steam working been reverted to in the various electrified sections in the years 1930—33.

Assumptions made.

6. It may be tentatively assumed that the costs per train mile under the different items of expenditure considered by the Consulting Engineers are generally cent. per cent. “dependent”. This assumption is correct where the variations in train service are not great. The actual total *suburban* traffic in train miles, for instance, does not differ widely from that originally estimated and the error in computing the costs of such traffic will be small, although in favour of electric working. The total *main line* traffic is, however, much less than that estimated originally and the error in computation will be much more appreciable. But the assumption will be in favour of *steam working* for the reason that that portion of the items of cost adopted which is not cent. per cent. dependent will remain more or less unaffected by variations in traffic and will therefore tend to raise the cost of operation per train mile *pro rata*, as the traffic falls short of the estimate on which the train mile costs were computed by the Consulting Engineers.

7. Another assumption which it is difficult to avoid making is that in the case of passenger services, the steam train miles which would have had to be worked would be about the same as the electrical train miles actually worked. This is an assumption made by the Consulting Engineers themselves. In the case of the suburban services, the actual train unit worked, whether “single” or “double”, has been taken to constitute a train. This assumption appears to be a reasonable compromise between the all-single unit train and the all-double unit one; further, the number of single-unit train miles on the suburban branch in 1930-31 was only about a third of the total train miles on that section.

8. The equivalent steam train-miles for *goods services* could have been obtained by applying the same factor to the actual electric train miles as used by the Consulting Engineers. But in view of the small proportion of such train miles to the whole and the arguments in favour of avoiding the use of any “derived” figure, the steam goods train miles have been taken to be the *same* as the electric train miles. This assumption decreases the cost of steam workings by about Rs. 3·88 lakhs in 1930-31 and by Rs. 3·03 lakhs in 1931-32.

The cost of present traffic under steam.

9. On these assumptions the estimated cost under steam on the basis of the Consulting Engineers' unit costs *as applied to the train miles actually worked electrically in 1930 to 1932* is shown below. All the figures are in lakhs except the rate which is in annas.

Year.	Suburban.			Harbour Branch.			Main Line.			Whole electri- fied service.	
	Train miles.	Rate.	Amt.	Train miles.	Rate.	Amt.	Train miles.	Rate.	Amt.	Train miles.	Amt.
		As.	Rs.		As.	Rs.		As.	Rs.		Rs.
1930-31	17.29	39.79	42.98	5.58	30.62	10.66	19.55	52.96	64.71	42.42	118.35
1931-32	15.11	39.79	37.51	5.00	30.62	9.57	21.72	52.96	71.89	41.83	118.97

The train miles for 1931-32 have been approximately divided between the Harbour Branch and the Suburban on the basis of the division in 1930-31.

Analysis of costs of steam working.

10. The above figures for 1930-31 can be re-arranged so as to indicate the several items of cost, and this is done in the table below :—

Items of cost.	Amounts as worked out entirely on the basis of the C. E.'s figures.		Amounts as worked out independently by the Administration.	
	1	2	3	
		Lakhs of rupees.		
1. Fuel	58.74	52.00	
2. Running expenses including driver's wages, oil, water, etc., and train staff	28.17	33.26	
3. Locomotive repairs	19.42	21.72	
4. Cleaning and repairs of coaches	6.63	5.17	
5. Special ghat charges	5.40	4.23	
		118.36	116.38	

Column 3 of this statement shows the amounts worked out independently by the Administration as the total cost of working these sections by steam in 1930-31, after making various assumptions for the different sections in the light of the observations made by different technical authorities. While the cost of fuel, without adjustment of any sort (Item 1, column 2) has been worked out at Rs. 58.74 lakhs on the basis of the figures of the Consulting Engineers, the Administration has put only Rs. 52 lakhs against this item. The Administration has stated that the average cost of fuel consumed in the electrified area in 1923-24 (oil having been reduced to a coal basis) was Rs. 20.62 per ton. If

the cost of fuel were Rs. 58·74 lakhs on this basis, the figure of Rs. 52·0 lakhs adopted by the Administration is equivalent to the cost of coal having been taken to be Rs. 18·26 per ton. That is to say, a reduction in fuel cost of Rs. 2·36 per ton has, in effect, been allowed for in the figures of the Administration. The all-in cost of Bengal coal delivered at Bombay was Rs. 17-14-9 per ton. in 1930-31, and the figures of the Administration may therefore be accepted as having really allowed for a suitable reduction in the cost of coal. The Audit Department in the circumstances accepts the figure estimated by the Administration as the cost of working steam services in the electrified section in 1930-31.

The actuals under electrification.

11. The total estimated cost under steam as arrived at above is to be compared with the *actual* costs booked in the accounts as the expenditure for the whole electrified system. The only adjustments which have been made are the inclusion of certain costs under General Administration as the extra cost due to electrification, and the adjustment of certain charges on account of train staff and station staff. The figures taken are those worked out by the Chief Accounts Officer. The deductions on account of percentage cut in pay, gratuities, etc., in these years have also been allowed for. Depreciation as actually booked has been *excluded*. The following are the results :—

(In lakhs of rupees.)

Year.	Adminis- tration.	Repairs & Maint.	Operation.	Adjustment.	Total.
1930-31	1·93	13·10	52·33	5·49	72·85
1931-32	1·50	14·35	49·54	1·44	66·83

The difference between the steam and electrical costs is the saving due to electrification, which is to be compared with the extra cost of capital outlay due to electrification. These savings for 1930-31 are (116·38 *minus* 72·85) Rs. 43·53 lakhs. But in arriving at these savings the extra charges on account of depreciation on the capital outlay due to electrification have not been taken into account.

Depreciation of electrical assets.

12. An attempt was made to take the actual expenses on account of depreciation from the capital and revenue accounts. It was found, however, that it was impossible to isolate from the records the actual amounts set apart for the depreciation of the electrical assets of the sections of the line. For instance, in the depreciation for 1930-31 for power houses, the expenditure and adjustments of the power house at Bhusawal were included in the year's figures. There were other difficulties also. The depreciation of multiple unit stock was included with the figures for steam locomotives and coaching stock. There was thus no alternative but to make a special calculation of the depreciation of the assets on account of electrification. The total capital outlay on electrification (including the Bhere Ghat and the Power House) is Rs. 942·65 lakhs. The depreciation as worked out is Rs. 23·82 lakhs which is equivalent to approximately 2·5 per cent. of the capital outlay.

Depreciation avoided.

13. Against this extra expenditure of Rs. 23·82 lakhs is to be set off the depreciation on the outlay on steam assets which has been avoided by electrification. The extra steam outlay for increased traffic, had there been no electrification, was estimated at Rs. 175·93 lakhs (81·68 *plus* 46·01 *plus* 48·24) by the Consulting Engineers. The cost of steam stock actually released by electrification and either sold or actually absorbed on other sections of the line, has also to be taken into account, as this represents a credit to the electrification estimates. It appears correct to take the depreciated value of such stock at the time of their transfer or sale as constituting the amount on which depreciation should be considered as having ceased for the purpose, and it has been estimated that the value of such stock is Rs. 172·98 lakhs, which includes steam locomotives, coal wagons and oil tank wagons.

Net additional depreciation.

14. The depreciation at 2·5 per cent. on the total steam outlay of Rs. 348·91 lakhs thus avoided works out to Rs. 8·81 lakhs, leaving a net additional charge on account of depreciation of electric assets of Rs. 15·01 lakhs (23·82 *minus* 8·81). The net saving in working expenses due to electrification therefore may be taken to be Rs. 28·52 lakhs (43·53 *minus* 15·01).

The capital cost of electrification.

15. The capital cost of electrification up to March 1931 has been ascertained to be as shown below:—

						Lakhs.
Suburban electrification	..	..	..	..	..	175·90
Harbour Branch electrification	..	..	..	..	..	78·02
Main Line electrification	..	..	..	..	..	500·25
Power House electrification	..	..	..	..	..	125·86
Bhore Ghat Realignment	..	..	..	..	..	62·62
					Total	942·65

The gross cost of suburban electrification has been taken into account. The cost of the Bhore Ghat realignment has also been included. This seems to be correct, as in a report on the Bhore Ghat Realignment scheme, it is stated that the “cutting out of the reversing station becomes a matter of more serious importance in view of electrification”. It also appears from the same report that the elimination of the reversing station at Khandalla was a condition precedent to the increase of train loads. Further, the Consulting Engineers have included in the figures of steam working on the ghats the cost of the detentions to wagons and of the shunting at Karjat and Lonavla due to the breaking up of goods trains, and these factors have again been taken into account in the estimates for steam working adopted by the Administration.

Tabulated results.

16. Statement A appended to this note embodies figures worked out on the lines indicated above and shows in concise form the financial results

obtained in the years 1930-31 and 1931-32 as compared with those estimated by the Consulting Engineers.

17. The form in which the results are presented and the methods of calculation adopted have been accepted by both the Administration and the Chief Auditor as providing as fair and accurate a picture as practicable of the financial results of the G. I. P. Railway Electrification Schemes. The figures in the statement, which has been prepared by the Chief Auditor in consultation with the Chief Accounts Officer, are mainly those already included in the communications made by the Administration and printed as appendices to the Report of the Public Accounts Committee for 1930-31, and the conclusions arrived at are accepted by the Administration.

Conclusion.

18. The difference between the return on gross capital outlay as estimated by the Consulting Engineers and that arrived at on the figures for 1930-31 is 2.72 per cent. (5.75 *minus* 3.03)—*vide* item 16 of Statement A. This is more than accounted for by the following two factors :—

1. Fall in traffic	.. .. .	.. 2.6 per cent.
2. Reduction in cost of coal for steam working approximately	.. .. .	.. 0.8 per cent.
		Total .. 3.4 per cent.

The figures for 1931-32 show an improvement on this result.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

Estimated return on additional outlay.

19. The Consulting Engineers estimated that with a traffic requirement of 16.60 lakhs of steam train miles expected in 1931-32 there would be a direct saving in total working expenses on supervision, maintenance and operation (but excluding depreciation and interest) of Rs. 16.39 lakhs (steam working Rs. 37.55 lakhs, electric working Rs. 21.16 lakhs).

20. The original estimates assumed that, in order to meet that traffic, an extra outlay of Rs. 72 lakhs on steam rolling stock would have been necessary if steam working had been continued. Further, it was anticipated that by substituting electrical working for steam at a total cost estimated at Rs. 204.28 lakhs, steam stock valued at Rs. 50 lakhs would be released and made available for sale or for use on other sections of the line as additions or replacements. In other words, the net additional outlay on account of electrification was estimated at Rs. 82.28 lakhs (204.28 *minus* 50.00 *minus* 72.00).

21. The depreciation on the additional electric outlay of Rs. 204.28 lakhs at 3 per cent. works out to Rs. 6.12 lakhs, but, as has been said, electrification was expected to release steam stock worth Rs. 50.00 lakhs on which depreciation would be no longer chargeable in respect of the electrified section. Electrification has also rendered it unnecessary to invest in the extra steam assets estimated to cost Rs. 72.00 lakhs that would otherwise have been necessary. The estimated additional cost on account of depreciation may therefore be

put at Rs. 6.12 lakhs *minus* Rs. 3.66 lakhs [i.e., 3 per cent. of Rs. 122 lakhs (72.00 *plus* 50.00)] or Rs. 2.46 lakhs.

22. In the G. I. P. Railway case depreciation has been allowed for on a $2\frac{1}{2}$ per cent. scale. The reason for the difference is that the B. B. and C. I. Railway electrification (which obtains its powers from Tatas) included no such longer lived assets as the power house of the G. I. P. Railway project and works in the Ghat section.

23. By setting off the estimated extra charge (Rs. 2.46 lakhs) on account of depreciation on the additional capital outlay due to electrification against the estimated savings in working expenses of Rs. 16.39 lakhs referred to above an estimated net saving of Rs. 13.93 lakhs per annum is arrived at which is equivalent to 6.82 per cent. on the gross outlay of Rs. 204.28 lakhs and 16.93 per cent. on the net outlay of Rs. 82.28 lakhs (204.28 *minus* 72.00 *minus* 50.00).

24. In other words according to the estimates of the railway and the Consulting Engineers the savings in working expenses (including depreciation on the net Capital outlay) promised a return on the total extra capital outlay of 6.82 per cent., *without taking into account* either the stock released as a result of electrification or the cost of steam stock the purchase of which would be avoided by such electrification. Taking these two factors into account, the estimates promised a return of 16.93 per cent.

Actual return on additional outlay.

25. The train mileage actually worked electrically in 1930-31 was 1,181,802, equivalent in traffic capacity to 1,428,000 steam train miles. The Administration has estimated that the cost of working these 1,428,000 steam train miles would have been Rs. 29.35 lakhs applying the unit cost per train mile worked out by the Consulting Engineers in their estimates of the mileage for 1930-31, but lowering their estimate of the cost of fuel from 16.50 annas per train mile to 13.2 annas per train mile, which is equivalent to a drop in the all-in-cost of coal from Rs. 22-11-0 per ton to Rs. 18-2-0 per ton the current average cost of coal in Bombay. The estimate of Rs. 29.35 lakhs includes under General Administration a sum of Rs. 1.08 lakhs.

26. The actual cost of maintenance and operation of electrical services (excluding depreciation and General Administration) for 1930-31 is Rs. 21.79 lakhs. The extra cost of General Administration due to suburban electrification (traction) was Rs. 0.72 lakhs in this year. Accepting the accuracy of the estimate of Rs. 1.08 lakhs for General Administration under steam traction conditions, the total cost of General Administration to be taken into account for a proper comparison of electrical costs with the estimated steam costs of Rs. 29.35 lakhs is therefore Rs. 0.72 *plus* Rs. 1.08 = Rs. 1.80 lakhs, which together with the Rs. 21.79 lakhs mentioned above makes a total of Rs. 23.59 lakhs. The savings in working expenses due to electrification are, therefore, estimated to be Rs. 5.76 lakhs (29.35 *minus* 23.59) excluding depreciation.

27. The actual gross outlay on electrification amounted to Rs. 202.90 lakhs as compared with the estimate of Rs. 204.28. Against this has been adjusted a sum of Rs. 66.72 lakhs, representing the cost of steam rolling

stock which has been sold or replaced or broken up. The cost of other rolling stock transferred from the suburban section to other sections of the line without any financial adjustment, has been estimated to be, at depreciated values, about Rs. 2·07 lakhs.

28. Electrification has thus avoided the incidence of depreciation charges on a total sum of about Rs. 68·79 lakhs (66·72 *plus* 2·07) in addition to that on Rs. 72·00 lakhs (the cost of the extra steam stock that would have otherwise been necessary), *i.e.*, on a total sum of Rs. 140·79 lakhs of steam rolling stock assets. The depreciation chargeable to revenue in 1930-31 on the additional electrical assets only on *the basis of the depreciation fund rules in force for State Railways*, is approximately Rs. 5·89 lakhs. But this excludes the depreciation on additional expenditure on track-bonding, etc. Using the same percentage for depreciation therefore as used by the Consulting Engineers, as the only available method of working out the depreciation, this may be taken as Rs. 6·09 lakhs, *i.e.*, 3 per cent. of Rs. 202·90 lakhs. Deducting from this, Rs. 4·22 lakhs the saving in depreciation charges on steam rolling stock assets costing Rs. 140·79 lakhs which would additionally have been incurred but for electrification, the net additional charge on account of depreciation of electrical assets is Rs. 1·87 lakhs (6·09 *minus* 4·22). The actual saving, therefore, in working expenses including depreciation, may be stated to be Rs. 3·89 lakhs (5·76 *minus* 1·87) which gives a return of 1·92 per cent. on the gross outlay of Rs. 202·90 lakhs or 6·26 per cent. on the net outlay of Rs. 62·11 lakhs (202·90 *minus* 140·79).

Actual return compared with estimated return.

29. The estimated return of 6·82 per cent. is with reference to an estimated outlay of Rs. 204·28 lakhs. Owing largely to cheaper prices, the gross outlay was actually only Rs. 202·90 lakhs. On this outlay, the same savings would have yielded a return of 6·68 per cent. It is now necessary to examine the reasons for the difference between the estimated return of 6·86 per cent. and the actual return of 1·92 per cent. secured in 1930-31. There are three main factors accounting for this difference. The most obvious is that of the fall in traffic from 16·60 lakhs estimated to the 14·28 lakhs of train miles actually run. The savings increase *pro rata* with the mileage and had the mileage run been 16·60 lakhs, the return would have increased from 1·92 to 2·23 per cent.

30. The second main factor is the fall in the price of coal which has served to decrease the estimated cost of steam working in 1930-31 by a sum of Rs. 3·43 lakhs which is equal to a return of 1·69 per cent. on the gross outlay on electrification. The third important factor is the maintenance of higher rates of wages for motormen than those adopted by the Consulting Engineers in their estimates. (The same factor operated apparently in the G. I. P. Railways. It has been found difficult in practice to reduce the wages of motormen who were previously employed as steam drivers. These men continue to be paid at their old rates, but are being gradually replaced by new entrants on lower scales of pay. According to the Consulting Engineers' estimates, the wages of motormen should have been about Rs. 1·29 lakhs in 1930-31 as against the actuals of Rs. 4·60 lakhs. The difference of Rs. 3·31 lakhs increases to Rs. 3·50 lakhs on the estimated traffic and represents a

return of 1.72 per cent. on the gross outlay. Allowing for these two factors, the rate of return would rise from 2.23 per cent. to 5.64 per cent. (2.23 *plus* 1.69 *plus* 1.72). The difference between the estimated and the actual percentage of return in 1930-31 is thus 1.22 per cent. (6.86 *minus* 5.64). The results of the next year show an improvement on this.

Rates of return for 1931-32 compared.

31. The actual return on the additional outlay in 1931-32 is worked out in the same manner as for 1930-31. The number of electric trains in 1931-32 was 11,34,346 equivalent to a steam train mileage of 13,42,898. A traffic of 13.43 lakhs of steam train miles would have cost Rs. 27.59 lakhs on the same basis of unit cost as for 1930-31. The extra cost of General Administration due to suburban electrification was Rs. 0.77 lakhs which together with the cost of General Administration included in the figure of Rs. 27.59 lakhs is equal to Rs. 1.79 lakhs. The actual costs of maintenance and operation of electric services excluding depreciation and General Administration is shown by the accounts to be Rs. 18.79 lakhs. The savings under working expenses in 1931-32 should therefore be Rs. 7.01 lakhs (27.59 *minus* 18.79 *minus* 1.79). Deducting from this the increase in depreciation charges of Rs. 1.87 lakhs (6.09 *minus* 4.22), the net saving in working expenses (including depreciation) is 7.01 *minus* 1.87 = Rs. 5.14 lakhs. This gives a return of 2.53 per cent. on the gross outlay of Rs. 202.90 lakhs or 8.28 per cent. on the net outlay of Rs. 62.11 lakhs.

32. The difference in return between the two years 1930-31 and 1931-32 is largely accounted for by the expenditure on repairs and maintenance of multiple unit stock being considerably less in the latter year. The return of 2.53 per cent. for a traffic of 13.43 lakhs of equivalent steam train miles is equal to a return of 3.13 per cent. for 16.60 lakhs of train miles. Adjusting as before for the fall in cost of fuel of Rs. 3.43 lakhs, which is equal to 1.69 per cent. on the gross outlay, this return is increased to 4.82 per cent. (3.13 *plus* 1.69). Motormen's wages which in 1931-32 aggregated Rs. 4.34 lakhs for a traffic of 13.43 train miles would have been for a traffic of 16.60 train miles Rs. 3.42 lakhs in excess of that estimated. This represents a return of 1.68 per cent. on the outlay of Rs. 202.90 lakhs. Eliminating thus all the main recognisable factors influencing the rates of return, electrification may be regarded in 1931-32 as having potentially yielded 6.50 per cent. (3.13 *plus* 1.69 *plus* 1.68) on the total capital outlay as against an estimated return of 6.86 per cent.

33. The figures referred to in the previous paragraphs have been set out in Statement B attached. This statement expresses the saving in working expenses due to electrification with reference to gross and net outlay and before and after deducting depreciation.

J. C. NIXON,

Director of Railway Audit.

The 6th October 1933.

STATEMENT A.
Great Indian Peninsula Railway.

STATEMENT A.

Great Indian Peninsula Railway.

Particulars.	Harbour Branch.		Suburban Branch.		Main Line ex- cluding Power House.		Power House.		Bhor Ghat.		Estimate all sections electrified.	Actuals for 1930-31.	Actuals for 1931-32.
	Estimate.	Actual.	Estimate.	Actual.	Estimate.	Actual.	Estimate.	Actual.	Estimate.	Actual.	Total estimated.	Total.	Total.
1. Traffic in lakhs of train-miles (Steam)	3.50	5.58	15.82	17.29	36.08	19.63	..	..	..	..	55.40	42.50	41.87
2. Gross outlay on electrification ..	72.80	78.02	158.61	175.90	552.84	500.25	97.40	125.86	69.25	62.62	950.90	942.65	953.93
3. If no electrification estimated extra steam outlay for increased traffic	81.68	81.68	46.01	46.01	48.24	48.24	..	..	..	..	175.93	175.93	175.93
4. Cost of steam stock released be- cause of Electrification ..	..	..	31.39	18.16	223.32	154.82	..	..	..	..	254.71	172.98*	172.98*
5. Net outlay on electrification (Item 2—Item 3—Item 4) ..	—8.88	—3.66	81.21	111.73	378.68	..	423.05	62.62	62.62	..	520.26	593.74	606.02
6. Cost of Steam Working, i.e., working expenses excluding depreciation	6.70	10.14	39.32	33.06	112.52	..	73.18	..	..	..	158.54	116.38	114.65
7. Cost of Electrical Working, i.e., working expenses excluding depreciation	5.56	5.44	28.65	27.16	53.31	..	40.25	..	..	..	87.52	72.85	66.83
8. Gross savings in working ex- penses due to Electrification (Item 6—Item 7) ..	1.14	4.70	10.67	5.90	59.21	..	32.93	..	..	..	71.02	43.53	47.82

9. Depreciation on Gross outlay on Electrification	2.18	1.97	4.76	4.45	20.26	15.82	..	1.58	27.20	23.82	24.12
10. Depreciation on steam outlay avoided	2.06	2.06	1.96	1.62	6.86	5.13	..	..	10.88	8.81	8.81
11. Increase in annual depreciation charges due to Electrification (Item 9—Item 10) .. ..	.12	—0.09	2.80	2.83	13.40	10.69	..	..	16.32	15.01	15.31
12. Net savings in working expenses due to Electrification (Item 8—Item 11)	1.02	4.79	7.87	3.07	45.81	22.24	..	..	54.70	28.52	32.51
						Percentages.					
13. Percentage of gross savings on gross outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 2}}\right)$..	1.57	6.02	6.73	3.35	9.11	5.26	..	..	7.47	4.62	5.01
14. Percentage of gross savings including depreciation on electrical assets only $\left[\frac{\text{Item (8-9)} \times 100}{\text{Item 2}}\right]$	—1.42	3.50	3.73	0.82	5.99	2.73	..	..	4.61	2.09	2.48
15. Percentage of gross savings on net outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 5}}\right)$ ..	..	..	13.14	5.28	15.64	7.78	..	..	13.65	7.33	7.90
16. Percentage of net savings on gross outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 2}}\right)$..	1.40	6.14	4.96	1.75	7.04	3.55	..	..	5.75	3.03	3.41
17. Percentage of net savings on net outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 5}}\right)$ ..	..	..	9.69	2.74	12.09	5.26	..	..	10.51	4.80	5.37

*The Administration claim that in order to arrive at the correct appreciation of the position the Electrification Scheme should be given the full benefit of the credit so far realised by the sale of the released engines and also the value of engines already absorbed and expected to be absorbed. The Chief Transportation Superintendent expects the remaining engines either to be sold off or absorbed during the year 1933-34. The claim of the Administration has been accepted by the Audit Department.

STATEMENT B.
Bombay, Baroda and Central India Railway.

Particulars.	Estimates 1931-32.	Actuals.		Remark
		1930-31.	1931-32.	
1. Traffic in lakhs of train miles (Steam) ..	16.60	14.28	13.43	
Lakhs of Rupees.				
2. Gross outlay on Electrification	204.28	202.90	202.90	
3. If no electrification estimated extra steam outlay for increased traffic	72.00	72.00	72.00	
4. Cost of steam stock that would be released because of Electrification	50.00	68.79	68.79	
5. Net outlay on Electrification (Item 2—Item 3—Item 4)	82.28	62.11	62.11	
6. Cost of Steam Working—Working expenses excluding depreciation	37.55	29.35	27.59	
7. Cost of Electrical Working—Working expenses excluding depreciation	21.16	23.59	20.58	
8. Gross savings in working expenses due to electrification (Item 6—Item 7)	16.39	5.76	7.01	
9. Depreciation on gross outlay on Electrification at 3 per cent. on gross outlay (Item 2)	6.12	6.09	6.09	
10. Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4	3.66	4.22	4.22	
11. Increase in annual depreciation charges, due to Electrification (Item 9—Item 10)	2.46	1.87	1.87	
12. Net savings in working expenses due to Electrification (Item 8—Item 11)	13.93	3.89	5.14	
Percentage.				
13. Percentage of gross savings without allowing for depreciation on gross savings $\left(\frac{\text{Item 8} \times 100}{\text{Item 2}}\right)$..	8.02	2.84	3.45	
13A. Percentage of gross savings after allowing for depreciation on electrical outlay only (Items 8—9 $\times 100$)	5.03	—0.16	0.45	
14. Percentage of gross savings on net outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 5}}\right)$	19.92	9.27	11.29	
15. Percentage of net savings after allowing for depreciation on gross outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 2}}\right)$..	6.82	1.92	2.53	
16. Percentage of net savings after allowing for depreciation on net outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 5}}\right)$..	16.93	6.26	8.28	
17. Percentage of net savings after allowing for depreciation on actual gross outlay (of 202.90) with traffic of 16.60 lakhs train miles	6.86	2.23	3.13	