

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1930-31

VOLUME I—REPORT

PART II



CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH :
1933;

Price Re. 1 or 1s. 9d.

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**Composition of the Committee on Public Accounts which met in November
1932 (*vide* Rule 51 of the Indian Legislative Rules).**

Chairman.

- | | | | | | |
|---------------------------------|---|---|---|---|-----------------|
| 1. The Hon'ble Sir Alan Parsons | . | . | . | . | Finance Member. |
|---------------------------------|---|---|---|---|-----------------|

Elected Members.

Date of Election.

- | | | | | | | |
|---------------------------------|---|---|---|---|---|------------------|
| 2. Sardar Sant Singh | . | . | . | . | . | 16th March 1931. |
| 3. Mr. B. Das | . | . | . | . | . | 16th March 1931. |
| 4. Mr. Abdul Matin Chaudhury | . | . | . | . | . | 16th March 1931. |
| 5. Mr. Muhammad Anwar-ul-Azim | . | . | . | . | . | 16th March 1931. |
| 6. Rao Bahadur M. C. Rajah | . | . | . | . | . | 24th March 1932. |
| 7. Mr. T. N. Ramakrishna Reddi | . | . | . | . | . | 24th March 1932. |
| 8. Kunwer Hajee Ismaiel Alikhan | . | . | . | . | . | 24th March 1932. |
| 9. Mr. S. C. Mitra | . | . | . | . | . | 24th March 1932. |

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 1930-31.

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 Rs.)		
					Budget.	Revised.	Actuals.
(1)	Traffic receipts (less refunds)	.	.	.	1,07,75	95,00	95,10
(2)	Miscellaneous receipts	.	.	.	1,75	1,78	1,73
(3)	Working expenses	.	.	.	70,18	67,30	67,46
(4)	Miscellaneous expenditure	.	.	.	62	69	68
(5)	Surplus profits	.	.	.	1,22	1,15	1,16
(6)	Interest charges	.	.	.	31,40	32,76	32,72
(7)	Surplus (+) or deficit (—)	.	.	.	6,08	—5,12	—5,19
(8)	Contribution to general revenues.	.	.	.	5,74	5,74	5,74
(9)	Payment to (+) withdrawal from (—) Reserve	.	.	.	34	—10,86	—10,93

2. The large differences between the Budget estimates on the one hand and the Revised estimates and final actuals on the other are due to the fact that the former were based on hopes of normal conditions with a moderate increase in both passenger and goods traffic, hopes which were completely falsified as a result of the continuance of the economic depression. Compared with the revised estimates, the actual receipts were only Rs. 5 lakhs more and the actual expenditure Rs. 12 lakhs more with the result that the deficit on the working of railways during the year was more by only Rs. 7 lakhs. But as pointed out by the Director of Railway Audit, this favourable result has been brought about by two counterbalancing divergencies referred to in paragraphs 46 and 47 of his Report. On the whole we share the feeling of the Director that there has generally been no improvement in the position in 1930-31 over that in 1929-30.

Position as regards control of expenditure.

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

(Lakhs of Rs.)

	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.	Excess + Saving —.
<i>Expenditure charged to revenue.</i>					
1. Railway Board . . .	12.96	.15	13.05	13.39	+ .34
2. Inspection . . .	2.50	..	2.50	2.37	— .13
3. Audit . . .	17.75	..	17.75	16.24	—1.51
4. Working expenses, Administration.	13,88.50	..	13,88.50	14,07.20	+18.70
5. Repairs, Maintenance and Operation . . .	41,10.25	..	41,10.25	38,22.12	—2,88.13
6. Payment of surplus profits .	1,22.00	..	1,22.00	1,16.30	—5.70
9. Appropriation to Depreciation Fund . . .	13,25.00	..	13,25.00	13,06.53	—18.47
11. Miscellaneous expenditure .	17.30	..	17.30	17.45	+ .15
12. Appropriation to Reserve Fund . . .	33.95	..	33.95	..	—33.95
14. Strategic lines . . .	1,63.75	7.95	1,71.70	1,73.37	+1.67

Expenditure charged to capital and Depreciation and Reserve Funds.

7. New construction . . .	4,98.00	..	4,98.00	4,23.24	—74.76
9. Open line works . . .	11,49.00	..	11,49.00	8,74.03	—2,74.97
10. Appropriation from Depreciation Fund . . .	8,50.00	50.00	9,00.00	11,39.59	+2,39.59
13. Appropriation from Reserve Fund . . .	..	10,85.99	10,85.99	10,92.35	+6.36
15. Strategic lines—Capital .	25.00	..	25.00	20.51	—4.49

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

(Lakhs of Rs.)

	Original appropriation.	Supplementary appropriation.	Final appropriation.	Actual expenditure.	Excess + Saving —.
<i>Expenditure charged to revenue.</i>					
1. Railway Board . . .	3.20	.41	3.61	3.57	— .04
2. Inspection . . .	2.00	.06	2.06	1.96	— .10
3. Audit . . .	1.95	— .18	1.77	1.63	— .14
4. Working expenses, Administration . . .	43.50	—1.10	42.40	43.60	+1.20
5. Repairs, Maintenance .	1.50	— .46	1.04	.97	— .07
11. Miscellaneous expenditure .	4.20	7.77	11.97	11.29	— .68
14. Strategic lines . . .	3.85	.17	4.02	3.85	— .17

						(Lakhs of Rs.)
	Original appropriation.	Supple- mentary appropriation.	Final appropriation.	Actual expendi- ture.	Excess + Saving —	
<i>Expenditure charged to capital.</i>						
7. New construction	2.00	—·03	1.97	2.00	+·03	
8. Open line works	1.00	—·48	.52	1.14	+·62	
15. Strategic lines . . . . .	..	—·05	—·05	—·05	..	
Interest on Debt	30,04.06	1,34.39	31,38.45	31,33.96	—4.49	
Interest on Capital contributed by companies	1,36.12	1.42	1,37.54	1,37.59	+·05	

5. We give in paragraph 7 below the reasons for the excesses over voted grants which require the vote of the Legislative Assembly. The number of excesses, which was six in the year under report, compares unfavourably with the numbers in 1929-30 and in 1928-29 which were four and three respectively. The excesses over non-voted appropriations numbered four in 1930-31 against five in 1929-30 and two in 1928-29. The percentage of individual excesses, votable and non-votable, varied from .03 per cent. to 2.83 per cent. under heads of expenditure charged to revenue and from .58 per cent. to 118.70 per cent. under capital heads.

As regards savings, they varied from .14 per cent. to 23.93 per cent., under individual heads the biggest savings occurring under the Capital grants 7, 8 and 15. Taking the total railway expenditure, both voted and non-voted, there was a saving of Rs. 2.98 lakhs or 2.83 per cent. under expenditure charged to revenue and a saving of Rs. 1.14 lakhs or 4.39 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.)

				(Lakhs of Rs.)		
Year.	Final grant and appropriation.			Savings.	Percentage of Col. (3) to Col. (2).	
(1)	(2)			(3)	(4)	
1928-29	98.67			—44	.45	
1929-30	1,01.55			—66	.64	
1930-31	1,05.11			—2.98	2.83	

Expenditure charged to capital

(including expenditure met from the Depreciation Fund.)

1928-29	39.50	—55	1.39
1929-30	45.03	—3.08	6.84
1930-31	25.74	—1.14	4.39

We have no doubt that the financial stringency which manifested itself during the year and which has not yet disappeared has forced on the railway administrations a much more rigid control of expenditure than might otherwise have been exercised. If, as we are assured, this control is maintained without relaxation, the stress and strain of the present period will at least have had the result of raising the general standard of financial control on all railways. We shall deal in later paragraphs with certain handicaps under which the present system of control of expenditure works and the remedial measures proposed.

Excess over voted grants.

6. We now proceed to deal briefly with the excesses over voted grants, which require regularisation by excess votes of the Legislative Assembly. The excesses are as follows :—

Item No.	No. of grant.	Grant.	Amount voted by the Assembly.	Excess.
			Rs.	Rs.
1	1	Railway Board	13,05,000	34,327
2	4	Working expenses, Administration	13,88,50,000	18,70,248
3	10	Appropriation from Depreciation Fund	9,00,00,000	2,39,58,961
4	11	Miscellaneous	17,30,000	14,960
5	13	Appropriation from Reserve Fund	10,85,99,000	6,36,160
6	14	Strategic lines	1,71,70,000	1,67,449

7. The individual items of excess are explained below :—

Item 1.—The excess was mainly due to higher printing charges than were contemplated when the revised estimate was framed.

Item 2.—The excess, which occurred mainly under contribution to the Provident Fund and gratuities, was due to the extension of the benefits of the Provident Fund to workshop staff and to the payment of extra gratuities on retrenchment.

Item 3.—More than two-thirds of the excess is attributed to unexpected adjustments in rectification of transactions incorrectly accounted for in previous years and the balance was due to exceptionally heavy carry-forwards from the previous year.

Item 4.—The excess was the result of a number of small variations in a miscellaneous collection of sub-heads.

Item 5.—The excess reflects the extent of the variation of the financial results of the year from anticipations.

Item 6.—Heavier freight charges for fuel purchased at the end of the year to replenish stock chiefly accounted for the excess.

8. We recommend that the Assembly should assent to the excess grants detailed in paragraph 6 above.

Reappropriation not made in accordance with prescribed rules.

9. Under rule 52 (2) (ii) of the Indian Legislative Rules we are required to bring to the notice of the Legislative Assembly every reappropriation within a grant which is not made 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) *Distribution of allotments after the close of the year.*—Such distribution is reported to have been made on the South Indian and the North Western Railways. The Financial Commissioner has rightly taken no cognizance in his Appropriation Accounts of the orders of reappropriation which were sanctioned after the close of the year. There are, however, some cases where the sanctions to reappropriation were actually accorded before the close of the

year but communicated to subordinate authorities only after the year. Although effect has been given to such reappropriation in the Appropriation Accounts, the Financial Commissioner informed us that the Railway Department realised that postponement of reappropriation till towards the end of the year was not conducive to sound financial control and that general instructions had been issued emphasising the importance and necessity of making reappropriations as and when they were required during the course of the year instead of at the end of the year. We do not think that any further action is called for.

(ii) *Reduction of a voted grant.*—The Railway Board issued orders in March 1931 reducing the grant under the head "Appropriation to the Reserve Fund" to "nil", when it became clear that the net results of the year would necessitate a withdrawal from the Reserve Fund. A grant once voted by the Legislative Assembly cannot be withdrawn or reduced and the Financial Commissioner has rightly taken no cognizance of the orders of the Railway Board in his Appropriation Accounts. The position is now correctly understood by all concerned and we have no further observations to make.

(iii) *Utilization of unanticipated credits.*—More than one instance has been given by the Director of Railway Audit where unanticipated credits have been utilized to increase the supply at the disposal of spending authorities. We have already made a recommendation on this subject in the First Part of our Report which we desire to reiterate. No controlling officer should be permitted to utilize, in order to increase his spending power, any unanticipated credits. The Director of Railway Audit has made certain proposals in paragraph 49 of his Report for carrying out this recommendation and the Financial Commissioner has in paragraph 89 of his Review brought out certain intricate points which require settlement in this connection. Subject to the observance of the general principle which we have enunciated, we are content to leave these detailed questions to be settled by the Railway Department in consultation with the Auditor General.

Comments on matters outstanding from previous reports.

10. *Form of the Appropriation Accounts.*—The Public Accounts Committee of last year suggested certain improvements in the form and presentation of Railway Appropriation Accounts of which the most important were that the appropriation accounts should be accompanied by a general picture of the financial results of the year, a general survey of the state of the financial administration as disclosed by the accounts and an analysis of the results of the scrutiny conducted by the Railway accounts department as part of the internal check of Railway accounts. It was intended that the material compiled in this fuller form should be available to the Director of Railway Audit before he wrote his report, which was thus to be complementary to and based on the material supplied by the Financial Commissioner. In pursuance of these recommendations we have been furnished with a Review of the Appropriation Accounts prepared by the Financial Commissioner and a Summary of the working results of all Railways prepared by the Chief Commissioner of Railways and the Financial Commissioner. We are satisfied that, subject to what is stated below, our requirements in regard to the information as regards railway receipts and expenditure and the facilities for financial control have been fully complied with.

11. Owing to the fact that the Public Accounts Committee held its session unusually late last year and the Appropriation Accounts had reached an

advanced stage of preparation by the time the Committee's recommendations were actually made, it has been found possible to furnish the two reviews referred to in the previous paragraph only after the publication of the Appropriation Accounts in the old form and after the Director of Railway Audit had issued his report. The result has been that, as pointed out by the Auditor General, the Director's Report has on the present occasion not taken into account all the material furnished by the Financial Commissioner and therefore lacks the full value it should possess. Another incidental disadvantage has been a certain amount of duplication in the presentation of the results. We realize that the summary of the working results of railways cannot be made available earlier than September each year but we do not see any reason why the Financial Commissioner's review of the financial administration as disclosed by the Appropriation Accounts should not be prepared in time for use by the Director of Railway Audit. It is only a question of the convenient adjustment of the dates and we are glad that the Financial Commissioner has at our instance undertaken to endeavour to send his appropriation accounts with his review to the Director by the middle of April so as to enable the latter to submit his report to the Auditor General by the middle of May. We thus hope that in future years it will be possible to eliminate the minor defects in procedure noticed in the current year and that the report of the Director will as a result be greatly simplified.

12. The Public Accounts Committee of last year commented on the absence in the Railway Appropriation Accounts of an analysis of the results of the audit scrutiny conducted by the Railway accounts department as part of its internal check of railway accounts. A somewhat similar observation was made in respect of the presentation of the results of the audit scrutiny of military works expenditure carried out by the Military accounts department. We were informed both by the Financial Adviser, Military Finance, and by the Financial Commissioner of Railways that the discovery of irregularities was only a small part of the duties of the separated accounts department, that their more important duties lay in preventing, rather than in discovering, irregularities and overpayments, and that if the analysis was intended to be an estimate of the efficiency or otherwise of the internal check conducted by the accounts department, material for this could most easily be found in the results of the independent check conducted by the test audit staff which are presented in the reports of the respective Directors. We agree in this view which is also shared by the Auditor General and we recommend that the present practice, under which the scrutiny of irregularities and the selection and presentation of those deemed sufficiently important to be published is placed in the hands of an independent audit authority, should be continued. What is required is a pooling of the discoveries of the two agencies, the accounts department and the test audit staff, and a scrutiny of the material so collected to see, for instance, whether it indicates any general tendency which should be checked or any defect in rules or procedure which should be corrected. We consider it essential that the accounts departments both on the Railway and Army sides should place at the disposal of the test audit staff all material in its possession showing its activities connected with internal audit scrutiny and that, in particular, it should communicate to the test audit staff all irregularities at an early stage of their detection, so that the latter may be enabled to perform its functions satisfactorily and to present to us and to the legislature as accurate a picture as possible of the state of the financial administration of the two largest departments of the Central Government.

13. *Form of the Director's Report.*—Our predecessors also suggested some improvements in the form of the report of the Director of Railway Audit.

Agreeing with these suggestions the Auditor General instructed Mr. Badenoch to investigate along with the possibilities of retrenchment in the Railway Audit Department the directions in which test audit could be more usefully directed and how the form of presentation of the results of the test audit could be improved. We have been furnished with a copy of Mr. Badenoch's report. We discussed the proposals made therein with the Auditor General and we may state our conclusions under three broad headings :—

(i) *Proposals regarding the extent and the direction of test audit of railway transactions.*—We considered these proposals from the point of view of financial control by the legislature and we were assured by the Auditor General that except for the fact that the Director's report prepared under the proposed plan would be somewhat less broadly based than at present, there would be no appreciable diminution in the information and the facilities now supplied to the Committee for the purpose of its scrutiny of the railway accounts. We were also anxious to know whether the proposed limited audit was sufficient to perform satisfactorily the true functions of test audit, that is to say, whether it would secure that the accounts of railways were sufficiently checked by the Auditor General's staff so as to discover if there was anything seriously wrong with the financial administration of railways. We were informed by Mr. Badenoch that one of the principles underlying this proposal was that the whole field of railway transactions must be covered by the test audit but that after a careful examination of all classes of transactions he had proposed different percentages of test audit for different transactions, keeping in view the necessity of fixing the percentages so as to allow the audit department to judge fairly well the efficiency of the financial administration of railways as a whole. We express our general agreement with Mr. Badenoch's proposals subject to a definite limitation that if at any time the Auditor General considers that the amount of check applied by the test audit staff to any particular class of transactions is insufficient, the fact that we have now agreed to the reduction of the scope of test audit should in no way debar him from immediately coming up for increasing its scope and if necessary, increasing the staff for this purpose.

(ii) *Proposals as regards the method of presentation of the results of test audit.*—In effect these proposals would, in the opinion of the Auditor General, enable the Director to present to the Committee the same type of report as it has received this year, probably with certain improvements consequent on the changes which have already been agreed to in regard to the presentation of the appropriation accounts by the Financial Commissioner and further improvements which would result from the adoption of certain other proposals mentioned in the next section of our report. We accept the general proposals made by Mr. Badenoch without, however, desiring to bind the Director exactly to the details given in his report.

(iii) *Proposals for retrenchment.*—We do not wish to express any opinion on the individual proposals made by Mr. Badenoch. While leaving them to be dealt with in the ordinary way, we have asked to be furnished in due course with a statement of the actual action taken on these proposals. We, however, desire to emphasise that in our view the scope for retrenchment in Railway Audit is limited and in view of the volume and complexity of Railway transactions any drastic attempt at retrenchment may involve risks, which cannot be lightly undertaken.

14. *Railway electrification schemes.*—The Public Accounts Committee last year desired that the financial effects of electrification on various railways should be scientifically studied by the Railway Board. The Director of Railway Audit has made a laudable attempt to get at the results of working

of the Bombay electrification schemes. The Railway Board has also furnished us with a valuable memorandum on the subject. So far as the Chola Power House is concerned, both the Railway Board and the Director agree that the Power House is actually working economically and efficiently and that the increase in the cost per unit is due to the fall in traffic consequent on the present exceptional depression. So far as the main line electrification schemes are concerned, unlike the Power House separate capital and revenue accounts have not yet been prepared and there is no clear-cut division of the transactions between the electrified schemes and the steam-driven part of the undertaking. Feeling that it is important that some comparison of results with estimates should be made as soon as possible and should be included in the report even if only approximate accuracy is attained, the Director has made his own assumptions in regard to the allocation of receipts and expenditure between the two systems and has put them forward for consideration by the Committee and the Railway Department with a view to arriving at some conclusion regarding the best method of apportionment of the figures. We have not had the time to examine the bases of the various assumptions which could be satisfactorily settled only after thorough discussion between the Railway Department and the Auditor General. The real value of the enquiry is to enable a comparison to be made of the present cost of working of the electrified system with what it would have cost in a normal year if there had been no electrification and steam had been employed, and the real question is whether the assumptions to be made are sufficiently accurate and are not too numerous to make any comparison of practical value. Having made this clear, we have left it to the Railway Department and the Director of Railway Audit to discuss the bases of the various assumptions and to furnish to the Committee a joint note next year as to the possibility of reaching some general agreement regarding the methods of calculation and the desirability of pursuing further the line of enquiry adopted by the Director in his report on the accounts of 1930-31.

15. *Other outstanding recommendations.*—We have considered the explanations furnished and the action taken in regard to the various outstanding recommendations from previous years and enclose as Annexure to our report a statement showing the items whose final disposal has to be watched through the quarterly list of outstandings prepared by the Finance Department of the Government of India.

Comments on matters arising out of the accounts for 1930-31.

16. *Certain handicaps in the existing system in regard to control of expenditure.*—

(a) *Form of Demands and Expenditure Abstracts.*—Our examination of the accounts has revealed certain serious defects in the existing system of railway accounts which make it difficult for the administrative authorities to keep the expenditure within the scope and limit of the individual demands voted by the Legislature. The classification of expenditure represented by the Demands for Grants does not follow the classification of expenditure in the initial working accounts, on which current control by the administrative and executive authorities is presumably based. The difficulties inherent in the present system are lucidly set forth in paragraph 23 of the Director's Report and Mr. Badenoch has suggested that probably the ideal arrangement would be to frame a separate grant for working expenses for each railway. We have examined this question very carefully and we do not recommend any alteration in the structure of the main demands for grants against which

the Controller of Railway Accounts conducts at present his appropriation audit for all railways taken together, as in our view this arrangement is suitable for purposes of discussion in the Legislative Assembly. We, however, entirely agree with the Director of Railway Audit that it is 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. Having laid down the principle, we leave the details to be worked out in mutual consultation by the Railway Department and the audit authorities and reported to the Committee in due course.

17. (b) *Separate demands for strategic lines.*—Another difficulty which has been referred to by the Director of Railway Audit relates to the presentation of two separate demands for revenue expenditure for strategic railways and for the Railway system of which they form part. Expenditure on the whole system is booked in one set of accounts and only a small portion of it is capable of direct allocation to strategic lines. The rest of the expenditure is distributed between strategic railways and the main system according to certain formulæ. We were informed that the major part of the control of expenditure on strategic railways could only be exercised through the general measures of control over the main system and that the expenditure against the existing separate demand for strategic railways is not really controllable. It is admitted that as under the present convention the loss on strategic railways is chargeable to general revenues, there should be a separate account prepared of the transactions of these railways. We think the legislature will be satisfied if this information about the working results of strategic lines is given in a separate appendix to the Demands for Grants and, subject to this being done, we recommend that the separate demand for grant for strategic lines be done away with.

18. (c) *Control of capital expenditure on open line works and expenditure from depreciation fund.*—The Director of Railway Audit has also suggested that it would be more satisfactory from all points of view if the two Grants, Nos. 8 and 10, relating to capital expenditure on open line works and expenditure from the depreciation fund, respectively, were combined in one grant. In the words of the Financial Commissioner of Railways “the present division is utterly futile for the purpose of control of expenditure, for once a work is started it is only the total amount of expenditure that can be controlled; it is not possible to control the depreciation fund expenditure separately because the total amount chargeable to the fund is a fixed amount and not subject to any control by any authority whatsoever, being the original cost of the work; nor can the expenditure in a particular year be controlled because while the total expenditure is susceptible of increase or reduction by a variation in the rate of progress of the work, the distribution of this expenditure between capital and depreciation fund cannot: it is fixed according to the allocation in the estimate. Finally, while the works programme shown in the Pink Books shows the distribution between capital and depreciation fund under each item of work, the total expenditure under Demand No. 10 is distributed under the various sub-heads corresponding to Demand No. 9—Appropriation to the Depreciation Fund, that is, the various classes of railway assets. One result of having separate grants for expenditure from capital and expenditure from the Depreciation Fund is that in many railways it has often happened that necessary adjustments between capital and Depreciation Fund have been postponed, because the administration fear that the grant under depreciation may be exceeded if the necessary adjustment

was made. For the purpose of control of expenditure, the total expenditure on the work is even now the main criterion, but the two demands have been kept separate because of the different sources from which funds are provided." We agree entirely with this criticism and recommend that the two Demands be combined into one with effect from next year.

19. We do not think that it will be possible to give effect to the recommendations in paragraphs 16 and 17 in the accounts and estimates of next year. We have therefore suggested that we should be supplied next year with skeleton forms of Demands for Grants, Appropriation Accounts and Working accounts prepared on the basis of our proposals and that we should be given a final opportunity of expressing our views on those forms before they are actually introduced in 1934-35.

20. *Further simplification of the form of the appropriation accounts.*—We have also considered in this connection certain suggestions made by the Financial Commissioner for simplifying the present form of his Appropriation Accounts. Taking the accounts of 1930-31, they begin with a synopsis of the causes of variations in regard to each sub-head and continue to explain in separate addenda to the appropriation accounts the details in regard to individual railways. These addenda cover considerably more than half of the publication and are reported to have involved a considerable amount of labour. The Financial Commissioner has proposed that in future each railway administration should prepare its own appropriation accounts which would be placed before the Public Accounts Committee as addenda to the main Appropriation Accounts and that the compilation of the Financial Commissioner of Railways would only furnish the summary explanations for all railways taken together under the respective sub-heads. As pointed out by the Auditor General, the pink books of Demands presented to the Assembly have no counterpart in the appropriation accounts and the suggested arrangement, while conforming to orthodox doctrine on the subject, should prove economical as regards labour and probably cost. We have, therefore, no hesitation in accepting these proposals, especially as they mean no reduction in the information given to the Assembly.

21. *Efficiency of internal check conducted by the Railway Accounts Department.*—Subject to our comments below, we agree with the Director of Railway Audit that the work of the internal check authorities has been generally satisfactory. The fact that numerous irregularities are brought to notice year by year in the Director's report does not necessarily indicate weakness in internal check but rather illustrates its vigilance.

22. *Chief accounts officers and their use as financial advisers.*—The Director of Railway Audit has observed that there is room for improvement in the relations between the accounts and executive authorities and although we were assured that this was the main objective of the scheme of a separated accounts department on railways and that this objective was being gradually attained, we found both in regard to control of expenditure and the various cases of frauds and irregularities noticed in the Director's report that sufficient use had not been made of the chief accounts officer as the principal financial adviser of the railway administration, and that this lack of complete liaison between accounts and executive offices was particularly felt in connection with relaxations of agreements with contractors which were permitted by engineering officers. We are glad to note that the Railway Department has issued instructions to all railway administrations emphasising the necessity for close co-operation between accounts and executive officers and of scrutinising most

carefully in consultation with the financial adviser of the administration, *viz.*, the Chief Accounts Officer, all payments to contractors not admissible on a strict interpretation of the terms of the contract.

23. *Inspections of railway offices by the accounts department.*—According to the Report of the Director of Railway Audit several account offices found it difficult during the year to work up to their programme of inspection. We were informed that this was due to lack of requisite staff but that a combined effort was being made as an *interim* arrangement during the current year by the accounts and audit offices to cover the ground as far as funds permitted. We think that it is highly desirable that arrangements should be made for the inspection of all railway offices by the officers of the accounts department at reasonable intervals. The advantages of periodical inspection, particularly an occasional surprise inspection, have been impressed by the Railway Department on both accounts and administrative offices.

24. *Maintenance of capital and revenue accounts of buildings on railways.*—One important defect noticed by the Director of Railway Audit in his Report relates to the want of reliable and complete capital and revenue accounts of residential buildings and the difficulty in their absence of railway administrations giving effect to the declared policy of Government in regard to the provision of quarters on State Railways. We were informed by the Financial Commissioner that instructions have already been issued (in March 1931) that except on two Railways, the Burma and the Great Indian Peninsula Railways, capital and revenue accounts of residential buildings should be prepared and maintained by classes of buildings (*viz.*, those in which rents are pooled) with effect from 1931-32. The Burma and the Great Indian Peninsula Railways had been permitted to postpone the introduction of these accounts for one year. As regards the East Indian Railway where the state of the registers was reported to be very unsatisfactory, we understand that the position has since considerably improved and that the preparation of the rent schedules has been completed and that these schedules are being checked by the Chief Accounts Officer.

25. *Contracts—(a) Call for tenders.*—We are grateful to the Director for bringing to our notice the fact that there is a most marked divergency between railways in regard to calls for tenders before works are given out on contract and that the system is practically non-existent on several important railways. The fundamental principles in regard to this matter were enunciated by the Government of India in the Finance Department as long ago as August 1929 in a Resolution issued in pursuance of certain recommendations made by the Public Accounts Committee. Copies of this Resolution were endorsed to the Railway administrations by the Railway Board in September 1929 and detailed instructions on the subject were promised at the same time. We understand that these instructions are now ready for issue and in fact we were given by the Financial Commissioner an opportunity of looking into and criticising the draft rule dealing with the system of calling for tenders. We recommend that the general rule should provide that tenders shall be called for in all cases where works are given out on contract except where, for reasons which shall be recorded and communicated to the Chief Accounts Officer, the Agent decides that it is not practicable or advantageous to call for a tender.

26. *(b) Relaxation of agreements.*—A number of cases of such relaxation have been brought to our notice by the Director of Railway Audit. We must confess that we do not see eye to eye with the railway administration in regard to the equity of certain payments mentioned in the Report and made outside the terms of the original contracts. For example, the higher payment in one

case has been sought to be justified on the ground that the contractor who accepted the original rate in the contract had had no previous experience of the work, that the higher payment had been claimed immediately after the commencement of the work when the difficulties were realised and that even the higher rate, according to the Chief Engineer of the particular railway, would not have left to the contractor any margin of profit. We do not think that the railway is concerned with the profit or loss to the contractor who should be left to take the risks as well as the expected profits. In our opinion departures from the strict letter of the agreement could normally be justified only in those instances where, for example, strict insistence on the terms of the contract would lead to the contractor resiling from his contract and the result would involve large expenditure to Government in the long run. Each case would require expert financial advice. We are glad to note that definite instructions have now been issued that the higher administrative authorities on each railway should judge impartially each case of departure from the original terms of the contract and not agree to any proposal to vary the terms of a contract resulting in additional expenditure without consulting the Chief Accounts Officer of the railway as their financial adviser.

27. (c) *Proper form of contract.*—A fruitful source of overpayment is the absence of written agreements for contracts, both originally and in regard to subsequent modifications. Verbal contracts are still common in spite of numerous instances of nugatory expenditure to Government entailed thereby and brought to notice in the report of the Director of Railway Audit from year to year. We note that the Railway department have now issued strict instructions emphasising the necessity—

- (i) of settling, before a work actually let out on contract is commenced, the terms on which it is let, and of expressing these in the form of a contract drawn up where necessary on legal advice ; and
- (ii) if and when necessity arises to modify such terms, of reducing these modifications to writing in proper form.

28. *Over-capitalisation on railways.*—The Director of Railway Audit has touched on some aspects of over-capitalisation on railways in paragraphs 208 to 213 of his Report and has made a few suggestions for counteracting this tendency, the feasibility of which the Financial Commissioner has undertaken to examine. The Auditor General has drawn our particular attention to the very wide questions of general principle raised in the following sentence in paragraph 213 of the Director's Report :—

“ the growth of railway capital under a system by which all differences between replacement cost and original cost and all betterments are charged to capital, while the increasing total of the capital account is not checked through any scheme of amortisation, would seem to render advisable an early re-examination of the separation convention.”

He has added that it is a matter of immediate importance that Government should take steps to reach a decision about the rules which should govern in the future the allocation between revenue and capital, expenditure on renewals and betterments, amortisation of railway debt, and so forth. We agree with the Auditor General that an early settlement of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue is desirable ; for it seems to us that, whatever

the future arrangements for the administration of Railways may be, this question will have to be settled before the financial effect of the new arrangements can be ascertained. We recommend, therefore, that it should be taken up immediately.

29. *Regularisation of expenditure on a 'new service'.*—Before we conclude we should refer to an important question relating to the regularisation of expenditure on “a new service”, classified as ‘new service’ by the Public Accounts Committee *ex post facto* long after the expenditure had been actually incurred. The procedure that was originally proposed to be adopted by Government is explained in the orders quoted below *in extenso* :

“During the currency of the year, expenditure upon a new service not contemplated in the budget of that year, has to be covered by a specific vote from the Legislative Assembly. This vote has to be for the full amount of the expenditure if no savings exist to meet it, *vide* rule 50 (1) (ii) of the Indian Legislative Rules. When funds to meet the expenditure can be made available by re-appropriation, a demand for the grant of a token sum only may be submitted to the vote of the Assembly under proviso to the same rule.

“After the close of the year, rule 49 of the Indian Legislative Rules provides for the presentation of demands for excess grants. This rule is expressed to apply ‘when money has been spent on any service.....in excess of the amount granted for that service’. These words clearly postulate that some amount has been granted for the service on which excess expenditure is incurred and consequently have the effect of excluding the case of expenditure on a new service from the operation of that rule. It is clear, however, on a comparison of rule 49 with sub-rule (1) of rule 50, that the omission to provide in rule 49 for the case of expenditure on a new service is in the nature of a lacuna. As it is not considered worth while to propound an amendment of the rule at this juncture, it has been decided to treat rule 49 as applicable in the case of expenditure on a new service and to apply the rule in such cases as though it contained a proviso corresponding with the proviso to sub-rule (1) of rule 50 of the Indian Legislative Rules.”

At our instance the proper procedure to be followed in such cases was discussed by our Chairman with the Hon'ble the President of the Legislative Assembly. We agree with their conclusion that under the Government of India Act the action must be regularised by obtaining the formal approval of the Legislative Assembly to the whole expenditure and that in future, if there be any case of new service in the appropriation accounts of a year, the usual form of the Resolution for taking the report of the Public Accounts Committee into consideration should be expanded so as to include “and that the Assembly do approve the expenditure of Rs.....on.....”.

30. We append to our report minutes of the proceedings which we consider should be considered 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 those paragraphs.

31. We wish to express our appreciation of the valuable services rendered to us by our Secretary, Mr. Aravamudha Ayangar, both during our sittings and particularly in the preparation of the minutes of our proceedings and of this Report.

A. A. L. PARSONS.

B. DAS.

ABDUL MATIN CHAUDHURY.

M. A. AZIM.

M. C. RAJAH.

ISMAIEL ALIKHAN.

S. C. MITRA.

MOHAMMAD YAKUB.

J. RAMSAY SCOTT.

R. D. DALAL.

V. K. ARAVAMUDHA AYANGAR,
(*Secretary.*)

32. The non-official members of the Committee desire to record their appreciation of the ability, energy and tact with which the Chairman conducted its deliberations. His wide and intimate knowledge of different branches of financial administration has been of valuable assistance in expediting the work of the Committee.

B. DAS.

ABDUL MATIN CHAUDHURY.

M. A. AZIM.

M. C. RAJAH.

ISMAIEL ALIKHAN.

S. C. MITRA.

MOHAMMAD YAKUB.

J. RAMSAY SCOTT.

R. D. DALAL.

Dated the 15th November, 1932.

ANNEXURE.

(Referred to in paragraph 15 of the Report.)

(A) *Recommendations outstanding from previous years.*

(1) Issue of rules regulating the custody and relinquishment of railway lands and buildings (Item 77 of Appendix I).

(2) Continuance of the special rates and concessions for Military traffic obtained by the Military Department from the Railways (Item 80, *ibid*).

(B) *Our Recommendations in the current Report.*

(1) Submission of a statement of the actual action taken on the proposals for retrenchment made by Mr. Badencch in his report dated 26th April 1932 [Paragraph 13 (iii) of the Report].

(2) Submission of a joint note by the Railway Board and the Director of Railway Audit 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 (Paragraph 14, *ibid*).

(3) Report of the detailed action taken 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 (Paragraph 16, *ibid*).

(4) Supply to the Committee of skeleton forms of Demands for Grants, Appropriation Accounts and Working accounts prepared on the basis of Committee's proposals (Paragraph 19, *ibid*).

(5) Settlement of the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue (Paragraph 28, *ibid*).

(6) Supply of certain information regarding railway advertisements given to newspapers (Paragraph 3, Proceedings).

(7) Necessity of laying down some procedure as soon as possible calculated to obviate the present delays in the apportionment of joint station expenses between railways (Paragraph 46, Proceedings).

(8) Submission of 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 (Paragraph 63, Proceedings).

Proceedings of the Committee.

Proceedings of the First Meeting of the Public Accounts Committee held on Thursday, the 3rd November 1932, at 11 A.M.

PRESENT.

- | | |
|---|---------------------|
| (1) The Hon'ble Sir ALAN PARSONS, C.I.E., <i>Chairman</i> . | |
| (2) Mr. B. DAS. | } <i>Members.</i> |
| (3) Mr. ABDUL MATIN CHAUDHURY. | |
| (4) Mr. MUHAMMAD ANWAR-UL-AZIM. | |
| (5) Rao Bahadur M. C. RAJAH. | |
| (6) Mr. T. N. RAMAKRISHNA REDDI. | |
| (7) Kunwer Hajeer ISMAIEL ALIKHAN. | |
| (8) Mr. S. C. MITRA. | |
| (9) Maulvi Sir MOHAMMAD YAKUB. | |
| (10) Mr. J. RAMSAY SCOTT. | |
| (11) Dr. R. D. DALAL. | |
| (12) Sir ERNEST BURDON, Auditor General. | |
| (13) The Hon'ble Mr. J. B. TAYLOR, Financial Secretary. | |
| (14) Mr. P. R. RAU, Financial Commissioner, Railways. | } <i>Witnesses.</i> |
| (15) Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board. | |
| (16) Mr. L. S. DEANE, Controller of Railway Accounts. | |
| (17) Mr. A. C. BADENOCH, Deputy Auditor General. | |
| (18) Mr. B. N. MITRA, Director of Railway Audit. | |

The Chairman reported to the Committee that after discussion with the Hon'ble the President it had been agreed that whenever the Public Accounts Committee in future came to the conclusion that particular expenditure was on a new service, the present motion "that the report of the Public Accounts Committee be taken into consideration" should be expanded somewhat in the following way: "that the report of the Public Accounts Committee be taken into consideration; and that the Assembly do approve the expenditure of Rs. _____ on (a brief description of the subject)". This was approved by the Committee.

2. The Committee took up the examination of the list of items shown in Appendix I.

It was satisfied with the action taken or proposed to be taken in regard to the following items:—

Item No. 74.—Working of the new rules for the maintenance of priced store lists.

Item No. 78.—Reports on the working of individual railways by Agents and presentation of a summary of railway results by the Financial Commissioner.

Item No. 79.—Stores accounting on the East Indian Railway.

Item No. 81.—Presentation in improved form of the table of comparative figures of budget and revised estimates and actuals furnished by the Director of Railway Audit.

Item No. 82.—Presentation of irregularities in a classified form by the Financial Commissioner.

Item No. 84.—Presentation of a review of the appropriation accounts by the Financial Commissioner.

Item No. 85.—Classification of expenditure on traffic surveys as a new service under certain conditions.

Item No. 86.—Review of the position regarding railway capital expenditure and examination of the policy in the light of recent experience.

Item No. 87.—Examination of the financial results of electrification schemes—subject to the remarks in paragraphs 56 and 57 of these proceedings.

Item No. 90.—Report on the working of the system of full check over invoices relating to goods.

Item No. 91.—Presentation of cases of short accounting and short collections in station cash offices in a more useful form by the Director of Railway Audit.

Item No. 92.—Making the comments on savings and excesses by the Director of Railway Audit as informative as possible.

Item No. 94.—Safeguarding of the interests of railways against companies working mineral rights under land acquired by railways.

Item No. 96.—Charging of royalty to revenue in the case of collieries.

Item No. 97.—Reduction of stores balances on railways to the minimum.

Item No. 98.—Report by the Director of Railway Audit regarding particular accounts in the Railway depreciation fund.

Item No. 99.—Report of the full facts of the case regarding certain adjustments by the Bengal Nagpur Railway of rolling stock against capital.

Item No. 100.—Report on the question of accounting of stores returned from works or divisions but not accounted for in the stores ledger on the East Indian Railway.

3. The recommendations of the Committee in regard to the remaining items in Appendix I are as follows :—

Item No. 75—Introduction of piece-work system on railways.—The Committee considered the memorandum (*Appendix III*) furnished by the Financial Commissioner and agreed with the Railway Department that the question of extending the piece-work system must await the return of normal conditions.

Item No. 76—Report on the new system of checking and collecting tickets introduced on the East Indian Railway (Appendix IV).—The Committee noted that on the East Indian Railway the results of the working of the new scheme were satisfactory.

Item No. 77—Issue of rules regulating the acquisition, custody and relinquishment of railway lands and buildings.—The Financial Commissioner explained that the rules for acquisition had been issued and those for custody and relinquishment had been drafted and were now under consideration by other departments of the Government of India. The Committee was assured that the rules would be issued before the end of the year. At the instance of the Committee, the Financial Commissioner undertook to send a copy of the rules to the Director of Railway Audit and the Auditor General was requested to report to the Committee if he or the Director had any comments to make.

Item No. 80—Question of the continuance of the special rates and concessions for military traffic.—The Financial Commissioner explained that the Army Department had not come to a decision and pointed out certain difficulties in the settlement of the question, e.g., loss to the revenues of the Government of India as a whole by the withdrawal of the concessions by company-managed lines and to railways by diversion of military traffic to roads. The Committee desired that the matter should be pressed to a conclusion as soon as possible.

Item No. 83—Report on the printing work done in the Railway Publicity Department, etc. (Appendices V and XX).—The Financial Commissioner undertook to supply the Committee with a list of the newspapers getting advertisements as well as the number of occasions on which advertisements had been given to those papers. He also promised to supply the Committee with information regarding the space taken by these advertisements if it was readily obtainable.

Item No. 88—Verification of facts in the Report of the Director of Railway Audit.—The Committee desired that any delay in the verification of facts by the Railway Department should be reported by the Director or the Auditor General, one of whom should bring it to the notice of the Committee.

Item No. 89—Report by the Railway Department on action taken on cases of irregularity mentioned in the Director's Report since its publication.—The Committee decided to repeat its recommendation of last year that it would be most helpful and would curtail unnecessary discussion if it was furnished before it began its meetings with a statement from the Railway Department showing the action that had been taken since the publication of the report, including any further explanatory notes which the Department wished to add. The Committee wished to add that it would be most convenient if the report was made as and when each case was dealt with by the Railway Department. It was explained by the Financial Commissioner that no statement was furnished this year as separate memoranda had been submitted on several important points raised, and there was nothing to say on others. Cases where there was a serious difference as to facts had been taken up and settled with the Director of Railway Audit who had amended some paragraphs of his report.

Item No. 93—Report on the effect of the issue of instructions condemning the method of irregularly increasing sanctioned establishments by utilising coolies, gangmen, etc. (Appendix VIII).—The Committee was informed that though the irregularities continued, they were being reduced. The Director of Railway Audit was requested to make a further report next year whether the instructions that had been issued by the Railway Department were being effectively carried out.

Item No. 95—Report on the working of the procedure regarding commencement of works and preparation of estimates.—It was explained by the Auditor General that the memorandum (Appendix VII) furnished by the Railway

Department had not yet been formally scrutinised by the Director of Railway Audit. The Committee decided to make a general recommendation that the Director of Railway Audit should regularly scrutinise all memoranda submitted by the Railway Department to the Committee and bring to the notice of the Committee any points on which he was not satisfied.

Item No. 101—Debiting interest charges to capital outlay after the opening of the Vizagapatam Harbour.—The Committee was informed that it had been decided not to inflate the capital by debiting interest charges to capital after the opening of the Harbour but to charge them directly to revenue.

4. The Committee then considered the Auditor General's letter (Appendix II) and the Report of the Director of Railway Audit.

Paragraph 2 of the Auditor General's letter.

5. The Committee was satisfied that the documents circulated during the current year, including the two special reviews dealing with the financial administration and the financial results of the working of Railways, provided adequate material for the examination of the Railway Appropriation Accounts and recommended that the same facilities should continue to be given in future to the Public Accounts Committee for the scrutiny of Railway financial administration.

The Auditor General suggested that in future the Financial Commissioner's review of the appropriation accounts should be made available to the Director of Railway Audit by the 15th of April as the latter's report had to be based on the appropriation accounts and the Financial Commissioner's review. The Financial Commissioner said he would endeavour to do so.

Paragraph 6 of the Auditor General's letter and Chapter IV of the Report of Director of Railway Audit.

6. *Paragraph 32 of the Director's Report.*—The Committee agreed with the Director that the present financial stringency had forced on the railway administrations a policy of rigid control of expenditure and that if this control were not relaxed in future, the period of financial stringency would not be without benefit. The Committee was assured by the Financial Commissioner that the measures taken to control expenditure would be continued.

7. *Paragraph 33, ibid.*—The Committee endorsed the suggestion of the Director that full use should be made of the Chief Accounts Officer as their principal financial adviser by the various railway administrations.

The Committee agreed with the Director that postponement of re-appropriations to the end of the year was not conducive to sound financial control and decided to watch the effect of the general instructions that had been issued on this matter by the Railway Board.

8. *Paragraph 35, ibid.*—The Committee agreed with the Director that the best remedy for the delay in the presentation of the appropriation accounts was a more complete liaison between the accounts and executive authorities. The Committee was informed that the separation of accounts, which was devised to achieve this result, had led to some improvement in this direction. The Committee expressed complete concurrence with the view of the Director that improvement could only be effected if departmental officers themselves watched the variations in expenditure and satisfied themselves as to the

reasons for those variations. The Financial Commissioner explained that general instructions had been issued impressing on departmental officers their responsibility in regard to this matter.

9. *Paragraph 37, ibid.*—The Committee examined the reasons for the various excesses in votable grants and decided to recommend that the excesses be voted by the Legislative Assembly.

10. *Paragraph 51, ibid.*—The attention of the Committee was drawn to the remark in this paragraph that the railway administrations proceeded on the assumption that their original demands had been met in full and that the Railway Board was still working on a system of over-allotment. The Committee entirely agreed with the Director that from the appropriation audit point of view the railway administrations must be asked to take measures to limit expenditure to the amounts distributed by the Railway Board. The Financial Commissioner promised to issue general instructions in regard to this matter.

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

Proceedings of the Second Meeting of the Public Accounts Committee held on Thursday, the 3rd November 1932, at 2-30 P.M.

PRESENT.

(1) The Hon'ble Sir ALAN PARSONS, C.I.E., *Chairman*.

(2) Mr. B. DAS.

(3) Mr. ABDUL MATIN CHAUDHURY.

(4) Mr. MUHAMMAD ANWAR-UL-AZIM.

(5) Mr. T. N. RAMAKRISHNA REDDI.

(6) Kunwer Hajee ISMAIEL ALIKHAN.

(7) Mr. S. C. MITRA.

(8) Maulvi Sir MOHAMMAD YAKUB.

(9) Mr. J. RAMSAY SCOTT.

(10) Dr. R. D. DALAL.

} *Members.*

(11) Sir ERNEST BURDON, Auditor General.

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

(13) Mr. P. R. RAU, Financial Commissioner, Railways.

(14) Mr. T. S. SANKARA AIYAR, Director of Finance,
Railway Board.

(15) Mr. L. S. DEANE, Controller of Railway Accounts.

(16) Mr. A. C. BADENOCH, Deputy Auditor General.

(17) Mr. B. N. MITRA, Director of Railway Audit.

} *Witnesses.*

12. *Paragraph 76 of the Report of the Director of Railway Audit.*—The Committee considered the large excess under Grant No. 10 along with the big saving under Grant No. 8. The Financial Commissioner explained the various difficulties that had arisen from the fact that separate grants were now required for expenditure from capital and expenditure from the depreciation fund. The Committee decided to recommend that with effect from 1933-34 Demands Nos. 8 and 10 should be combined in one demand.

13. *Paragraph 78, ibid.*—The Committee considered the memorandum (*Appendix XI*) furnished by the Auditor General regarding the results of the scrutiny of the *pro forma* depreciation fund accounts of company-managed railways maintained by the Railway Board. In view, amongst other things, of the statement of the Auditor General that it was impossible now to check completely these *pro forma* accounts, that considerable expense would be involved if the examination were pursued further and that in the end, owing to the absence of certain data, the check would only be partial and not complete, the Committee accepted the suggestion that the past accounts might be accepted as being fairly accurate, after being assured that measures had been taken to ensure that in future the audit of these accounts would be regular and effective.

14. *Paragraph 47, ibid.*—As regards the large number of cases of misclassification of expenditure, it was explained that a certain number of cases of genuine doubt regarding classification were bound to occur and that what was necessary to ensure was that no misclassification of large amounts occurred on account of carelessness. The Financial Commissioner informed the Committee that a list of the cases brought to notice in the Director's Report had been circulated to all railways and that instructions had been issued on the subject with a view to improving the present position.

15. *Paragraph 48, ibid.*—The Committee examined the various cases mentioned in this paragraph which fell under rule 52(2) (ii) of the Indian Legislative Rules. The Financial Commissioner explained that in regard to the reappropriations mentioned in clauses (a) and (c) no cognizance of the orders referred to therein had been taken in the Appropriation Accounts. As regards clauses (b), (e) and (f), he informed the Committee that it was contended by the railway administrations concerned that the reappropriations had been sanctioned before the end of the year though the sanctions were communicated only after the close of the year. He added, however, that in the view of the Railway Department the postponement of reappropriations till the last few weeks of the year was not conducive to sound financial control, and that the necessity for reappropriations should be examined as soon as it arose and the required reappropriations made immediately. As regards the question of utilizing credits for increasing the supply of the spending department, referred to in clause (d), the Committee considered this point as a general question along with the observations of the Director in paragraphs 49 and 50 of his Report and those of the Financial Commissioner in paragraph 89 of his review of the appropriation accounts. The Committee came to the conclusion that as a general rule no controlling officer should be permitted to use unexpected credits in order to increase his spending power and left the question regarding the exhibition of various classes of credits, mentioned by the Financial Commissioner in paragraph 89 of his Review, to be settled by him in consultation with the Director of Railway Audit and the Auditor General.

16. *Paragraph 52, ibid.*—In regard to the maintenance of the accounts of the Bengal and North-Western and Rohilkund and Kumaon Railways on an old classification basis, the Financial Commissioner explained that the Railway Department were now considering a revised standard classification and that the basis now adopted by the two Railways was one which had been authorised by the Railway Board about ten years ago. He added that he was awaiting the final settlement of the revised standard classification before the two particular Railways mentioned were asked to change their basis of classification.

17. *Paragraph 67, ibid.*—The Committee agreed with the Director that the postponement of the adjustment of expenditure under the proper head in the accounts on the ground that "funds were very tight for construction of works in progress" was objectionable and that in the present case the postponement had not even the excuse of want of provision. The Financial Commissioner informed the Committee that the irregularity had been brought by the Railway Board to the notice of the Agent who had been instructed to follow the proper procedure in such cases in future.

18. *Paragraph 70, ibid.*—The attention of the Committee was drawn to certain bad cases of misclassification. It was explained that the Controller of Railway Accounts was looking into this question. The Committee suggested that stricter measures should be taken to avoid the occurrence of instances of the kind that had been noticed in the year under report.

19. *Paragraph 74, ibid.*—The Financial Commissioner explained to the Committee in detail the circumstances in which the original estimates under this grant, which was found to be considerably in excess of requirements, were framed.

20. *Paragraph 82, ibid.*—The Committee considered the suggestion of the Director regarding the elimination of certain miscellaneous charges from Grant No. 11. The Financial Commissioner informed the Committee that the Drawing branch had since been amalgamated with the Central Standards Office and explained the reasons for not including the expenditure on the office of the Controller of Railway Accounts under Grant No. 1,—a view in which the Committee concurred.

21. Dealing generally with the results of control of expenditure and of appropriation audit presented in Chapter IV of the Report by the Director of Railway Audit, the Auditor General informed the Committee that if the review of the appropriation accounts prepared by the Financial Commissioner were made available to the Director earlier than during the current year and before the Director's report was published, a great deal of the comments in the present chapter of the Director's Report would be eliminated. He hoped that in course of time the material supplied to the Committee in the appropriation accounts and in the report of the Director would be simplified and that in future the remarks of the Director would only relate to any important points not brought out in the Financial Commissioner's review.

Chapter V of the Report of the Director of Railway Audit.

22. The Committee approved the method of treatment adopted by the Director of Railway Audit in this chapter and found the presentation clear. In this connection, the Committee considered the suggestion made in paragraphs 69 and 70 of Mr. Badenoch's report of the 26th April 1932 on the limitation of audit and retrenchment in the Railway Audit Department and decided to give a good deal of discretion to the Director in regard to the presentation of the results of his test audit for each year with reference to the matters requiring to be brought to notice in that year without tying him down too much to any particular method of presentation, as for example the comparative or the review method.

23. The Committee considered the suggestion made last year that the appropriation accounts of the Financial Commissioner should contain an analysis of the results of the audit scrutiny conducted internally by the Railway Accounts Department. The Committee agreed with the Financial Commissioner and the Auditor General that "if it is a question of judging the efficiency or otherwise of the internal check conducted by the accounts department, material for this can most easily be found in the results of the independent check conducted by the Director of Railway Audit and if the analysis of the activities of the accounts department required by the Public Accounts Committee is really intended to be an estimate of the value of the work turned out by them it could very usefully be undertaken by the Director of Railway Audit." The Auditor General suggested that with a view to enabling the test audit staff to carry out its functions in this matter, the accounts department should communicate to audit at an early stage all irregularities discovered by them and also make available to the test audit staff their own records containing the various objections, defects, etc., noticed in the course of their internal check. The Financial Commissioner agreed with this suggestion and added that the test audit staff were even now in receipt of the facilities desired by the Auditor General.

24. The Financial Commissioner informed the Committee that the Railway Department had found the presentation of the results of test audit in Chapter V of the Director's Report very useful to the Administration in the matter of controlling expenditure.

25. *Paragraph 91 of the Director's Report.*—It was stated that a convention had been arranged that the Director of Railway Audit might use any irregularity, the facts of which had been accepted by the local railway administration, to illustrate a point, on the understanding that he did not ask either the Public Accounts Committee or the Railway Board to discuss his illustrations as individual irregularities. While not desiring to hamper the Director in the matter of utilising such instances of irregularities as he thought fit, irrespective of their importance, to illustrate any particular point, the Committee considered that it should not be precluded from pursuing such illustrative cases further with the Railway Department if it was considered necessary.

26. The Committee adjourned till 11 A.M. on Friday, the 4th November 1932.

Proceedings of the Third Meeting of the Public Accounts Committee held on Friday, the 4th November 1932, at 11 A.M.

PRESENT.

(1) The Hon'ble Sir ALAN PARSONS, C.I.E., *Chairman.*

(2) Mr. B. DAS.	} <i>Members.</i>
(3) Mr. ABDUL MATIN CHAUDHURY.	
(4) Mr. MUHAMMAD ANWAR-UL-AZIM.	
(5) Rao Bahadur M. C. RAJAH.	
(6) Mr. T. N. RAMAKRISHNA REDDI.	
(7) Mr. S. C. MITRA.	
(8) Maulvi Sir MOHAMMAD YAKUB.	
(9) Mr. J. RAMSAY SCOTT.	
(10) Dr. R. D. DALAL.	}

(11) Sir ERNEST BURDON, Auditor General.

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

(13) Mr. P. R. RAU, Financial Commissioner, Railways.	} <i>Witnesses.</i>
(14) Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board.	
(15) Mr. L. S. DEANE, Controller of Railway Accounts.	
(16) Mr. A. C. BADENOCH, Deputy Auditor General.	
(17) Mr. B. N. MITRA, Director of Railway Audit.	

27. *Paragraphs 92 and 93 of the Report of the Director of Railway Audit.*—The Committee accepted the remarks in these paragraphs as giving a very fair statement of the position regarding the efficiency of the internal check organization on railways.

28. *Paragraph 94, ibid.*—The Committee was strongly of the opinion that it was highly desirable that suitable arrangements should be made for the inspection, at reasonable intervals, of all railway offices. In regard to the mistakes reported in the apportionment of earnings between the State lines and Company-managed lines, the Financial Commissioner agreed to ask the Controller of Railway Accounts to issue necessary instructions to all accounts officers to guard against such mistakes in future.

29. *Paragraph 95, ibid.*—As regards the large differences between muster rolls and labour cards, the Committee was assured that the importance of timely reconciliation had been impressed on all accounts officers and that in future complete reconciliation would be made at the end of each year.

30. *Paragraph 96, ibid.*—The Financial Commissioner informed the Committee that he was in full agreement with the remarks of the Director that the duties of the Chief Accounts Officer of Railways should not be confined merely to the business of accounting and internal check but that he should, as financial adviser of the railway, devote special attention to a general examination of the finances of the railway in order to be in a position to make suggestions for reduction of expenditure or for increase of revenue.

31. *Paragraph 99, ibid.*—The Committee agreed that the state of the cash and pay departments of Railways required continued vigilance on the part of chief accounts officers.

32. *Paragraph 102, ibid.*—The Financial Commissioner stated that the measures that had been taken on the Assam Bengal Railway for preventing frauds due to collusion between the head booking clerk and the balance sheet checker in the accounts office had been communicated to all railways and had been commended to them for consideration and adoption.

33. *Paragraph 103, ibid.*—The Financial Commissioner was asked to send to all railways a copy of the rules that had been prescribed as a result of the recommendations of the Committee appointed on the Great Indian Peninsula Railway to enquire into the case of fraud in connection with the payment of labour. The Committee also made a general recommendation that no departmental enquiry should be delayed on the plea that the case was being separately investigated by the police.*

34. *Paragraphs 108 to 116, ibid.*—The Financial Commissioner informed the Committee that the special attention of Railway administrations had been drawn to these paragraphs and that the Railway Department had emphasised the necessity of settling, before a work actually let out on contract was commenced, the terms on which it was let out and of expressing these in a form drawn up, where necessary, on legal advice; of reducing any subsequent modifications in the terms of the contract to writing in proper form; and of scrutinising in consultation with their financial adviser any payments not admissible on a strict interpretation of the terms of the contract. The Financial Commissioner also read out to the Committee the instructions that had been issued to Railway administrations regarding the timely ascertainment of responsibility of officers in cases of financial irregularities (*Appendix XVII*).

35. *Paragraph 113, ibid.*—The Financial Commissioner agreed with the Director that amounts acknowledged to be due to contractors should not have been unnecessarily held back as it entailed loss to Government in the shape of interest on such delayed payments. The Financial Commissioner undertook† to issue instructions to all Railway administrations in this matter.

Dealing generally with the question of lump-sum contracts, the Committee agreed with the Financial Commissioner that such contracts were advantageous to Government only in certain cases, as for example, where works were of a simple character, and did not require detailed technical supervision or the use of costly machinery.

36. *Paragraph 114, ibid.*—The Committee agreed with the Director that in cases where Railways incurred expenditure on behalf of other Government departments or other parties, it was highly desirable that they should obtain the prior written consent of the latter before the commencement of the work in order to safeguard Government in the matter of the apportionment of expenditure.†

37. *Paragraph 116, ibid.*—The Committee agreed with the Director that it was necessary that the higher administrative authority on each railway should judge impartially all cases of relaxation from the strict terms of agreements, and should not agree to make any payments not permissible under the original contract without consulting their Chief Accounts Officer, and recording briefly the justification for relaxation.

* In regard to these two points, please see Railway Board's Circular letter No. 1728-B., dated the 10th November 1932, since issued (*Appendix XXI*).

† Instructions since issued, *vide* Railway Board's Circular letter No. 1728-B., dated the 10th November 1932 (*Appendix XXI*).

38. *Paragraph 117, ibid.*—The Financial Commissioner informed the Committee that under paragraph 7 of the agreement form, all unauthorised alterations in the tender form could be disregarded by the railway authorities, but that it was necessary to inform tenderers of this action if Government was to be protected against subsequent claims by the tenderer in a court of law.

39. *Paragraph 119, ibid.*—In connection with a large capital expenditure of about 23 lakhs on the purchase of land, which had so far proved unproductive, the Financial Commissioner informed the Committee that it was hoped that, with the return of normal conditions, it would be possible to lease out the lands and realise rents which would cover the interest on the capital expenditure. He added that the lands would ultimately be required for railway extension and that it had therefore been decided to hold on to them without disposing of them in a depressed market.

40. *Paragraph 121, ibid.*—The Committee recorded their opinion that before railways embarked on arrangements for the supply of water involving considerable expenditure, the water should be tested to see whether the new source of supply would be really useful for the purposes required.

41. *Paragraph 129, ibid.*—The Committee expressed satisfaction at the considerable reduction that had been made in the balances of stores held on railways.

42. The Committee adjourned till 2-30 P.M.

Proceedings of the Fourth Meeting of the Public Accounts Committee held on Friday, the 4th November 1932, at 2-30 P.M.

PRESENT.

(1) The Hon'ble Sir ALAN PARSONS, C.I.E., *Chairman*.

(2) Mr. B. DAS.

(3) Mr. ABDUL MATIN CHAUDHURY.

(4) Mr. MUHAMMAD ANWAR-UL-AZIM.

(5) Mr. T. N. RAMAKRISHNA REDDI.

(6) Mr. S. C. MITRA.

(7) Maulvi Sir MOHAMMAD YAKUB.

(8) Mr. J. RAMSAY SCOTT.

(9) Dr. R. D. DALAL.

Members.

(10) Sir ERNEST BURDON, Auditor General.

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

(12) Mr. P. R. RAU, Financial Commissioner, Railways.

(13) Mr. T. S. SANKARA AIYAR, Director of Finance,
Railway Board.

(14) Mr. L. S. DEANE, Controller of Railway Accounts.

(15) Mr. A. C. BADENOCH, Deputy Auditor General.

(16) Mr. B. N. MITRA, Director of Railway Audit.

Witnesses.

43. *Paragraph 132 of the Report of the Director of Railway Audit.*—The Financial Commissioner explained that the unnecessary purchase of wheel centres by the Controller was due to the fact that the Chief Mechanical Engineer had not been informed immediately of all returns of such articles to stock by workshops. The Committee observed that it was highly important that Controllers of Stores should have an accurate knowledge of the stock in hand throughout the systems on which they were serving, before they ordered purchases, and that estimates of requirements should not be made merely on the basis of previous actuals but should be framed on an intelligent basis.*

44. *Paragraph 152, ibid.*—The Financial Commissioner informed the Committee that complete capital and revenue accounts of buildings had been introduced and were being maintained on all railways except the Great Indian Peninsula and Burma Railways with effect from 1931-32, and that in the case of the two latter Railways steps had been taken to introduce the system with effect from the current year. He added that the Agent of the East Indian Railway, where the state of registers of rentable buildings was unsatisfactory, had reported that the position had now greatly improved. The Director was asked to make a further report on this question next year.

* Necessary instructions since issued, vide Railway Board's Circular letter No. 1728-B., dated the 10th November 1932 (Appendix XXI).

45. *Paragraph 153, ibid.*—The Committee recommended that in the new rules on the subject of contracts, which were under issue by the Railway Department, it should be clearly laid down that tenders should be called for in all cases except where, for special recorded reasons, it was considered by the Agent to be either not practicable or not advantageous to Government.

46. *Paragraph 167, ibid.*—In connection with the simplification of the system of apportionment of joint station expenses between railways, the Committee emphasised the necessity of laying down some procedure as soon as possible which would obviate the present delays in the apportionment of expenses and which would not also stand in need of revision from year to year.

47. *Paragraph 171, ibid.*—The Financial Commissioner explained that in the case of lines worked on rebate terms the loss reported in this paragraph would be considerably reduced if account was taken of the fact that charging a higher percentage meant reducing the percentage received by Government or increasing the loss payable by them.

48. *Paragraph 176, ibid.*—It was explained that the peculiar provisions in the contract referred to in this paragraph were considered necessary in order to induce the Assam Bengal Railway to take up the construction of branch lines, from which, as at the time it was expected that the Company's contract would shortly expire, the Company could expect to get no profit.

49. *Paragraphs 208 to 213, ibid.*—The Financial Commissioner undertook to examine the suggestions made by the Director regarding reductions in the authorised stock of company-managed railways and the adoption of the capacity or tractive effort basis of replacements to counteract the tendency to over-capitalization. The Auditor General had suggested that it was necessary to examine the question of over-capitalization of railways and to lay down proper rules regarding allocation between revenue and capital, expenditure on renewals and betterments, amortization of railway debt, and so forth. The Committee considered that it was highly desirable to ascertain the best financial basis for any future arrangement and decided to make suitable recommendations on this subject.

50. *Paragraphs 214 to 220, ibid.*—The Committee examined the analysis of the depreciation fund accounts presented by the Director, but did not find it possible to reach any definite conclusion from the examination of the depreciation fund balances. The Financial Commissioner, however, undertook to examine the suggestion made by the Director in this connection.

51. The Committee was furnished with balance sheets of various railways and railway collieries. The Committee approved of the form in which these balance sheets had been drawn up subject to certain modifications in detail accepted by the Financial Commissioner. At the instance of the Committee, the Director of Railway Audit undertook to include in his future reports suitable comments from the audit point of view on important points in the balance sheets.

The Committee decided to consider in a separate meeting the question of the management of railway collieries and the policy in regard to the purchase of coal in the market.

52. The Committee adjourned till 11 A.M. on Saturday, the 5th November 1932.

Proceedings of the Fifth Meeting of the Public Accounts Committee held on Saturday, the 5th November 1932, at 11 A.M.

PRESENT.

(1) The Hon'ble Sir ALAN PARSONS, C.I.E., *Chairman.*

(2) Mr. B. DAS.	} <i>Members.</i>
(3) Mr. ABDUL MATIN CHAUDHURY.	
(4) Mr. MUHAMMAD ANWAR-UL-AZIM.	
(5) Rao Bahadur M. C. RAJAH.	
(6) Mr. T. N. RAMAKRISHNA REDDI.	
(7) Mr. S. C. MITRA.	
(8) Maulvi Sir MOHAMMAD YAKUB.	
(9) Mr. J. RAMSAY SCOTT.	
(10) Dr. R. D. DALAL.	

(11) Sir ERNEST BURDON, Auditor General.

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

(13) Sir GUTHRIE RUSSELL, Chief Commissioner of Railways.	} <i>Witnesses.</i>
(14) Mr. P. R. RAU, Financial Commissioner, Railways.	
(15) Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board.	
(16) Mr. L. S. DEANE, Controller of Railway Accounts.	
(17) Mr. A. C. BADENOCH, Deputy Auditor General.	
(18) Mr. B. N. MITRA, Director of Railway Audit.	

53. The Committee discussed with the Chief Commissioner, Railways, the case of the XA type of engines mentioned in paragraph 120 of the Director's Report. The Chief Commissioner explained that these engines were originally intended for mixed goods and passenger traffic on branch lines and that the trouble arose when they were used on services other than those for which they were designed. He added that the difficulties were experienced only on particular sections on the Great Indian Peninsula Railway, where black cotton soil was encountered, that almost all the engines were now in use and that they were working satisfactorily elsewhere.

54. The Chief Commissioner concurred with the view expressed by the Director in paragraph 123 of the latter's Report regarding disciplinary action on railways.

55. The Committee discussed with the Chief Commissioner the question of the purchase of stores by railways and the utilization of the Indian Stores Department for this purpose. The Committee was informed that there was a half-yearly meeting between the Railway Board and the Chief Controller, Indian Stores Department, and that additions to the list of articles purchased through the latter department were being made from time to time. The only classes of articles which the Railway Board were buying themselves were sleepers, coal, wagons and locomotives. Dealing with the rupee tender system,

the Chief Commissioner agreed that the introduction of the system had increased the volume of purchases in India and consequently the purchases through the Indian Stores Department.

56. The Committee then considered in consultation with the Chief Commissioner the Director's Report on the results of the electrification schemes and the memorandum (*Appendix VI*) furnished by the Railway Department on this subject. It was found that in the view of both the Railway Department and the Director of Railway Audit, the Chola power house taken by itself was actually working economically and efficiently and that the adverse financial results were due to the fall in traffic.

57. The Committee examined the question of the main line electrification scheme on which there were some differences of opinion between the Railway Department and the Director of Railway Audit regarding some assumptions made in connection with the presentation of the results. The Committee was interested in the figures and desired to have a joint note on the subject by the Railway Board and the Director based on agreed facts and assumptions after mutual discussion.

58. The Committee then considered certain suggestions that had been made for improving the form of the Demands for Grants and the form of the Expenditure Abstracts maintained by the Railway Department and used as a basis for the control of expenditure against grants. The Committee agreed that it was fundamental that the grants should be voted in a form which made it possible to watch expenditure against the sub-heads of the grant and to take steps to limit the expenditure to the amounts voted and that it was equally fundamental that there should be conformity between the arrangement of heads in the accounts abstracts and the sub-divisions of the grants. Having agreed to the principles, the Committee left the details to be worked out in mutual consultation by the Railway Department and the audit authorities, and reported to the Committee in due course.

59. In the Appropriation Accounts for the year 1930-31, the Financial Commissioner had, with the approval of the Auditor General, separated the main accounts from the detailed accounts and subsidiary statements and had confined the synopsis of the causes of variations to each sub-head of the grant, transferring the details in regard to individual railways to an addendum to the Appropriation Accounts. The Committee agreed with the Financial Commissioner that in future each railway administration should prepare its own Appropriation Accounts which would be placed before the Committee as addenda to the main Appropriation Accounts for all railways in India.

60. As regards the control of expenditure on strategic railways, the Committee was informed by the Financial Commissioner that the strategic system was, in effect, controlled through the general measures of control over the main line of which it formed a part and that separate control of the expenditure of the strategic railways was almost impossible. The Committee decided to recommend that in future there need not be a separate demand for strategic lines apart from the demand of the main line of which they formed part, but that, for the convenience of the legislature, there should be an appendix to the Demands for Grants giving in one place all the figures relating to the strategic lines.

61. The Committee was informed that it would not be possible to give effect to the proposals mentioned above in the coming budget. At the instance of the Committee, the Financial Commissioner undertook to place before the

Committee next year skeleton forms of Demands for Grants, Appropriation Accounts and Expenditure Abstracts which would be brought into use with effect from 1934-35.

62. As regards the observation in paragraph 18 of the Director's Report that the initial accounts do not record voted and non-voted expenditure separately, the Controller of Railway Accounts pointed out that this now applied only to the Burma Railways and that even on that Railway the classification of expenditure under voted and non-voted categories had been introduced with effect from the current year.

63. At the instance of the Committee, the Controller of Railway Accounts undertook to examine the various suggestions made by the Director in paragraph 28 of his Report with a view to expediting the submission of monthly accounts. The Committee asked for a report next year on the extent to which it had been found feasible to adopt the suggestion and how far the suggestions actually adopted had facilitated the earlier closing of the accounts.

64. The Committee then dealt with Mr. Badenoch's report on the limitation of audit and retrenchment in the Railway Audit Department under three broad heads :—

- (i) *Sufficiency of the material proposed to be supplied by the Director in future.*—The Committee was told that there would not be any appreciable difference in the material supplied and that the only difference would be that the Director's Report in future would be somewhat less broadly based than at present. The Committee observed that it was for the Auditor General to ensure that the test audit limited in the manner proposed would be sufficient to check the work of the internal accounting organisation and make it impossible for any seriously irregular or negligent practices to go undiscovered. The Auditor General was prepared to try the scheme and it was suggested by the Committee that he should not consider himself debarred from coming up for increase of his staff or expansion of the scope of his test audit, if found necessary on experience.
- (ii) *Method of presentation of the results of test audit.*—The Committee was satisfied with the method adopted in the Report for 1930-31 and approved Mr. Badenoch's proposals in this respect generally without tying down the Director too much to details.
- (iii) *Actual retrenchment proposed.*—The Committee left this question to be dealt with in the ordinary way, but desired that it should be furnished in due course with a statement showing the actual retrenchments finally accepted by Government and given effect to.

65. The Committee adjourned till 12 noon on Saturday,* the 12th November 1932.

* At its meeting held on Saturday, the 12th November 1932, at 12 noon, the Committee adopted the draft Report with certain additions.

APPENDICES

APPENDIX L

EXTRACT

FROM THE

(SECOND QUARTERLY)

Statement showing action taken or proposed to be taken on recommendations, etc., made by the Public Accounts Committee—
Railways.

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

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
* * *	* *	* *	* * * * * *
			RAILWAYS.
74	1926-27 .. 1929-30 ..	76 R .. 43 P.	That a report on the actual working of the new rules for the maintenance of priced stores lists of Railways should be submitted to the Committee in 1932.
75	1926-27 .. 1928-29 .. 1929-30 ..	77 R .. 39 P. 44 P.	That the Committee desire to be informed in 1932 about the progress of the scheme for the introduction of piece-work system on Railways recommended by the State Railway Workshops Committee.
76	1927-28 .. 1929-30 ..	27 R .. 47 P.	That the Committee desire to have a report in 1932 as to how the new scheme for checking and collecting tickets introduced on the East Indian Railway on the 1st June 1931 is working and what steps have been taken to introduce it on other Lines.
77	1927-28 .. 1928-29 .. 1929-30 ..	63 R .. 34 P. 48 P.	That the Committee hopes to get a report in 1932 about the issue of rules regulating the acquisition, custody and relinquishment of Railway lands and buildings.
78	1928-29 .. 1929-30 ..	14 R .. 11-14 R 50, 92 and 93 P.	(a) That the information supplied to the Committee by the Railway Department in 1931 in the shape of reports on the working of individual Railways and a note giving instructions as to how to interpret, and what points to look for in, Railway statistics (Appendix XXV to P. A. C.'s Report for 1929-30) is inadequate in that the reports do not give figures later than 1929-30 and that there is no clear summary of the railway results for India as a whole, putting together a combined picture, calling attention to the salient points, making comparisons between one Railway and another and generally pointing to the lessons to be drawn from the points brought out: nor is there a general review of the progress of capital expenditure and of the results obtained from recent investments in railway extensions in which the Committee is specially interested.

etc., made by the Public Accounts Committee which have not been finally of.

Action taken or proposed to be taken.

* * * * *

As the new rules came into force with effect from 1st April 1932, it is considered that no useful report can be submitted within so short a period. The Railways are being asked for a report on the working of these rules for the year ending 31st March 1933 and the report called for by the Committee will be submitted in 1933. (Cf. paragraph 222 in Chapter IX of the Report on the Appropriation Accounts of Railways in India for 1930-31.)

A memorandum on the subject has been circulated to the members of the Committee (*vide* Appendix III).

Steps are being taken to meet the wishes of the Committee. The report from the East Indian Railway on the working of the new scheme is awaited.*

Orders relating to the acquisition of land for Railway purposes have already been issued. It is hoped that orders relating to the custody and relinquishment of lands and buildings will issue shortly.

(a) and (b). The Agents of Railways have been asked to prepare the reports on the working of individual Railways on the lines indicated by the Committee. On receipt of these reports, necessary steps will be taken to present the summary of the railway results for India as a whole as desired.†

* *Vide* Appendix IV since circulated.

† Reports and Summary since circulated. Not printed here.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
			<p style="text-align: center;">RAILWAYS—contd.</p> <p>(b) (i) That the reports on the working of the individual Railway systems should be completed up to the end of the financial year preceding that in which the Committee meets, in the same way as the general review of the working of the Railways as a whole ;</p> <p>(ii) That each of the reports on individual Railways should include, in addition to the information now given, a short summary note from each Agent expressing his views and conclusions drawn from the actual results recorded ;</p> <p>(iii) That the figures supplied by the Railway Board in this connection should in future be prepared on the same basis as the Statement attached to the Auditor General's letter.</p> <p>(c) That Balance sheets for Railways such as that presented to the Committee in 1931 (Appendix XVI to P. A. C.'s Report for 1929-30) would afford a real basis of comparison for a series of years and should be continuously maintained.</p>
79	1928-29 .. 1929-30 ..	18 (5) R .. 17-18 R.	<p>(a) That, although practical experience alone would afford a true test of the efficiency of the new organisation for Stores Accounting on the East Indian Railway, there should not be any diminution of vigilance on the part of the Chief Accounts Officer and that continuity as well as efficiency of the staff employed in the Stores Accounts Section of that Railway is a matter of great importance.</p> <p>(b) That the Agents of all Railways also should be addressed in regard to the important lessons regarding stores accounting afforded by the history of the East Indian Railway (<i>vide</i> paragraph 7 of Appendix XIX to P. A. C.'s Report for 1929-30) and that they should be asked to make a special record of it.</p>

*etc., made by the Public Accounts Committee which have not been finally
—contd.*

Action taken or proposed to be taken.

(c) The Balance sheets for Railways will be presented as an Appendix* to the Railway Appropriation Accounts for 1930-31 (Cf. para. 222 in Chapter IX of the Report on the Appropriation Accounts of Railways in India for 1930-31.)

(a) The wishes of the Committee have been noted. Monthly reports from the Chief Accounts Officer, East Indian Railway, with the remarks of the Controller of Stores on the working of the revised procedure of stores accounting are being received and scrutinised by the Controller of Railway Accounts.

(b) This has already been done.

* Annexure B to Railway Appropriation Accounts since circulated.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS—contd.			
80	1928-29 .. 1929-30 ..	5 P .. 53 P.	The question of the continuance of special rates and concessions for Military traffic obtained by the Military Department from the Railways be taken up by the Railway Board with the Military Authorities.
81	1928-29 .. 1929-30 ..	49 P .. 55 P.	That the Table of comparative figures of budget and revised estimates and actuals furnished in paragraph 30 of the Report of the Director of Railway Audit for 1929-30 should be continued with certain corrections suggested by the Financial Commissioner.
82	1928-29 .. 1929-30 ..	50 P .. 56 P.	That the Financial Commissioner is examining the statistics of expenditure placed under objection and that in the Railway Appropriation Accounts for 1930-31 the items would be classified and those reflecting serious irregularities would be separately shown.
83	1928-29 .. 1929-30 ..	143 P .. 59 P.	That the Committee should be furnished with a report in 1932 in regard to the suggestion that printing work in the Railway Publicity Department is not fully given to the Government Presses and that information regarding Railway Publicity work done in other countries should be obtained.
84	1929-30 ..	25 R ..	(a) That in the Railway Appropriation Accounts there is no general picture of the financial results, no general survey of the state of financial administration, nor an analysis of the results of audit scrutiny conducted by the Railway Accounts Department as part of the internal check of Railway Accounts; and that the Committee endorse the remarks in paragraph 4 of Auditor General's letter (Appendix XXXII to P. A. C.'s Report for 1929-30) about the functions and relative importance of the Railway Appropriation Accounts and the Report of the Director of Railway Audit.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

The question has been taken up with the Military Authorities, who are making an investigation. It is anticipated, however, that the investigation being of a detailed nature, it will be some months before anything is settled.

The required statement in an improved form has been given in the Appropriation Report for 1930-31.

An attempt has been made in the Appropriation Accounts for 1930-31 to meet the wishes of the Committee.

Steps are being taken to meet the wishes of the Committee. A report will be prepared.*

(a) and (b). The Committee's recommendations have been accepted and a review of the Appropriation Accounts for 1930-31 has been prepared, copies of which will be circulated among the members of the Committee along with this statement.†

* *Vide* Appendices V and XX since circulated.

† Copies of Mr. P. R. Rau's Review since circulated.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
85	1929-30 ..	28 R ..	RAILWAYS— <i>contd.</i>
			(b) That, in view of the Financial Commissioner's promise to bring his Appropriation Accounts into line with those prepared by the Military Financial Adviser, the Committee defer further comment until they have before them in 1932 the Appropriation Accounts in the improved form. That so long as the cost of any individual traffic Survey on Railways is confined within reasonable limits the expenditure should not properly be considered a "new service" or a "new instrument of service" and that the vote of the Legislature may be held to be necessary for expenditure on individual Surveys exceeding the limit of Rs. 10,000.
86	1929-30 ..	29 R ..	(a) That the present occasion, when because of the financial position it has in any case become necessary to call a halt in Railway capital expenditure, affords a suitable opportunity for a comprehensive and thorough review of the whole position and that the examination of the policy for Capital expenditure in the light of the productivity of the large Capital expenditure incurred in recent years may properly fall within the functions of the Expert Committee recommended by the Railway Retrenchment Sub-Committee.
			(b) That if, and when, such an Expert Committee takes up the examination of the question it would be useful for them to carry back their investigation to a point earlier than the separation of Railway from general finances and to examine the results of all new Capital expenditure incurred since the War.
87	1929-30 ..	30 R ..	That it is desirable to get an accurate picture of the financial effects of electrification on various Railways and that the question of the allocation of expenditure between the electrification scheme and the other branches of the Railway should be scientifically studied by the Railway Board, which should find out from British Railways what they have done in similar circumstances and how they have calculated the financial results of their electrification schemes.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

The Committee's recommendation has been accepted.

(a) and (b). The opinion of the Committee will be kept in view in framing the terms of reference to the Expert Committee.

The Committee's recommendations are accepted. Information about the practice on British Railways is being obtained.*

* Memorandum on the subject since circulated, *vide* Appendix VI.

*Statement showing the action taken or proposed to be taken on recommendations,
disposed of*

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS—contd.			
88	1929-30 ..	61(1) P ..	That the Director of Railway Audit should not be confronted with a challenge of his facts for the first time in the Public Accounts Committee and that his Report should contain an agreed statement of the facts in each case.
89	1929-30 ..	61(2) P ..	That it would be helpful and curtail unnecessary discussion if the Committee were furnished, before it began its meetings, with a statement from the Railway Department showing the action that had been taken in certain cases of irregularity mentioned in the Director's Report since its publication.
90	1929-30 ..	62 P ..	(a) That the Committee be informed when the Railway Department got the modified figures of number of cases and amounts of under-charges detected by the Audit Department and what steps it took to bring them to the notice of the Director of Railway Audit. (b) That a much fuller report be submitted to the Committee as soon as possible on the working of the system of a full check over invoices relating to goods.
91	1929-30 ..	64 P ..	That in giving the number of cases of short accounting and short collections in station cash offices it would be more useful if the Director of Railway Audit compared the results of several Railways and also the figures in each Railway with the total volume of transactions.
92	1929-30 ..	67 P ..	That the Director of Railway Audit should have stated whether the over-estimation under "Pay of Establishment" was reasonable and what steps had been taken to prevent such over-estimation and that his comments in future should be more informative.
93	1929-30 ..	69 P ..	That the Financial Commissioner, Railways, should report next year whether the circular letter condemning the method of irregularly increasing sanctioned establishments by utilising coolies, gangmen, etc., has had the desired effect and how the matter stands.

etc., made by the Public Accounts Committee which have not been finally
 —contd.

Action taken or proposed to be taken.

The Railway Department are in agreement with this view.

Steps will be taken to have a statement prepared and circulated before the next meeting of the Committee.*

(a) and (b). Steps are being taken to supply the information and the report required by the Committee.*

The Committee's recommendations have been noted and if information of the type contained in paragraph 84 of the Appropriation Report for 1929-30 is placed before the Committee, it will be presented in the form the Committee has suggested.

An attempt has been made in the Report for 1930-31 to make the comments on savings and excesses as informative as possible.

Steps are being taken in consultation with the Director of Railway Audit to meet the wishes of the Committee. He is investigating whether any such irregularities have been discovered in connection with the audit of 1931-32 accounts.†

* *Vide* Appendix X since circulated.

† Report since circulated, *vide* Appendix VIII.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
RAILWAYS—contd.			
94	1929-30 ..	70 P ..	That the Committee should be informed in 1932 of the position regarding the safeguarding of the interests of Railway against companies working mineral rights under land acquired by Railways.
95	1929-30 ..	73 P ..	That the Financial Commissioner, Railways, should submit a detailed explanation in 1932 of the working of the procedure under which detailed estimates for sub-works are prepared against the general estimate and work is commenced on the sub-works against those estimates.
96	1929-30 ..	75 P .	That the present practice of charging royalty to capital in the Government accounts be continued but that to obviate certain difficulty a reserve under revenue be created against which the capital charge may eventually be written off.
97	1929-30 ..	77 P ..	That the balances of stores on Railways should be kept at the minimum amount.
98	1929-30 ..	79 P ..	That a fuller statement be submitted by the Director of Railway Audit in his Report next year explaining why particular accounts in the Depreciation Fund are consistently overdrawn while balances under others are going up—giving figures for the classes of assets affected for several years.
99	1929-30 ..	80 P ..	That, pending receipt of the full facts of the case regarding the adjustment by the Bengal Nagpur Railway Company of certain rolling stock against capital which has resulted in a gain to the Company and a corresponding loss to Government, the Committee is unable to express a final opinion.
100	1929-30 ..	85 P ..	That the whole question of accounting of stores returned from works or divisions but not accounted for in the stores ledger be looked into carefully by the Financial Commissioner, Railways, and a report submitted in 1932.

etc., made by the Public Accounts Committee which have not been finally
—contd.

Action taken or proposed to be taken.

Necessary information is being collected and will be placed before the Committee at their next meeting.

Necessary information has been called for from Railway Administrations and is expected to be placed before the Committee at their next meeting.*

It has been decided that the amount payable on account of royalty and the interest accruing on the amount already spent on the preliminary development of the Kedla Colliery should be charged to revenue.

The Railway Department fully agree with this view and have been impressing this on Railway Administrations from time to time.

An attempt has been made to comply with the desire of the Committee in the Report on the Railway Appropriation Accounts for 1930-31.

The question is still under examination.†

The Chief Accounts Officer, East Indian Railway, has been asked to send the report at an early date.‡

* Memorandum on the subject presented to the Committee, *vide* Appendix VII.

† *Vide* Appendix IX since circulated.

‡ *Vide* Appendix XII since circulated.

Statement showing the action taken or proposed to be taken on recommendations, disposed of

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations, observations or promises.
101	1929-30 ..	194 P ..	<p style="text-align: center;">RAILWAYS—concl'd.</p> <p style="text-align: center;">Vizagapatam Harbour Construction.</p> <p>(a) That in case of every project a clear historical record should be compiled when the work is finally completed summarizing the lessons to be learnt as a guide for the future.</p> <p>(b) That the question of reducing the period during which interest charges on Capital outlay after the opening of the Vizagapatam Harbour would be charged to Capital might be considered.</p>

*etc., made by the Public Accounts Committee which have not been finally
—concl'd.*

Action taken or proposed to be taken.

(a) The Railway Board accept the recommendation.

(b) The question is under consideration.

APPENDIX II.

Letter from Sir Ernest Burdon, Kt., C.S.I., C.I.E., I.C.S., Auditor General in India, to the Secretary to the Government of India, Finance Department, No. T-654-Rep./7/32, dated the 28th June 1932.

SUBJECT.—*Appropriation Accounts of Railways in India for the year 1930-31 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 96D (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 1930-31, 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. In my letter of last year commenting on the Appropriation Accounts for 1929-30, I drew attention to certain fundamental defects in the presentation of the Appropriation Accounts of Railways and expressed the opinion that both the Audit Department and the Public Accounts Committee have had inferior facilities for studying the annual Appropriation Accounts of Railways than are afforded in respect of any other set of Appropriation Accounts, whether Central or Provincial. In the discussions which followed certain suggestions for improvement were brought forward of which the most important were that the Appropriation Accounts should be accompanied by a general picture of the financial results of the year, a general survey of the state of the financial administration as disclosed by the accounts, and an analysis of the results of the scrutiny conducted by the Railway Accounts Department as part of the internal check of Railway accounts. It was further proposed that it should be recognised as the function of the Railway Board and the Financial Commissioner, Railways, as Chief Accounting Officer, to prepare and present these reviews. These suggestions were accepted by the Public Accounts Committee, and the Financial Commissioner, Railways, undertook to give effect to them. They have, however, not been carried out in the presentation of the accounts for 1930-31. The explanation is, I understand, that the last session of the Public Accounts Committee took place unusually late, and there was no time to arrange for the very considerable changes involved, the Appropriation Accounts being actually under preparation at the time the recommendations were recorded. It is possible that by the time the Public Accounts Committee meets to discuss the accounts of 1930-31, the Financial Commissioner, Railways, may be able to furnish both a financial review and an analysis of the results of internal check. But this even if accomplished would not be sufficient compliance with the requirements of principle which have now been laid down. The report of the Director of Railway Audit is intended to be complementary to the Appropriation Accounts and the Financial Commissioner's review, and to be based upon them. On the present occasion the audit report is a detached document prepared independently of any exposition by the Financial Commissioner, and must therefore lack the full value which it should possess. I note in this connexion that even the bare Appropriation Accounts in their final form were only received by me on the 31st May, instead of on the 31st March 1932, the due date. The report of the Director of Railway Audit was received by me on the 23rd of April. I do not wish to underrate the difficulties which have stood in the way of complying with the Public Accounts Committee's recommendations immediately. But the matter, as has been recognised, is of very great importance: it is a question of securing to the Public Accounts Committee proper facilities for the scrutiny of Railway financial administration: and I am bound to continue to draw attention to the subject until the defects of procedure have actually been removed.

3. The Public Accounts Committee of last year found also that there was room for improvement in the form and content of the Report of the Director of Railway Audit. I have already explained that in preparing his report for 1930-31 the Director of Railway Audit has laboured under a certain disadvantage. Nevertheless, as explained in paragraph 3 of his introductory chapter the Director of Railway Audit has endeavoured to meet the essential point of the Public Accounts Committee's criticism. He has abstained from excessive treatment of detail and has confined himself in the main to questions of general principle and topics of general importance. I think that at any rate the report will be found to afford a useful starting point for further formulation of the requirements of the Public Accounts Committee and for further improvement.

I must add in this connexion that Mr. Badenoch, as Director of Railway Audit, completed the special inquiry entrusted to him, with the concurrence of the Public Accounts Committee, regarding the scope and method of test-audit of Railway accounts and the possibilities of effecting economy without losing efficiency: and it is hoped that by the time the Public Accounts Committee meets it will be possible to communicate information regarding the results of the inquiry.

4. The character of the audit report on the accounts of 1930-31 being as described in the preceding paragraph, I imagine that the Public Accounts Committee will wish to study the whole of it with more than ordinary attention. It is not practicable for me at this stage to assist the Committee to any great extent by way of summary or interpretation. I may state that in the case, especially, of all the general questions brought to notice I consider the treatment accorded by the Director of Railway Audit to be suitable so far as it goes. But the next step should be to obtain the views of the administrative authorities: further *ex parte* comment by the audit department at this stage would be idle. I will, however, proceed to direct attention to some of the more conspicuously interesting questions which the Director of Railway Audit has raised.

5. In the first place I would advise the Public Accounts Committee to examine in full detail Chapter III of the Report, on "Basis of control of expenditure" which from the constitutional point of view is clearly the most important subject dealt with by the Director of Railway Audit on the present occasion. Serious defects in the existing system are brought to notice, *e.g.*,

- (a) The classification of expenditure represented by the Demands for Grants does not follow the classification of expenditure in the initial working accounts on which the current control by the administrative and executive authorities is presumably based. The rather astonishing fact is revealed that in the latter accounts voted and non-voted expenditure are not recorded separately. The Demands for Grants on the other hand in some cases separate expenditure which is not in fact separate or separable.
- (b) As a corollary the Appropriation Accounts while they follow substantially the classification of the demands for grants do not correspond with the initial working accounts. The Appropriation Accounts are a recompilation in a widely different form from the initial accounts: and this amongst other things explains the delay which occurs in preparing them.

It would appear therefore that the existing system of Railway Accounts is not designed properly to assist the administrative authorities in *keeping expenditure within the scope of the individual demands voted by the Legislature*. If this is a correct statement of the facts the position is even less satisfactory than I had diagnosed it to be in my comments of last year. The accounts themselves and not merely the method of their presentation are defective.

6. Chapter IV of the Report deals with the control of expenditure as actually exercised in relation to the grants and appropriations of 1930-31: and the Director of Railway Audit suggests that the unsatisfactory results which he brings to notice should be regarded as further evidence of a state of affairs which was known to exist and for which the Railways had then set themselves to devise remedies. There can be no doubt that in 1930-31 control by the administrative authorities even through their own administrative instruments was ineffective: and the illusory character of control through the Appropriation Accounts has already been demonstrated. But in all the circumstances I think the Public Accounts Committee may properly give more attention to what is general than to what is particular in this section of the Report. At the same time I invite special attention to the Director of Railway Audit's observations in paragraphs 46, 47, 48 and 49-51.

7. In Chapter V of his report the Director of Railway Audit presents material, the result of his test audit for the year, which is intended to give the Public Accounts Committee a means of judging (a) the efficiency of the accounting and internal check machinery, and (b) the efficiency and regularity of the administration of expenditure by the Executive and Administrative Railway authorities. For the elucidation of the second part of the

subject-matter the Director of Railway Audit has selected the more important cases of financial irregularity, fraud, apparently nugatory expenditure and so forth, and has grouped these cases in the manner which in his opinion is likely to be most effective for the main purpose of the Public Accounts Committee, namely, to obtain a general picture of the state of the financial administration in its application to individual Railway transactions. *Prima facie*, I fully approve the method of treatment here adopted by the Director of Railway Audit. For the reason which I have already indicated in paragraph 4 of this letter, I have no comment to offer at this stage on particular items.

8. Chapter VI of the report deals with the results of the audit of stores transactions. Here again the arrangement of the material appears to be convenient : and I have no present comment to add on individual matters.

9. Chapters VII and VIII of the Report deal with certain special topics practically all of which have been the subject of special investigations by audit. Occasional inquiries of this kind represent in my opinion one of the most profitable directions in which test-audit can be applied and I think that the Public Accounts Committee will be interested in the results which the Director of Railway Audit has been able to produce on the present occasion. All the cases deserve to be studied *in extenso* by the Committee. I add the following observations as regards three of them.

(a) *Results of the Bombay Electrification Schemes (paragraphs 179 et seq. of the report).*

—This is a subject which has already attracted the attention of the Public Accounts Committee. The present analysis by the Director of Railway Audit does not pretend to be more than a first approximation and it is anticipated that the Railway Department may not be prepared fully to accept the conclusions which have been suggested. It is clear, for example, that the present abnormal depression must have upset the original calculations, but audit by itself is not in a position to discount with precision the effect of the depression or to estimate what would have been the results of the electrification schemes, had 1930-31 been a normal year. The figures given for the suburban schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways indicate however that the estimates have been very far from being justified by the actuals of the years before the present depression became pronounced.

(b) The Director of Railway Audit's discussion of certain aspects of over-capitalisation on Railways (paragraphs 208—213 of the report and in particular the last sentence of paragraph 213) raises a very wide question of general principle which it seems proper to bring forward now and which may be stated as follows. The Legislative Assembly on the 21st September 1928 appointed a committee to review the separation of railway finance from general finance. This committee met in February and March 1929 and appointed a sub-committee to which it made certain terms of reference dealing with the constitution of the Depreciation Fund, the method of allocating expenditure on renewals, the desirability of instituting a betterments fund, of providing for amortisation of capital, of continuing the contribution to general revenues and other important questions. The sub-committee held one meeting in June 1929, but as far as is known, there have been no further meetings. This committee is no longer in existence, and it is not known whether any further steps have been taken to examine the working of the financial system of Indian railways which was the basis of the separation convention, and to reach a decision about the rules which should govern in the future allocation between revenue and capital, expenditure on renewals and betterments, amortisation of railway debt and so forth. It seems to be necessary that the Government of India should come to some decision on these very important questions for two reasons. In the first place, there is justification for believing that the present rules lead to considerable inflation of the capital accounts, and if the future financial position of railways is not to be prejudiced, it is necessary to ascertain the truth in connection with this matter and to take necessary measures for the future. In the second place, it is probable that there will be legislation in the not very distant future to settle the position of railways in the new constitution and their form of administration. The Railway Act governing the administration of railways in the future, will presumably lay down the financial principles to be observed. It is clear that a great deal of research work must be done before decision on complicated financial and accounting problems can be reached, and it is essential that the decision on these important matters should not be hasty. It appears, therefore, to be matter of immediate importance that

Government should take steps to continue the inquiry which was instituted in 1928 in order that a comprehensive financial scheme may be prepared for incorporation in the Bill dealing with railways which is likely to be required.

(c) *Depreciation Fund Accounts—paragraphs 78 and 214—220 of the report.*—I am asking the Director of Railway Audit to prepare a memorandum for the Public Accounts Committee giving the results of his scrutiny of the *pro forma* depreciation fund accounts of Company-managed Railways maintained by the Railway Board. According to my latest information there appears to be some doubt whether these accounts sufficiently represent realities. It has also been suggested to me that it is questionable whether the maintenance of elaborate accounts in the present form really serves any essential purpose and that it would be more economical and might be as effective to maintain a general renewals fund built up by percentage contributions on the capital at charge.

10. To conclude, the general picture presented by the accounts of the year and the results of audit certainly cannot be regarded as affording ground for satisfaction. In view of this and of the volume of criticism and suggestion which has to be dealt with I venture to suggest that it would be convenient for the material to be examined in the first instance by a sub-committee of the Public Accounts Committee in consultation with the Financial Commissioner, Railways, and the Director of Railway Audit, the provisional conclusions of the sub-committee being submitted for consideration by the main committee. This is the procedure followed in the case of the Military Account which is a less complex and a less difficult account to examine.

APPENDIX III.

Memorandum regarding the introduction of piece-work bonus system on State Railways, furnished by the Railway Department with reference to paragraph 44 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In paragraph 44 of the Proceedings relating to the Accounts of the year 1929-30, the Public Accounts Committee made the following observations on the subject of piece-work and bonus system, etc., in workshops :—

“ The Committee was informed that a beginning had been made in the North Western Railway in introducing the piece-work system detailed in paragraph 419 of the Railway Workshops Committee's Report, but that the time was not opportune for its extension to other Railways as it might lead to labour disturbances. The Committee accepted this explanation for holding up the extension of the system to all the Railways, but thought that the first opportunity should be taken to proceed with this so that the saving attributed to the system on the North Western Railway might be realised elsewhere. The Committee desired to be informed next year about the progress of the scheme. ”

2. The State Railway Workshops Committee which visited the railway workshops in 1926, had commented adversely on the bonus system formerly in vogue on the North Western Railway and recommended its replacement by a more scientific system based on accurate timing of individual operations carefully carried out by a skilled rate-fixer with considerable experience. In accordance with this recommendation, the piece-work system has been introduced in the workshops at Moghalpura with satisfactory results.

3. Somewhat similar systems of payment by results are in force in the Workshops of the other State Railways, but their application is confined to manufacturing operations only, and any extension on the North Western Railway system which covers practically all manufacturing and repair operations to the State Railway Workshops generally would present serious difficulties. This question has been under consideration since 1928, but as the majority of railway workshops are carrying a surplus staff and working considerably below their maximum capacity, the introduction of piece-work system will result in the surplus staff being further increased and will, therefore, entail heavy reductions of staff in workshops, if unnecessary expenditure is to be avoided. Already last year, as a result of the serious decline in the volume of traffic and other operations of Railways, nearly 13,000 workshop employees were discharged from the service on the State-managed Railways while for the same reasons the Government of India have recently authorised the resumption of staff retrenchment which it is anticipated will entail the discharge of another 2,000 workshop employees on those Railways. Last year the Public Accounts Committee was informed that the time was not opportune for extension of the piece-work system to other Railways as it might lead to labour disturbances. In view of what is said above, the position is still much the same. Moreover, any extension of the piece-work system postulates an accurate record of the time required to complete any given task—a highly complex matter which would entail a minute examination by special officers. The Railway Board are accordingly of the view that the question of extending the piece-work system must await the return of normal conditions.

APPENDIX IV.

Memorandum on the working of the new scheme for checking and collecting tickets on the East Indian Railway, furnished by the Railway Department with reference to paragraph 47 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In paragraph 47 of the Proceedings contained in the Report of the Public Accounts Committee on the accounts of 1929-30, it is stated as follows :—

“ The Financial Commissioner reported that the Railway Board had definitely come to the conclusion that it was not proper to place the crew system under the control of the Accounts Department and that it was desirable to enforce the responsibility of collecting dues on the Traffic Department. The Auditor General concurred in this opinion and added that the function of the Accounts Department was, through the accounts, to check whether the Traffic Department was doing its work properly. The Committee observed that the new scheme had been introduced in the East Indian Railway with effect from the 1st June 1931, and desired to have a report next year as to how the scheme was working, and what steps had been taken to introduce the system on other lines.”

A copy of the Chief Operating Superintendent's Report on the working of the crew system on the East Indian Railway is submitted for the information of the Committee (Annexure A). After a careful consideration of this report the Railway Board have decided to adopt the scheme as a permanent measure on the East Indian Railway.

As regards the question of introducing the scheme on other State-managed railways, the Railway Board propose to discuss it with the Agents of State-managed Railways in October.

ANNEXURE A TO APPENDIX IV.

Report on the Moody-Ward System of Ticket Checking for the year ending 31st May 1932 by the Chief Operating Superintendent, East Indian Railway.

The Moody-Ward system of ticket checking and collecting has now been in operation since 1st June 1931, and I am pleased to report that the new system is yielding satisfactory results and may definitely be regarded as an improvement on the old Crew System which it replaced. At "A" (Annexure B) will be found a summary of the results obtained during the year.

2. *Expenditure*.—Apart from the other advantages which I intend to report upon I am obliged to invite attention to the saving in expenditure on staff which it has been possible to effect by the introduction of the new scheme. The monthly cost of staff employed on the old Crew System, which incidentally was operating only over four Divisions was Rs. 1,17,743 and the cost of the Ticket Collecting and Examining Staff on the other two Divisions was Rs. 54,270 monthly, thus making a total of Rs. 1,72,013 monthly as against Rs. 1,07,698 which represents the monthly expenditure on the staff employed in working the present system.

3. *Excess Fare Earnings*.—All Divisional Superintendents report an improvement in the excess fare earnings and while it might be inferred from this that more people are now attempting to travel without tickets it is more than probable that this result is the outcome of the improved system ; at all events it indicates that the staff are alive to their responsibilities.

4. *Percentage of Missing Tickets*.—Here we have direct evidence to prove the superiority of the new system over the old. The number of missing tickets, which was as high as 30 per cent. during the period of the Crew System now averages 9 per cent. This improvement is attributable mainly to the reversion to the old procedure of posting staff at the exits of the larger stations for the purpose of collecting tickets. At the more important stations these Ticket Collectors are also expected to control the influx of passengers on to a platform from which a train is due to leave. They are provided with nippers to enable them to nip the tickets of passengers about to commence their journey thus obviating the possibility of resale of tickets, for, although the 3rd class travelling public of India are, in the main, illiterate they are extremely sceptical about purchasing a nipped ticket from an outsider.

5. *Fencing*.—There would be considerable improvement in the number of missing tickets if stations, particularly roadside stations, were fenced so as to make it impracticable for passengers to gain access to the platforms except by authorized avenues.

At roadside stations, where Assistant Station Masters who pass trains and book passengers are required to stop ticketless passengers from entering or leaving platforms, this lack of adequate fencing is a serious handicap. Measures are being taken, as funds permit, to fence stations.

6. *Squad System*.—Travelling squads are a main feature of the new scheme and there is no doubt that they have proved very effective in putting a stop to ticketless passengers on the trains. Travelling Ticket Examiners have been withdrawn from trains that have few halts and the number of flying squads increased. This has improved the position considerably due to the following reasons :—

(a) A Flying Squad is always operating on each section of the Divisions.

- (b) Concentrated checks are undertaken more often and with the number of men now available for this it becomes extremely difficult for any illicit traveller escaping detection. These concentrated checks are held periodically at important stations.

During these surprise checks innumerable cases of unbooked and partially booked luggage are discovered and the full charges realized.

7. *Fraudulent Use of Tickets and Passes.*—This matter has been receiving the closest attention and a number of cases have been detected on this Railway.

8. *Meetings.*—Meetings are held from time to time by Divisional Superintendents to which the Civil and Railway Police and the Criminal Investigation Department are invited with the object of co-ordinating procedure and drawing up some definite line of action to be followed in bringing miscreants to justice.

9. *Unlicensed Vendors, Subscription Collectors and Beggars.*—The activities of unlicensed vendors and subscription collectors have, to a very great extent, been curbed since the introduction of the Moody-Ward scheme.

10. *Sections 112 and 113 of the Railway Act* :—Prosecutions under these sections were found to be very unsatisfactory as people invariably gave false names and addresses, resulting in large amounts having to be written off as irrecoverable. To overcome this difficulty the staff have now been instructed that where there is the least doubt about the genuineness of the name and address of a passenger who is found to be without a ticket, he should be handed up under Sections 112 and 132 of the Railway Act. This is having the desired effect.

In order to formulate a procedure adaptable by Railways a meeting was called in the Agent's Office, B. N. Railway, on the 15th and 16th June 1932, which was attended by the Police Authorities of the Provinces of Bengal, Behar and Orissa and the Central Provinces and representatives of the Bengal Nagpur and East Indian Railways, to discuss and draw up a standard charge sheet in connection with Sections 112 and 113 with the idea of ensuring that the necessary formalities required by different Magistrates were carried out and recorded and also that the results of the cases might be automatically reported and so reduce station outstandings. It is hoped that the adoption of such a form will be of material assistance.

Further difficulty is being experienced in dealing with persons found travelling without tickets who reside in Indian States. Distress warrants issued by Magistrates against these individuals are invariably returned as inoperative.

11. *Part Payment of Fares.*—It has been arranged with the approval of the Chief Accounts Officer that when a passenger who is found travelling without a ticket does not have in his possession an amount equivalent to the sum due from him, but slightly short, this amount is accepted and he is prosecuted only for the balance. This will reduce to some extent loss under unrealized fares in future.

12. *Confirmation of Staff.*—The new scheme has now been in operation for over a year and as all Divisional Superintendents have unanimously declared the system to be satisfactory I would ask that it be definitely established so that the staff employed may be confirmed as there are undoubtedly certain obvious disadvantages in having temporary staff engaged in Ticket Checking and Collecting duties.

ANNEXURE B TO APPENDIX IV.

" A ".

Statement showing results on the Moody-Ward System of Ticket Checking for the year ending 31st May 1932.

Division.	No. of cases detected.	Amount realized.	No. of cases made over for prosecution.	Amount due for recovery.
		Rs. a. p.		Rs. a. p.
Howrah.. ..	66,196	63,781 0 0	10,658	22,134 0 0
Asansol	49,305	62,230 11 9	8,292	18,677 3 3
Dinapore	50,408	70,943 1 6	13,187	30,043 5 9
Allahabad	65,949	1,07,674 13 0	11,667	27,221 12 0
Lucknow	54,895	71,476 14 0	5,333	11,618 6 6
Moradabad	71,503	89,525 5 9	6,295	14,590 13 9
Total	3,58,256	4,65,631 14 0	55,432	1,24,285 9 3

APPENDIX V.

Memorandum regarding expenditure on Railway Publicity, furnished by the Railway Department with reference to paragraph 59 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In paragraph 59 of the Proceedings in Volume I of the Public Accounts Committee's Report on the accounts of 1929-30, the Committee observed as follows :—

“In regard to a suggestion that was made to the effect that printing work in the Publicity Department is not fully given to the Government Presses, it was explained by the Financial Commissioner that the matter has been taken up for examination and that the Committee will be furnished with a report next year. The attention of the Railway Department was also drawn to the fact that in the list of newspapers, which were given advertisements by the Central Publicity Bureau, no Indian paper was included. The Financial Commissioner promised to pursue the suggestion that information regarding publicity work done in other countries, *e.g.*, in the case of Swiss Railways and the Canadian Pacific Railway should be obtained.”

2. Regarding the first point, namely, that printing work in the Publicity Department is not fully given to Government presses, the explanation, so far as the Central Publicity Bureau is concerned, is that these presses are not in a position to undertake the high class work, including colour production, that is required for the Publicity Department. This high class work consists of posters and pamphlets entailing superior quality of work such as colour printing and folders requiring plain but good printing. The present arrangement with respect to this work, arrived at as the result of a discussion between the Central Publicity Officer and the Controller of Printing, is to have a list of approved presses who can undertake this special work and to obtain quotations from these presses when necessity for any special work of this kind arises. The Central Publicity Officer selects the press on which the order is to be placed and the work done and the bill submitted by the press are subjected later to the scrutiny of the Controller of Printing. The folders are now printed by the East Indian Railway Press as the work done in this press is now found to be of the required standard and its rates also cheaper than those of private presses.

3. As regards the printing work of the Publicity Department on individual State-managed Railways, all work which can be undertaken by the Railways' own press is, as a general rule, entrusted to that press. It is only when the work to be done involves colour printing or some kind of artistic work for which railway and other Government presses are not equipped, that the work is entrusted to outside presses. It may be mentioned that certain types of coloured posters have to be got printed even outside India as Government and other presses in India are not in a position to undertake this work. But these cases are very few.

4. As regards the second point, *i.e.*, that, in the list of newspapers which were given advertisements by the Central Publicity Bureau, no Indian paper was included, the explanation is that the advertisements in question had reference to a hill station advertising campaign undertaken by individual railway, who made their own arrangements to advertise in the local papers. The

Central Publicity Bureau, who had initiated the campaign, merely supplemented the efforts of Railways by advertising also in the "Times of India Illustrated Weekly", the "Statesman" and the "Madras Mail". The Central Publicity Officer, has, however, been asked by the Railway Board to bear the remarks of the Committee in mind, whenever he has occasion to advertise in India. The Committee's remarks have also been communicated to the Publicity Officers of Railway Administrations.

5. Information in regard to publicity work in foreign countries is awaited, and will, when received, be embodied in a separate memorandum.*

*Supplementary Memorandum since circulated, *vide* Appendix XX.

APPENDIX VI.

Memorandum regarding the financial effects of the Railway electrification scheme, furnished by the Railway Department with reference to paragraph 30 of the Report of the Public Accounts Committee on the Accounts of 1929-30.

In their Report on the accounts for 1929-30, the Public Accounts Committee observed : " We should like to emphasise the desirability of getting an accurate picture of the financial effects of electrification on various railways apart from the larger question of the productivity of capital expenditure incurred on railways generally. We have been told by the Controller of Railway Accounts that there may be certain difficulties in the allocation of expenditure between the electrification scheme and the other branches of the Railway. We recommend that the question should be scientifically studied by the Railway Board, which should find out from British Railways what they have done in similar circumstances and how they have calculated the financial results of their electrification schemes."

The Railway Board are in complete agreement with the Public Accounts Committee as to the desirability of a scientific study of the economic aspects of electrification.

It is difficult, without making this memorandum inordinately lengthy, fully to explain the complexity and individualism of such problems ; but an endeavour will be made to indicate some of the difficulties confronting research at present.

Briefly, the sources of information open to the Railway Board are (i) their own electrification schemes, and (ii) those of other railways throughout the world.

To take these latter first, it may be explained that there are at present in existence some 158 separate instances of electrification schemes carried out for widely varying reasons by 90 different administrations, and totalling about 10,500 miles.

The reasons, considerations and objects, which led to their embarking on these schemes are stated (by the National Electric Light Association in its periodical " Electrification of Steam Railroads ") to be as follows :—

Reason.	No. of cases.
(a) Bye-laws of, or agreements with, local authorities for the abolition of smoke in inhabited areas	13
(b) Tunnels	33
(c) Steep gradients	48
(d) To enable traffic on over-loaded lines or at congested terminal points to be handled	3
(e) To facilitate working at terminal points	4
(f) To provide increased speed	6
(g) To provide increased capacity	45
(h) To provide increased number of trains	14
(i) To improve suburban service	12
(j) To reduce the consumption and, in particular, the importation of coal	27
(k) High price of coal	9
(l) Low cost of water power	1
(m) Scarcity of water supply for steam locos.	3
(n) Availability of cheap local lignite	2
(o) Availability of hydraulic power	24

Reason.	No. of cases.
(p) For reasons of a technical character relating to connected electric railways	4
"(q) As an experiment	1
(r) To develop traffic	13
(s) To reduce running expenses	8
(t) For reasons relating to national politics	8
(u) For considerations affecting national economics	14

It will be obvious from the above that the financial effects of electrification would, in the great majority of cases, be of little value to the Railway Board, even supposing that such effects had been scientifically investigated.

This, however, would appear to be the exception rather than the rule. The British Railways, to whom a reference was made, are a case in point.

The London-Midland and Scottish Railway stated that no comparative costs between Steam and Electric traction were kept, as the decision to electrify was not based on cost.

The London and North Eastern Railway were unable to supply any particulars to show the results of electrification actually carried out ; but suggested that a study of the " Report of the Main Line Electrification Committee " would be helpful in considering future electrifications. This Report has been sent for.

The Southern Railway keep detailed statistics of the cost of working electric trains ; but have found it a matter of extreme difficulty to ascertain the corresponding expenditure saved by the steam services replaced. They also keep statistics of earnings ; but are unable, at the present time, to assess the value of traffic retained to the Railway by electrification, owing to the reduced travel arising out of the general depression and the fact that cheap fare facilities have been extended to compete with road transport.

It is understood that the German State Railway is preparing an economic comparison between the two types of operation, based on a detailed enquiry expressly made for the purpose.

An endeavour will be made to obtain from them the results of this investigation when completed.

Turning now to the electrification schemes carried out in India ; since their execution was, to a very great extent, justified financially, it would appear reasonable to expect that, now that they have been in use for some time, it should be possible to ascertain from actual experience the extent to which anticipations have been realised.

This the Railway Board have endeavoured to do ; but any conclusions that they can draw are to a large extent rendered fallacious by the falsification of the main premise, i.e., increased traffic. The unprecedented slump in trade has upset all calculations, reasonably based on the assumption of a normal increase, and the gross earnings are therefore of little value as an indication of the success or otherwise of electrification. (Speculation as to the extent of a still greater loss in trade had electrification not been introduced, is hypothetical and of academic interest only.)

As regards working expenses, certain difficulties have been experienced in separating out statistics for electrified working, though it is hoped to overcome these. The drop in traffic offering has, however, a marked effect here also, since the percentage expenditure susceptible of reduction in sympathy with decreased traffic is so very much smaller.

In this connection the following extracts from an authoritative article by Dr. E. Huber Stocker, Consulting Engineer to the Swiss Federal Railways and Mr. H. Eckert, Chief of the Electrification Department, Swiss Federal Railways, in the June number of the *International Railway Congress Association Bulletin*, on " The Electrification of railways from an economic point of view " will be found of interest.

"Capital invested in electrification considerably increases the interest and depreciation charges of the railway. These charges must be offset by a reduction in the running expenses or by an increase in the receipts or by both together. On the other hand, however, it is possible with electrification to avoid or postpone considerable expenditure for the extension of stations, or the duplication of tracks and laying down new lines, an expenditure which would have become necessary had steam operation been retained."

"Thus, the examination of electrification from the economic standpoint does not merely consist of a comparison pure and simple between electric operation and steam operation, but it also covers a number of special considerations connected with the traffic capacity of the lines, the maintenance of the rolling stock and the fixed plant of the railway, the development of the traffic and improvements in the service, a knowledge of which is necessary in order to be able to elucidate the question. The problem is in general complex and difficult of solution, not only for electric operation which is projected, but also for that which is already in existence. The administration and engineers engaged on the problem know moreover from experience how difficult it is generally to shed light on all questions relating to railway economics."

"In most cases, electrification of the railway implies the substitution of electric traction for steam traction. The economic success of electrification consists therefore in the economic gain which can be procured as compared with maintaining steam operation. For equal receipts for the railway, this gain should result from electric operation being less costly than steam operation. In the contrary case, electric operation ought to increase the receipts in proportion to the additional expenditure. The gain will, of course, be more sure when electric traction has the effect of reducing the working expenses and increasing the receipts at the same time."

"The increase in the receipts is a matter of experience, foresight and speculation. It is a very uncertain mathematical factor where electrification is concerned. In the case of electrification which has already been carried out, this increase in receipts is difficult to determine and more often can only be estimated."

"The comparison of the working expenses demands a wider acceptance of the cost of working as admitted in the 'working accounts'. The latter should in particular be debited with the expenses relating to the capital expenditure. It is a peculiarity of electric operation that it reduces the real working expenses while increasing those relating to interest and depreciation by the investment of fresh capital."

"Except when it is a question of tunnels or urban and suburban railways, all the instances of electrification show actual working expenses lower than those of the corresponding steam operation. Consequently, electrification means, so to speak, nothing less than an economic gain for the working account of the railway. With regard to the 'profit and loss' account, electrification attains its economic object when the economies effected on the working expenses are greater than the additional expenses arising out of the capital expended for electrification."

"Electrification is almost always accompanied by an increase in the length of run and the weight of the trains, and increase in the speed. The question arises as to whether the comparative hypothetical steam operation should relate to the same traffic capacities or up to what point it should approach electric operation. According to the answer to this question, the hypothetical steam operation will imply an increase in the number of locomotives, the acquisition of better engines, etc., and in consequence also an increase in capital."

"Electrification always increases the traffic capacity of the railway. Due to this fact, it permits the extension of stations, duplication of track and the construction of new lines to be obviated or at least postponed for some time. Consequently, it may mean a saving of capital and hence also of interest and depreciation charges."

"The advantages mentioned in Chapters II and III, but which are not visible in the railway accounts, are not taken into account despite their undeniable value and the decisive part they may have played. The administrations cannot enter them into the account. They would amend the comparison considerably, in favour, of course, of electric operation."

After discussing a particular electrification in 1929, and comparing it in detail with a hypothetical steam working, which it replaced, they say : " Finally, a recapitulation according to the following scheme may be of interest :—

	Electric operation.		Hypothetical steam operation.		Difference in favour of electric operation.
	Amount.	Percentage of total.	Amount.	Percentage of total.	
Cost of staff and stores ..	Swiss francs. 23,762,000	35·1	Swiss francs. 66,168,000	91·0	42,496,000
Amortization of capital and payments to renewal fund ..	9,375,000	13·9	2,480,000	3·4	—6,896,000
Interest on capital ..	34,537,000	51·0	4,086,000	6·5	—30,452,000
Total ..	67,674,000	100·0	72,734,000	100·0	5,058,000

" This recapitulation shows, what is moreover certainly common knowledge, that the most important items of the cost of operations are, for electric operation, those depending upon the capital involved and, for steam operation those independent thereof."

The Railway Board hope, after a study of the Report of the Main Line Electrification of the L. N. E. R. and of the German States Railway, to be in a better position to judge the results of the electrifications in India, though at present and for so long as conditions remain abnormal detailed comparisons of actual financial results of the two forms of traction (electric and steam) are bound to be not quite fair to the former. It is only when conditions of traffic approximate more closely to those postulated that a fair comparison is possible.

APPENDIX VII.

Memorandum regarding the working of the procedure under which detailed estimates for sub-works are prepared against general estimates and work is commenced on sub-works on sanction to detailed estimates, furnished by the Railway Department with reference to paragraph 73 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In considering the Appropriation Accounts for 1929-30, the Public Accounts Committee asked for a report on the working of the new procedure regarding sanction to detailed estimates against abstract estimates of projects.

2. The new procedure which has now been clearly explained to the railway administrations is as follows :—

In the case of new constructions, sanction will not ordinarily be accorded until the detailed survey has been made and a detailed estimate based thereon approved of by the Railway Board. In exceptional circumstances, however, where the construction is easy and presents no Engineering problems of great difficulty, the Railway Board may sanction the commencement of construction on the abstract estimate, but under no circumstances whatsoever must construction be commenced without the specific sanction of the Railway Board.

As regards open line projects a work must not be started till estimates for the whole work have been prepared in sufficient detail to enable the competent authority to make sure whether the total estimate sanctioned by higher authority is not likely to be appreciably exceeded and till detailed estimates have been prepared for the portion of the work which it is proposed to commence. So long as these essential requirements are met, it is not necessary that detailed estimates for every portion of the work should be ready before any particular portion is started.

3. As desired by the Public Accounts Committee, it has been ascertained in consultation with the Railway administrations how the new procedure with respect to open line project has been working in practice. The Bengal and North Western, Rohilkund and Kumaon, Assam Bengal and Eastern Bengal Railways are still following the old procedure which requires detailed estimates for the complete project to be prepared and sanctioned before the work on any portion is started. The Bengal Nagpur Railway have had no opportunity of giving a trial to the new procedure but are of the opinion that the working of the new procedure should not involve any serious difficulties. The remaining Railways have found the new procedure working quite satisfactorily in actual practice and state that no difficulties have been experienced in the execution of the work, nor have there been any cases of material excess over the total estimates of projects which could have been foreseen or avoided but for the introduction of the new procedure.

APPENDIX VIII.

Memorandum regarding the effect on Railways of the issue of the Railway Board's circular letter condemning the method of increasing sanctioned establishments irregularly by utilising coolies, gangmen, etc., furnished by the Railway Department with reference to paragraph 69 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In considering the accounts of 1929-30 the Public Accounts Committee desired to have a report as to how far the desired result was realised by the letter issued by the Railway Board in March 1931 condemning the irregular practice of increasing sanctioned establishments by utilising coolies, gangmen, etc., for purposes other than they are intended for.

2. The matter was at the request of the Financial Commissioner investigated by the Audit Department and the Director of Railway Audit has submitted a detailed report (Annexure A) of which a brief summary is given below.

3. No irregularity was discovered at all in the year 1931-32 on the Burma, Bengal Nagpur and Rohilkund and Kumaon Railways. The Eastern Bengal Railway on receipt of the Railway Board's circular letter, took up the matter themselves with the various departments, with the result that 118 cases were found to exist, of which 61 have since been regularised and the rest are still under consideration. On the other Railways some cases of irregular employment were still found to exist and were taken up by Audit with the railway administrations concerned. Almost all have been regularised since.

4. The Director of Railway Audit has stated that the facts and figures mentioned in his report indicate that the practice of irregularly increasing sanctioned establishments by utilising coolies, gangmen, etc., "is still prevalent on some railways, although, on the whole, the Railway Administrations are trying their best to put a stop to the practice". A further general circular letter has been issued to the Railway Administrations (Annexure B) drawing their attention to this matter in general and to the particular irregularities brought to notice by the Director of Railway Audit.

5. The Director of Railway Audit has been requested to make a further report next year on the position.

ANNEXURE A TO APPENDIX VIII.

REPORT BY THE DIRECTOR OF RAILWAY AUDIT ON THE EMPLOYMENT OF STAFF ON WORKS OTHER THAN THOSE TO WHICH THEIR PAY IS CHARGED.

(1) During the discussion on paragraph 112 of the Appropriation Report for 1929-30 the Public Accounts Committee was informed that the Railway Board had issued a circular letter to all railways condemning the method of irregularly increasing sanctioned establishments by utilising coolies, gangmen, etc., for this purpose. The Financial Commissioner was asked to report next year whether the circular letter had the desired effect, and how the matter stood. It was decided by the Financial Commissioner in consultation with Director of Railway Audit that these reports should be prepared by the local audit officers as obviously those responsible for the improper employment of staff will not come up to the higher authorities and ask for disciplinary action against themselves. The cases reported below were mostly detected by the audit department during 1931-32 but other cases where the administration themselves have taken the initiative in putting a stop to this practice and which have come to the notice of audit have also been included to give the Public Accounts Committee an idea as to how the Railway Board's circular is having the desired effect.

(2) On three railways, viz., Burma, Bengal Nagpur, and Rohilkund and Kumaon Railways no case of irregularity of the kind referred to in the Railway Board's circular letter No. 6862-F., dated 26th March 1931 was discovered in audit during 1931-32.

(3) *Eastern Bengal Railway*.—On receipt of the Railway Board's circular the Administration itself asked the various departments to report such cases. As a result 188 cases of irregular employment were reported by the officers under the Chief Mechanical Engineer. 61 of these cases have since been regularised and the remaining 57 cases are still under investigation with a view to regularisation.

(4) *North Western Railway*.—The following cases were regularised by the administration at the instance of audit.

- (i) Three workmen were employed on clerical duties in the carriage workshop. Lahore. The men were subsequently removed to their respective jobs. No disciplinary action was taken, nor was it pressed, the amount misallocated being very small.
- (ii) Two vacuum coolies and one cleaner were utilised as peons by the Head Train Examiner in Lahore. No disciplinary action was considered necessary by the Divisional Superintendent.
- (iii) One cleaner was utilised as a store issue clerk in the Locomotive Shed, Karachi. The post of the surplus cleaner has since been brought under reduction.
- (iv) A wrenchman was working as a punkha cooly in the office of the Head Train Examiner, Karachi, the wages of a punkha cooly being less than that of a wrenchman. The man was put back to his original duty of a wrenchman.

The following cases which were detected by audit are still under correspondence with the administration and final action has yet to be taken :—

- (v) 2 mates, 42 coolies and 1 blacksmith were sanctioned for the work "providing check rails between Jogindarnagar and Ahju Stations" but were employed for ballasting track and loading and unloading of ballast.
- (vi) 7 mates, 140 coolies, 8 carpenters and 1 blacksmith were sanctioned for "providing bearing plates and replacing V. S. with S. S. Deodar Sleepers on 140 curves on the Kangra Valley Railway"; but the men were employed for loading and unloading, ballasting track after removing earth, etc.
- (vii) 1 mate and 12 coolies were sanctioned for improving raised portion between Kathola and Gujrat but they were employed from 6th October 1931 to 12th October 1931 for lifting and packing and ballasting up hoop beyond Kathola.
- (viii) 1 cleaner was utilised as a clerk for posting requisitions, issue notes, etc.

(5) *East Indian Railway.*—(i) A jamadar peon actually working in Chief Engineer's office was being charged as a Tindal in the Inspectors of Works Labour paysheet since 1928. On its being taken up in audit in June 1931 the Agent sanctioned a special post for this man in the Chief Engineer's office in March 1932.

(ii) One chowkidar under Assistant Superintendent, Way and Works, was actually working under the Divisional Superintendent staff. On its being taken up by audit the chowkidar was transferred back to the Assistant Superintendent, Way and Works.

(iii) One gangman of Permanent Way Inspector, Buxar, was working as carpenter cooly. Sanction of the competent authority was obtained at the instance of audit for a cooly for the carpenter.

(iv) One cooly of Inspector, Works was working in Divisional Superintendent's Bungalow as chowkidar and also doing the duty of a chowkidar on the football ground allotted to the District Sports Association. The Administration states that a chowkidar is necessary for the ground and the question of obtaining proper sanction of the competent authority has been referred to them.

(v) Several clerks, typists and peons, etc., have been employed on daily rated scale and their pay charged through Labour Pay Sheets instead of in regular establishment bills of Seerampur and Kirhurbarer collieries. The Colliery Superintendent states that the practice had existed from a very long time and that the matter has however been referred to the Agent for orders.

(vi) One cooly of lorry gang was working in an Officers' club.

(vii) One cooly of Mategang was working with a Sub-Inspector of Works.

(viii) 1 cooly of Mategang was working as chowkidar in an Inspector of Works' Bungalow.

In the above three cases the men have since been returned to their works.

(ix) 1 cooly of lorry gang was shown working as turnkey man. The sanction of competent authority has since been obtained.

(x) Certain chowkidars employed against Colliery Funds were actually working in the school in Kyrhurbarer Colliery. The Colliery Superintendent replied that the chowkidars were engaged as the school funds were insufficient to meet the cost and that the matter was being referred to the Agent for orders.

(xi) Two chowkidars on daily rated pay, paid from the Colliery Revenue Fund, were actually working as such for the European and Indian Institutes at Beniadih. Their wages should have been met from the Institute Fund and not from the Colliery revenue. The Colliery Superintendent replied that the matter was being referred to the Agent for orders.

In the following cases the replies of the Administration are still awaited :—

(xii) A large part of the regular establishment of the Bokaro and Awang Collieries is paid through Weekly Labour Pay Sheets.

(xiii) The pay of the Head Clerk, Bokaro Colliery, was being charged against the sanctioned appointment of Swang Colliery and that of a clerk doing the duties of the Head Clerk at Swang collieries is being charged against the office establishment Colliery Superintendent, Giridih.

(xiv) In the Jamalpur shops about a dozen chargemen and erectors drawing about Rs. 500 per month whose pay is charged to works are employed on clerical duties on the ground that actually trained men are required for the purpose.

(6) *Madras and Southern Mahratta Railway.*—During an inspection of the initial records for June 1931 several daily rated coolies were found to have been allotted to work whole-time in Works Managers' offices in the Mechanical Workshops at Perambur. It was explained by the Chief Auditor and Accountant that the men were employed for the

carriage of heavy materials, etc., from the shops, and that no irregularity was involved in charging their pay through the Time sheets to "Workshop Suspense". It however appeared from a duty list which had in the meanwhile been furnished to the Chief Mechanical Engineer that coolies of the Loco. Manager's office were continuously engaged on duties ordinarily pertaining to office peons and other office menial establishment. The Chief Mechanical Engineer addressed the Agent for sanction to an addition of 11 monthly rated sweeper lascars to the Works Managers' offices and proposed that the sanction under coolies could be cut down by a similar number thus avoiding the engagement of extra staff. The Agent sanctioned only 8 out of the 11 posts applied for. The conversion of the 8 posts has resulted in an annual saving of about Rs. 384.

(7) *South Indian Railway*.—The following cases of daily paid labour in the workshops employed on other duties came to notice :—

- (i) Boys used as peons in the Works Manager's office.
- (ii) Fitters employed on clerical duties in Foreman's and Works Manager's offices.
- (iii) Coolies of the yard gang employed on Watch and Ward functions.

The Chief Engineer has since sanctioned the employment of the boys referred to in item (i). The case of fitters mentioned in item (ii) is under the consideration of the Chief Mechanical Engineer who is investigating the adequacy of the clerical strength of shop offices. The men referred to in item (iii) were so engaged for a very short time to meet an emergency and have since reverted to their legitimate duties. No disciplinary action was taken in these cases.

(8) *Assam Bengal Railway*.—It was noticed at the time of inspection of the Loco. Workshops in August 1931 that where entertainment of clerical staff was not sanctioned in the establishment rolls the same staff had been kept on as works charged employees like workshop labour staff. Similar cases of irregular employment of staff were also noticed by the Chief Auditor in the course of his inspection of the Loco. Workshops and the Works Manager's office. The Chief Auditor has asked the Agent to issue a circular letter on the subject with a view to abolish the irregular procedure in future.

(9) *Great Indian Peninsula Railway*.—(i) Two sweepers borne on Victoria Terminus carriage and wagon cadre were working in the office of the Divisional Transportation Superintendent from 1st August 1927. This has been regularised by Agent's sanction dated 15th April 1932.

(ii) Eight coolies charged to Bhusawal running shed and Fitter shop and 1 waterman charged to Bhusawal Station were working in the office of the Divisional Superintendent, Bhusawal. They were returned to their legitimate duties from 4th September 1931.

(iii) During an audit inspection in July 1931 it was noticed that 2 men whose wages were charged to the Carriage Foreman's (V. T.) shed were working as watchmen in the Divisional office. On this being pointed out, the Agent's sanction was sought for to regularise the expenditure incurred on this account as well as to the creation of 2 posts of watchmen. The Agent sanctioned the irregular expenditure already incurred as a special case but refused to sanction the two posts of watchmen. This has resulted in an annual saving of Rs. 600.

(10) *Bombay, Baroda and Central India Railway*.—Local inspection by the Government Examiner in 1931-32 brought to light about 118 such cases involving the misclassification of a sum of over 1.18 lakhs of rupees per annum.

2. The following are some instances :—

- (i) Six men designated fitters and drawing wages ranging from Re. 1 to Rs. 2-9-0 per day in the muster roll of the Erecting Shop, Ajmer, were found actually employed as chowkidars, peons, daftry and clerks in the locomotive shops, their wages being charged off to different work-orders with which they had nothing to do.
- (ii) Thirty men designated Boiler-makers, Erector, etc., most of whom drew wages above Rs. 3 per day and some Rs. 7 and Rs. 10 per day in the muster

rolls of several shops of Loco. Workshops, Ajmer, were working regularly in the Drawing office.

- (iii) Fifteen men designated Fitters, Moulders, Die-sinkers, etc., and drawing wages varying from Rs. 1-5 to Rs. 6 per head per day and two coolies charged to the muster rolls of the several shops work regularly in the Progress office. In addition to this eleven men designated Chargemen, Chasera, Inspectors, Clerks, etc., with monthly rates of pay varying from Rs. 55 to Rs. 275 and drawing their pay in the muster rolls of different shops are also said to be working regularly in the Progress office. The total annual wages of these approximate nearly to half a lakh of rupees, and this staff is by way of supplementing other staff performing similar duties but engaged with the sanction of the Home Board and charged to General Administration.
- (iv) Eighteen men designated coolies and drawing their wages as such in the muster rolls of the Time office, Ajmer, were working as peons in the office of the Loco. Superintendent, Ajmer.
- (v) Four men designated 'Strikers' and one man designated furnace-man in receipt of wages varying from 14 annas to 18 annas per day on the muster roll of the Smithy were working as peons in the Foreman's office.
- (vi) Fourteen men varyingly designated Body-builder, Journeymen, Fitter, machine-man, etc., drawing wages varying from Rs. 2/10/- to Rs. 5 per day in the muster rolls of the Parel Workshops were working either as clerks in Foreman's offices or in the Drawing office.
- (vii) The number of men designated coolies drawing their wages in the muster rolls of different shops and working as office peons in Foreman's and other office is large and does not appear to need special enumeration.

The above practice is not peculiar to the Mechanical Workshops alone ; it was also prevalent in locomotive sheds. The Loco. Superintendent made enquiries some time ago and these brought to light 112 cases of technical staff performing work other than those connoted by their designations. On 12th May 1931 the Agent sanctioned the transfer of 75 such men to clerical establishments, 37 men having been reported by the Loco. Superintendent either as having been retrenched or absorbed.

The facts as stated in the previous paragraph are accepted by the Chief Auditor, who would however prefer the number of cases, referred to in sub-paragraph 1 above, to be limited to the 101 of which particular mention has been made, and their annual cost to about Rs. 96,000.

The Chief Auditor is of the view that there is no deliberate misclassification of staff and that the orders of the Railway Board of March 1931 have not been ignored. The fact is, however, brought to notice that these employees are engaged on duties other than those implied by their designations and their wages are drawn, in many cases, in muster rolls of officers other than those in which they are working. Payment, as daily labour, of persons employed on duties for which a regular staff ought to be sanctioned and the continued employment of staff on duties other than those for which they have been sanctioned appear to need attention, specially as they continue to exist even after strenuous efforts have been made by the Chief Auditor over a period of nearly four years (since attention was originally directed by Government Audit to the existence of this wrong practice).

(11) *Bengal and North Western Railway*.—It was noticed that in the Gorakhpur Loco. Shops some workmen were actually performing the duties of clerks. The matter is under reference with the Chief Auditor.

ANNEXURE B TO APPENDIX VIII.

LETTER FROM THE DEPUTY DIRECTOR, RAILWAY BOARD, TO THE AGENTS OF VARIOUS RAILWAYS, No. 1387-B., DATED THE 19TH SEPTEMBER 1932.

I am directed to draw your attention to Railway Board's letter No. 6862-F., dated the 26th March 1931, requesting you to take steps to eradicate the irregular practice of employing staff on works other than those to which their pay is charged. At their meetings last year, the Public Accounts Committee desired to know whether the circular issued by the Railway Board had the desired effect and how the matter stood. At the instance of the Railway Board, an investigation was thereupon made under the instructions of the Director of Railway Audit. The Board regret to find that that officer has come to the conclusion that the practice is still prevalent in some railways, although on the whole railway administrations are trying their best to put a stop to the practice.

2. I enclose an extract* from the report of the Director of Railway Audit relating to your railway for your information. The Board desire to know what action you have taken in pursuance of their instructions in their letter quoted above, and what disciplinary action you have taken in cases brought to your notice including those which are contained in the enclosure to this letter.

3. The Railway Board desire to commend to your notice the action taken by the Eastern Bengal Railway administration, which on receipt of their circular asked the various departments to report such cases. It is understood that more than half of the case of irregular employment, which were reported by the officers under the Chief Mechanical Engineer, have since been regularised and the others are being investigated.

* Not printed.

APPENDIX IX.

Memorandum regarding the adjustment of the cost of certain condemned vehicles on the Bengal Nagpur Railway, furnished by Railway Department with reference to paragraph 80 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In paragraph 211 of his Appropriation Report for 1929-30, the Director of Railway Audit remarked as follows:—

“ Bengal Nagpur Railway.—It was remarked in paragraph 12 of the Report for 1927-28 that the Bengal Nagpur Railway had charged the entire cost of the rolling stock purchased or constructed between 1919 and 1926 to capital and no share of it to revenue even though there was rolling stock awaiting replacement at the time. It is now pointed out that the tardy adjustments of the cost of condemned vehicles to revenue has resulted in a gain of about Rs. 2 lakhs to the Company and a corresponding loss to Government. The confirmation of facts for this paragraph is, however, still awaited from the Railway Board and Administration.

The general terms of the contract between the Company and Government provide that Government guarantees a minimum return of 4 per cent. on the debentures and $3\frac{1}{2}$ per cent. on the ordinary capital supplied by the Company. After this has been earned and after Government has recouped itself at agreed rates of interest on capital provided by Government, the surplus profits are divided between Government and the Company in proportion to their respective amounts of open line capital contributed. In 1928-29 and 1929-30 there were no surplus profits for division but in the three previous years the Company received its share of surplus profits. On the 1st December 1926, 2 narrow gauge engines, 200 coaching vehicles and 255 goods vehicles had been condemned and were awaiting replacement. If the cost of these wagons had been charged off to revenue in the accounts of 1926-27 or 1927-28 the Company's share of surplus profits would, it has been estimated, have been less by about Rs. 2 lakhs; as their cost was not written off to revenue until a year in which there were no surplus profits for distribution, it did not affect the Company's profits in that year whether the cost of the rolling stock was then charged off or not”.

In dealing with this question last year, the Public Accounts Committee observed that in the absence of the full facts of the case they were unable to express an opinion.

2. The number of stock condemned and awaiting replacement as reported by the Bengal Nagpur Railway administration is:

					Broad gauge.	Narrow gauge.
Locomotives	—	—	—	—	12	21
Coaching vehicles	—	—	—	—	200	19
Goods vehicles	..	—	—	—	256	97

Stock condemned cannot under the contracts be written back to revenue immediately on condemnation. It is only when they are replaced that Revenue can be called upon to bear its share of the expenditure incurred on replacement. The replacement programme is again not dependent on the number of stock condemned but on the number which can be justified as required to meet the demands of traffic. The Director of Railway Audit's proposal that the cost of these condemned vehicles should be charged off to revenue during the years 1926-27 and 1927-28 (i.e., immediately on condemnation and irrespective of the year in which the stock was replaced) is not therefore tenable under the contracts and the estimate that the Railway Company had benefited undeservedly by Rs. 2 lakhs in the shape of surplus profits, is too high.

3. In the opinion of the Railway Board, the way to determine how far the Bengal Nagpur Railway Company benefited by way of surplus profits is to see what stock was actually added at the cost of capital during the years 1926-27 and 1927-28 which should have been really treated as renewal expenditure. The Bengal Nagpur Railway have stated.—and this statement has been accepted by the Government Examiner of Account—that the actual cost of additions to rolling stock during these two years, which could have been treated as renewal expenditure, amounted to Rs. 4,10,418, and the consequent overpayment in surplus profits to the Company was Rs. 27,963.

It should be added that the Railway Board took up this matter as soon as it was brought to their notice, and have since taken particular care to see that no items of rolling stock are provided for as additions when similar stock that has been condemned is awaiting renewal.

APPENDIX X.

Memorandum regarding modified figures of number of cases and amounts of under-charges detected by the Audit Department and the working of the system of a full check over invoices relating to goods, furnished by the Railway Department with reference to paragraph 62 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In considering paragraph 79 of the Director of Railway Audit's Appropriation Report for 1929-30, the Public Accounts Committee observed as follows (*vide* paragraph 62 of their Proceedings for 1929-30):—

“ The Financial Commissioner gave certain modified figures of the number of cases and amounts of under-charges detected by the Audit Department on the basis of certain information supplied by the administration. The Committee desired to know when the Department got the information and what steps it took to bring it to the notice of the Director of Railway Audit.

It was stated in this paragraph that the Accounts Department had resumed, from the 12th August 1930, a full check over invoices in order to safeguard against fraud attendant upon a curtailed check. The Committee considered the matter very important and desired to have a much fuller report on the working of the system as soon as possible ”.

2. The facts of the case, as reported by the Controller of Railway Accounts, are as follows :—

In November 1930 the Chief Accounts Officer, East Indian Railway, pointed out to the Chief Auditor of that Railway that, out of Rs. 2,694 reported by the latter as representing undercharges in goods traffic, only Rs. 901 had been admitted by him. The balance Rs. 1,793 related to piece-goods traffic, in connection with which the question of rate was under dispute and the matter under correspondence with the Chief Commercial Manager.

The full facts of the case, however, did not come to the notice of the Controller of Railway Accounts' office till August 1931 while the Director of Railway Audit's Report was issued in March 1931. It was then found that the Chief Accounts Officer had not taken any action to get the mistake corrected by the Statutory Audit Staff. Ordinarily the Controller of Railway Accounts' office should thereupon have informed the Director of Railway Audit of the correct position but unfortunately this was not done till December 1931.

3. The Director of Railway Audit has examined the question and agrees that his original paragraph was unsatisfactory, firstly as regards the inclusion of Rs. 1,793 relating to goods traffic, and secondly in regard to the statement made therein that Accounts had checked all items and that the Chief Auditor was in a position to correct the paragraph in the Appropriation Report.

4. As regards the result of the resumption of the cent. per cent. check over invoices, the position regarding the check of goods earnings was unsatisfactory during the year 1930-31 and the first half of 1931-32. The Chief Accounts Officer has explained that this was due to the dislocation of work on the introduction (commencing with Howrah on the 1st February 1930) of the Divisional Traffic Accounts Scheme as an experimental measure and later, on account of reversion (with effect from the 1st June 1931) to the old system of centralised check. The position in respect of the second half of 1931-32 has, however, shown considerable improvement.

The position in regard to the check of coaching earnings in 1930-31 showed an improvement on that of the previous year and that in 1931-32 a further improvement on the previous two years. As the accounting procedure in respect of coaching traffic had not been subjected to drastic changes, as in the case of goods traffic, the efficiency has steadily been kept up. The case has been carefully examined and the Chief Accounts Officer has been instructed to improve the system in order to secure still better results.

APPENDIX XL

Memorandum containing the results of scrutiny of the *pro forma* Depreciation Fund Accounts of the Company-managed Railways maintained by the Railway Board, as conducted by the Director of Railway Audit and his subordinate Officers.

In paragraph 139 of the Report of the Appropriation Accounts for Railways for the year 1928-29, it was mentioned that steps were being taken for the necessary internal and external checks to be exercised on the records maintained by the Railway Board of depreciation in respect of Company-managed railways. As stated in paragraph 206 of the Report of the Appropriation Accounts of Railways for 1929-30, it was realised only in February 1931 that the statements of expenditure on the basis of which this record was maintained by the Railway Board should first be checked by the Government Examiners of Accounts before the office of the Director, Railway Audit could test-audit these records. The statements for the year 1929-30 furnished by the Agents of Company-managed railways were checked by the Government Examiners concerned and on the basis of the information received from them the records maintained by the Railway Board were scrutinised by the office of the Director of Railway Audit in April last with the result that necessary adjustments have been made to set right a few minor inaccuracies that came to light. The Government Examiners reported that as the replacement expenditure was not recorded in accordance with the classes of assets, and further the credits for released materials were not exhibited separately in accounts but were included in the figures for replacement expenditure, the allocation of replacement expenditure to certain classes of assets and of credits in general, which were based on information obtained from departmental officers, had to be accepted as correct. Such allocations could however have been test-checked at inspections if instructions had been issued to this effect.

2. A scrutiny of the records of depreciation relating to the previous years was subsequently undertaken and the Government Examiners were requested to make an attempt at the check of—

- (1) basic figures for the initial contribution to the Depreciation Fund on 1st April 1924 and the amount of depreciation which ceases in each year in respect of the assets existing on that date, and
- (2) the statements of the capital and renewals expenditure on each class of assets during the year 1924-25 and subsequent years.

It is understood that the basic figures for the initial contribution for 1924-25 and the depreciation which would cease each year were determined by an Officer on Special Duty appointed by the Railway Board. The information was based as far as possible on accounts and where the booked expenditure was not available, on the best estimates which could be framed by departmental officers. The detailed compilations are not, however, available at present either in the offices of the individual railways or that of the Railway Board.

3. In regard to the check of statements of annual expenditure during 1924-25 and subsequent years, the Government Examiners were requested to make every possible endeavour to trace the initial documents in the departmental offices of the railways and to test-check them, or failing this, to compile independent statements for some of the classes of assets and verify the results so obtained with the statements already submitted to the Railway Board. They have reported that in most cases the statements for the previous years and the working sheets, from which they were compiled, are not forthcoming. A further difficulty complained of by them is that in regard to capital expenditure, the new heads of accounts which were brought into accord with the different classes of assets, were not adopted by Company-managed railways until 1929-30, and on the Bengal and North-Western and Rohilkund and Kumaon Railways, an even older classification is still being followed. As a result of test-check of such statements as were available, it was noticed that with the exception of one or two railways the expenditure figures for a group of assets, falling under an accounts head, or the total expenditure for a year was reconciled by the Chief Auditor of the particular railway with the figures booked in the accounts, but beyond this no detailed check was possible without a reference to initial

vouchers. In certain cases, a detailed check has been conducted with initial vouchers or statements have been compiled independently by the Government Examiners, and the results point only to some minor compensating discrepancies in the figures for different assets. The following important classes of errors in the statements submitted to the Railway Board have, however, been brought to notice by the Government Examiners and will be further investigated with the Government Examiners and with the Railway Board :—

- (a) expenditure for non-wasting assets was included under several assets on the Bengal and North Western Railway, and
- (b) expenditure for some of the Durbar, foreign and provincial lines, for which no account is required to be maintained, has been included in the statements for the South Indian and Madras and Southern Mahratta and Bombay Baroda and Central India Railways.

4. The Railway Board have issued instructions that with effect from the accounts of the year 1932-33 the credits on account of materials released from works, which are debitable to the Depreciation Fund, should be accounted for as a receipt under a separate sub-head of account. The question of booking the renewal expenditure under account heads according to the classes of assets has been taken up with the Railway Board, and necessary instructions will probably be issued to the Company-managed railways. This arrangement will facilitate the test-check of the statements with effect from the accounts for 1933-34, and in the meantime instructions have been issued to the Government Examiners to verify the statements compiled by departmental officers in the course of inspections.

5. The results of the examination of the *pro forma* Depreciation Fund accounts maintained by the Railway Board may be summed up as follows. It is impossible now to check completely these *pro forma* Depreciation Fund accounts. Considerable expense would be involved if the examination were pursued further, and in the end, owing to the absence of certain data, the check would be only partial and not complete. It is possible to infer, however, from the examination that has been carried out that after the accounts have been corrected according to the adjustments incorporated in the accounts for 1930-31 the discrepancies that remain are not of great magnitude, not, indeed, as great as was at first apprehended. The past accounts may be accepted as being fairly accurate. Measures have been taken to ensure that in the future the audit of these accounts will be regular and effective.

APPENDIX XII.

Memorandum on the adjustment of the excess of about Rs. 54 lakhs found on verification of stock at the time of re-organisation of stores accounts on the East Indian Railway, furnished by the Railway Department with reference to paragraph 85 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

In the final report made by Mr. M. K. Mitra, the late Controller of Railway Accounts, on the re-organisation of stores accounts on the East Indian Railway, it was brought to notice that the total value of stores found in stock by actual count at the time of re-organisation and brought on to the new price ledgers at current rates was about 54 lakhs greater than the amount shown in accounts on that date as the outstanding balance at debit of general stores. It was also explained by him in his evidence before the Public Accounts Committee that this excess represented mainly stores returned from works, or divisions, but not accounted for in the stores ledgers and that the amount had been kept under suspense, but the intention was that it should be credited to revenue in the course of the year. The propriety of crediting the amount to revenue was questioned by the Committee in paragraph 85 of their Report on the accounts of 1929-30. They emphasised two aspects of the case. First, the real value of returned stores (whatever the theoretical valuation might be) depended entirely on the possibility of utilising them, which was at present restricted. Secondly, the works from which the stores were returned might have been overvalued by credits on account of these stores given to them having been inadequate. For these reasons the Committee desired that the whole question should be examined carefully, and suggested that the Railway Board should consider whether the whole or a substantial portion of the excess found should be kept under a reserve head instead of being credited to revenue.

2. It will be remembered that, in order to bring order speedily out of the chaos which was existing in the stores accounts of the East Indian Railway before the recent re-organisation, it was decided to start the accounts on a clean sheet, as it were, by taking actual stock of materials lying at depots as on a particular date, bring them on to account at proper prices and then adjust any difference which may arise between the value arrived at thus and the total value remaining at debit of general stores account on that date. The 54 lakhs referred to above represents this difference. When this general stock-taking was taken and the new price ledgers were opened, the main object was to build up the account on a sure basis of fact, so that all subsequent accounting may proceed in a systematic and regular manner. This did not, however, mean either that the valuation then made was absolutely final, irrespective of any fresh facts that might come to light later pointing to the necessity for a revaluation, or that all past accounts should be treated entirely as a closed chapter.

3. Mr. Mitra's original intention was to adjust the whole of the 54 lakhs referred to above straightaway against revenue in accordance with the usual procedure with respect to the adjustment of excesses or deficiencies found in stores on actual count, revaluation, etc. Any readjustments that might be necessary on account of facts coming to light later regarding past transactions would also have been made as usual against revenue through the stock adjustment account. On the other hand if the difference referred to above is kept under a reserve head, as suggested by the Committee, and operated on separately, all re-adjustments necessitated by a review of past transactions would be made against this reserve, and any amount that might be left over at the end of a prescribed period would be adjusted against revenue. The net financial effect of either of these two methods would therefore ultimately be the same. A reserve is therefore, in general, unnecessary, and technically not quite desirable as tending to keep out the general revenue accounts the results of ordinary

transactions of a railway. Moreover, the question of the period for which this reserve should continue to exist is a controversial matter. It is however obviously undesirable to disturb the revenue accounts of any single year by credits or debits of great magnitude, and the Railway Board have accepted the principle underlying the suggestion of the Committee to keep the amount as reserve by deciding not to credit the whole amount in the accounts of the year in which the difference was discovered and spreading the credit over a period of years.

4. Further investigations instituted by the railway administration regarding past transactions have led to the discovery of a number of documents proving the return to general stores of certain materials from divisions and workshops and also a number of purchase transactions which had not been brought to account. It has also been found that the considerable additional staff who had to be obtained from foreign railways in conducting the all-round stock-taking in connection with the re-organisation were not as familiar with the East Indian Railway conditions as is necessary for quite accurate pricing, and a detailed and careful investigation into each unaccounted-for item at the time of general stock-taking was entirely out of the question. The result was that a large number of items which were not shown on books were taken into account at rather high prices. When final price lists were introduced, each item was carefully gone into again and the price fixed properly. It has also happened that a large number of items were taken into account as good stock when they should have been treated merely as scrap.

5. The Railway Administration has, as a result of the investigation referred to above, adjusted during the years 1930-31 and 1931-32 about 32½ lakhs against the 54 lakhs reported by Mr. M. K. Mitra. The more important of the items making up this 32½ lakhs are as follows :—

4 lakhs, loss on account of revision of rates.

7 lakhs, loss on account of new and second-hand stores having been scrapped.

4½ lakhs, loss on sale of stores not required for the railway.

9 lakhs, debited on account of old outstandings which were adjustable against the difference found on reorganisation.

The major portion of the remaining amount is also expected to be adjusted in the course of the current year, so that at the end of this year it is expected that the reserve will have ceased to exist, or been reduced to such small proportions that the balance might be credited to revenue.

6. Orders have since issued prescribing a uniform procedure on all railways regarding the structure of the stock adjustment account. Gross surpluses and deficiencies will be worked out separately under the headings "differences in stock", "differences in value" and "miscellaneous items", and a comparison made with the corresponding figures of the previous year. The net result of all surpluses and deficiencies discovered in the year will also be adjusted in the accounts of the year in which they are discovered, except that in exceptional cases, where the amount is very large, the adjustment may be spread over a limited number of years with the approval of the Railway Board.

APPENDIX XIII.

Memorandum on the Director of Railway Audit's suggestions regarding the earlier preparation of Railway accounts, furnished by the Railway Department (paragraphs 25 to 31 of the Appropriation Report for 1930-31).

The two main suggestions made by the Director of Railway Audit in order to bring about the closing of Railway accounts at a much earlier date than is the practice at present are as follows :—

(1) The expenditure accounts of each month should be closed immediately after the end of that month, without waiting for the audit of each transaction, by taking into account merely the unaudited figures as bills and vouchers relating to various transactions are received in the Accounts Offices, audit being conducted and necessary re-adjustments made subsequently.

(2) The accounts of Railway earnings should also be closed immediately after the end of each month, without waiting for the division sheets or the information from the Railway Clearing Accounts Office, by treating the total outward "paid" and inward "to pay" traffic of the month modified by the net results of the division sheets of the previous month as the earnings of the month.

2. It has been represented to the Railway Board that there are serious objections to these suggestions from the accounts point of view. Apart from the general principle that accounts should be an actual representation of facts and should, as such, be based entirely on actuals and not on mere approximations, it is feared that the suggestions made by the Director of Railway Audit may result in a large number of adjustments every month after final audit, which would involve not only a large possibility of error but a considerable amount of extra work. Another serious objection is that the internal check to be exercised by accounts offices may get dilatory with all the consequent disadvantages of such delay, such as failure in prompt recoveries.

3. The submission of the various accounts which Government have with the Company-managed Railways and which each individual railway has with its branch and worked lines is, under their respective agreements, to be effected only on actuals, some of these adjustments having to be made monthly. The closing of monthly accounts on the basis of unaudited figures may make these submissions difficult. The Company-managed Railways have already expressed unwillingness to accept the present scheme under which the monthly accounts are closed by the 6th of the second following month on the ground that they contain certain unaudited figures. Their objections to the Director of Railway Audit's present suggestion will be greater. It is obvious that, unless the procedure is made uniform on all railways, the suggestion would fail in its object.

4. In order to enable the administrative officers to exercise proper control over expenditure, it seems enough if they are furnished by the Accounts Department, as early as possible, with a statement of approximate actuals for the previous month by sub-heads of grants. Instructions have been issued not only to ensure the punctual submission of these statements, but also to utilise all the information available and make the approximate statements accord with actuals as nearly as possible. Steps have also been taken to secure greater promptness in the adjustment of monthly stores transactions which, it is hoped, will remove one of the chief causes which contribute to the delay in accounting. It is believed that this can be done in about 20 days from the close of the month. There is not much extra labour involved in the preparation of these statements of approximate actuals.

5. The suggestions made by the Director of Railway Audit will however be examined further by the Controller of Railway Accounts in consultation with him, in order to see what further improvements are possible in existing arrangements.

APPENDIX XIV.

Memorandum furnished by the Railway Department on paragraphs 162 to 169 of the Appropriation Report of the Director of Railway Audit for 1930-31 regarding delays in settlements between Railways.

Paragraphs 162—168.—The Railway Board have taken up with the Railways referred to the delay in the execution of agreements for the working of joint stations and understand from the replies received that the position now is as follows :—

- (a) *Great Indian Peninsula Railway.*—(i) *Mahim-Bandra Section.*—The agreement has reached the final stage, except as regards one point recently raised by the Bombay, Baroda and Central India Railway, in regard to the payment of interest and maintenance charges on the cost of the overhead gear.
- (ii) *Muttra.*—Further progress is held up pending a valuation of dead stock. When particulars on this point are obtained, it is proposed to convene a meeting with the Bombay, Baroda and Central India Railway to revise the terms of the agreement.
- (iii) *Agra Area (Goods).*—The arrangement for the working of the Agra area came into operation from 1st February 1932. The preparation of the agreement has been held up pending a reply from the Bombay, Baroda and Central India Railway to a reference made to them by the Great Indian Peninsula Railway.
- (iv) *Delhi Main Station.*—The agreement between the Great Indian Peninsula and North Western Railways has been finally executed.
- (v) *Nains-Chheoki Area.*—All the outstanding points have been settled, and a draft of the final agreement is now being prepared by the East Indian Railway.
- (vi) *Ghorpuri.*—This is dealt with under sub-paragraph (b) below.
- (vii) *Agra Area (Coaching).*—The remarks against item (iii) above apply in this case also.
- (b) *M. & S. M. Railway.*—The Agent reports that agreements for only four stations have still to be executed, viz., Arkonam, Ghorpuri, Dronachellam and Bangalore City. He hopes that within a period of six months at the latest these agreements will be finally executed. The delay in the settlement of claims in connection with seven stations which are joint with the Mysore Railways has been taken up by the Madras and Southern Mahratta Railway with the Mysore Government. The Agent is being asked to report fully on the point, to enable the Railway Board to take action to expedite a settlement.
- (c) *East Indian Railway.*—No further action has been taken by the Railway Board, beyond that indicated in the last sub-paragraph of paragraph 165.
- (d) *North Western Railway.*—The drawing up of an agreement is pending a settlement of an up-to-date list of the Bombay, Baroda and Central India Railway's property in the Delhi area to be transferred to the North Western Railway. The Agent reports that he hopes to complete the agreement by the end of the current year.

2. The Railway Board agree with the Director of Railway Audit that it is desirable to simplify the system under which joint station expenses are apportioned between Railways, so as to obviate the delays that are inevitable under the present procedure for the execution of agreements for apportioning joint station expenses in meticulous detail.

Under the "Toll system", to which reference is made in paragraph 167 of the Director of Railway Audit's Report, the Railway using the joint station pays to the owning Railway a lump-sum rate for each train entering the station. The arrangement is undoubtedly simple, but is open to the objection that it necessitates a re-examination and re-calculation every few years of the data and figures on which the charge is based, in order to ascertain whether there is any necessity for a revision of the charge. In this connection, the Board have addressed the Indian Railway Conference Association suggesting the appointment of an Advisory Committee to consider recommending to Railways the desirability of adopting an arrangement under which the total working costs of a joint station would be apportioned on a "per train" basis in the case of coaching traffic, on a "per wagon" basis in the case of goods traffic and on a per engine basis in case of locomotives using a joint running shed. Under such an arrangement, once the total cost of working the joint station and shed was arrived at, there would be no necessity for any record to be maintained of the cost of working the station (other than that which in any case is required to be kept at the station to show the number of trains and vehicles dealt with). The working Railway will then be entirely responsible for the provision of adequate facilities to deal efficiently with the entire traffic of the station. If the traffic to be dealt with subsequently developed to an extent justifying the provision of additional capital works, these would be provided by the Railway working the station, without a reference to the other Railways, as is necessary under the present arrangements: the working Railway obtaining a return on its capital outlay in its increased receipts on the "per train" for coaching traffic, "per vehicle" for goods traffic and "per engine" basis; it being reasonable to assume that the additional facilities required would not be provided unless the necessity for doing so had actually arisen. The Indian Railway Conference Association have since appointed, as was suggested to them, an Advisory Committee, whose report is awaited.

Paragraph 169.—The draft agreement for the working of the Jodhpur-Hyderabad Railway (British Section) has been under consideration since 1924. There has been considerable delay in the execution of the agreement, but much of it was unavoidable owing to the large number of controversial points that had to be settled with the Jodhpur Durbar. The draft agreement reached almost a final stage in 1930, but at the instance of the Director of Railway Audit it was then decided to hold up its execution pending the result of the investigation of the points arising out of the report on the test audit of the accounts of the Jodhpur Railway. For about 6 months the Director of Railway Audit's letters on these points were coming in. After the settlement of all these points, the final draft of the agreement, embodying all necessary modifications, was forwarded to the Agent to the Governor General in Rajputana in May last and he was asked to arrange for its execution if the draft was approved by the Durbar. The Agent to the Governor General has recently reported in reply to our reminder that he is awaiting a reply from the Jodhpur Durbar and that the Durbar have been reminded.

It is a well-known fact that the usual procedure, under which references to Durbars have to be made through the political channel, necessarily involves delay. A new procedure has, therefore, been adopted in some recent cases under which conferences are arranged for between the representatives of the Railway Administration and the Durbar concerned with a view to settling points in dispute by personal discussion as far as possible. It is hoped that this procedure, if found to work well, will obviate delays in such cases in future.

APPENDIX XV.

Memorandum by the Railway Board on paragraphs 179 to 207 of the Appropriation Report of the Director of Railway Audit for 1930-31 regarding Bombay Electrification Schemes.

In Section A of Chapter VIII of his Report on the Appropriation Accounts of Railways for 1930-31, the Director of Railway Audit has dealt with the results of the Bombay electrification scheme. He admits that it is not possible to present full accounts of the working of the scheme, but he considers that it is important that some comparison of the results with the estimates should be made as soon as possible and should be included in the Report even if only approximate accuracy is attained. The Railway Board feel that the incorporation of the results of this enquiry in the Appropriation Report could very well have been postponed till the Director had time to have the figures verified by the Administration and to present an agreed report. The Agent, Great Indian Peninsula Railway, has taken exception, and rightly, in the opinion of the Railway Board, to the procedure adopted in this case which is contrary to the accepted convention that before any case of this importance is included in the Appropriation Report the facts must first be 'agreed'. The Agent says that he was given hardly any time to consider the remarks of Audit before they were published in the Report. The Chief Accounts Officer of the Great Indian Peninsula Railway has recently furnished certain reports regarding the costs of working, etc., the figures in which differ materially from the figures given in the Report of the Director of Railway Audit; for instance, his estimate of the saving in working expenses owing to the main line electrification is 22.44 lakhs with a return of 4.49 per cent. on the gross capital outlay, as against the Director of Railway Audit's estimate of 16.8 lakhs which gives a return of 2.43 per cent. The Railway Board have not had time to examine these reports, but they feel it advisable to attach them to this memorandum (*vide* Annexures I—IV), though the figures have not been checked by the Director of Railway Audit, in order that the Public Accounts Committee may have before them at the same time as they consider the Report of the Director of Railway Audit, the figures worked out by the Chief Accounts Officer. In the following paragraphs the Railway Board have attempted to deal with the various criticisms of the Director of Railway Audit in some detail, but it must be added that they were written before the reports of the Chief Accounts Officer were received.

2. In paragraph 179 of his Report the Director of Railway Audit explains that his line of enquiry has been to take the estimates accepted by the Government of India and to apply the method of calculation there employed to the actual figures for 1930-31, so as to secure, as far as possible, a comparison of like for like. Such a comparison is, in the opinion of the Railway Board, difficult at all times and well-nigh impossible at present owing to the abnormal circumstances which have prevented the reasonable expectations of traffic, on which the estimates were framed, being realised. Many of the conclusions of the Director are in reality criticisms of results which are the direct consequences of the unprecedented economic depression from which India in common with the whole world has been suffering.

(a) Chola Power House—G. I. P. Railway.

3. In paragraph 181, the Director of Railway Audit has expressed the opinion that the increase in capital outlay for the original estimate has lessened the financial advantages originally claimed for the installation of a Railway Power House. Unless this is a truism intended to mean that the return on capital has decreased with the increase of outlay, the Railway Board are unable to accept this criticism. They consider that this is not borne out by the facts given by the Director of Railway Audit himself in paragraph 184. When the construction of the Railway Power House was sanctioned it was estimated that electrical energy could be produced at a cost of .593 anna per unit with an output of 63 million units per annum. It is stated in paragraph 184 that if the demand on the power station had reached 63 million units during 1930-31, the cost per unit generated would have been .585 anna. In this calculation full depreciation charges have not been taken as final adjustments have not been made, but even allowing a margin for this and accepting the Director of Railway Audit's method of calculation, the cost per unit generated will probably not reach the figure originally estimated by the Consulting Engineers and accepted by Government.

In summarising the deductions to be drawn from the figures quoted and the calculations made in the opening part of paragraph 184 the Director of Railway Audit states "assuming that the calorific value of the coal used is the same as that allowed for in the estimate (which the Administration denies), the cost per unit, if the correct depreciation charges are adjusted, would probably approximate to that originally estimated". It is not clear why the assumption regarding the calorific value of the fuel used is introduced here at all. The quality and calorific value of coal which will give the most economical results, is a matter that can only be determined in actual trial under operating conditions. It may be found to be more economical to use a large quantity of coal of lower calorific value than a smaller quantity of coal of higher calorific value. Nor is the calorific value of the fuel the only factor to be taken into consideration when selecting fuel for an Electric Power Station. Many fuels with high calorific values have characteristics which make them unsuitable for use in mechanically fired boilers, such as large ash content, slow burning, etc. All these characteristics have to be given due weight, and no conclusion in regard to the economic results obtainable from any particular class of fuel can be drawn from a mere statement of its calorific value. The Chief Commissioner of Railways considers it necessary to express his views specially in this matter, as this appears to be an instance where audit have endeavoured to make assumptions without a full knowledge of a highly technical subject.

When examining the question from the point of view of the operating costs of the Power Station the main point to be considered is not the calorific value or any other particular characteristic of the fuel, but the quantity and cost of fuel used per unit generated. It will be seen from the figures given in paragraph 184 that in the original estimates the cost of fuel required to generate 63 million units per annum was Rs. 9,20,000 which at Rs. 14/10 per ton is equivalent to a consumption of 62,900 tons per annum or $2.237 \left(\frac{62,906 \times 2,240}{63,000,000} \right)$ lbs. per unit generated.

Now, it has been estimated by the Director of Railway Audit that, if 63 million units had been generated, the total fluctuating cost would have been Rs. 6,21,000, 9/10ths of which, i.e., Rs. 5,60,000 might be taken to represent the cost of fuel. On this basis, with coal at Rs. 10 per ton, the total consumption would have been 56,000 tons or $1.99 \left(\frac{56,000 \times 2,240}{63,000,000} \right)$ lbs. per unit generated.

From the figures given above, it appears that the Power Station has proved to be even more efficient than its designers anticipated. Against an estimated fuel consumption of 2.237 lbs. per unit generated, the actual consumption, when the output reaches the 63 million mark, will be in the neighbourhood of 1.99 lbs. per unit generated—a saving of .247 lbs. per unit generated. The saving in the annual coal bill will be substantial, even assuming that coal has to be bought at the price originally estimated, e.g., Rs. 14/10 per ton.

It is not proposed to burden this note with a detailed explanation showing how this satisfactory improvement has been obtained. The alteration in the design of the Power Station, particularly the increase in the size of the generating units, has contributed greatly towards the improved efficiency, and it is abundantly clear that, quite apart from the necessity for the modifications of the original proposals in regard to the size of the generating plant in order to give the full assurance against the failure of supply which is so vital for efficient railway working, the increased size of the generating units and other modifications made in the original layout of the generating station have resulted in a more efficient generating station, and notwithstanding the increased capital cost of the installation, *all*, and more than all, the financial advantages originally claimed for the installation will materialise when traffic conditions are such that the output from the Power Station reaches the figure of 63,000,000 units on which the original estimates were framed.

The Director of Railway Audit has stated that "the higher cost per unit therefore is largely a consequence of the fall in traffic". In this view the Board concur, but they would go further and state that the higher cost per unit at the present load is *entirely* a consequence of the fall in traffic.

In paragraph 185, the Director of Railway Audit makes the comment that, if the agreement with the Power Company had been less rigid, it might have been possible to take a part of the load west of Kalyan to the Chola supply, which would have reduced the on-costs materially both by increasing the output and by improving the load factor. It is admitted that, if an agreement of the kind indicated by Audit could have been obtained from the Company, any additional load which could have been diverted from the Company to the Chola Power Station, would have increased the efficiency of the latter; but in considering this question the position of the Company must not be overlooked. Under their agreement with the Railway Administration they have undertaken to supply energy at varying rates on certain conditions relating to minimum demand, etc. In order to meet their obligations the Company have to allocate for Railway requirements a share of their generating plant capacity and transmission equipment, and unless the Company was assured of a demand which would yield to them a reasonable return, it would not have been possible to reach a reasonable agreement with them. It is certain that the power supplying company would not have accepted an agreement under which energy would be taken from the Company only when it suited the railway to do so, without very substantially increasing the rates charged for the supply. The agreement embodies the best terms obtainable after protracted negotiation.

In this connection special attention is invited to the following remarks made by the railway administration :—

“ The skill with which the contract was drawn is evidenced by the closeness of the agreement between the flat rate cost of 0·6 anna per unit when the supply is within the minimum and the average cost varying from 0·577 to 0·615 anna per unit between April 1929 and February 1932, calculated on the basis of maximum demand, when the supply exceeded the contracted minimum.”

With this opinion the Board are in complete agreement.

In the opening sentence of paragraph 186, reference is made to the early negotiation between the Power Supply Company and the Railway Board regarding the price to be charged for the energy obtained from the Company.

In the second sentence it is stated that “ it is believed that standard agreements for the bulk supply of electricity usually make provision for a variation of rates on a sliding scale to suit the variation in the price of coal ”. The Director of Railway Audit appears to consider that a clause varying the rates of energy in accordance with the price of coal should have been embodied in the agreement. If the Power-supplying Company were generating the electrical energy by means of prime movers consuming oil or coal, such a clause would have been entirely appropriate and would undoubtedly have been included in the agreement, but the Power-supplying Company generates the energy by means of water-power, and as their costs of generation are in no way dependent on the price of fuel, it is more than doubtful if any clause such as the Director of Railway Audit suggests would have been acceptable to the Company. The Board are unaware of any hydro-electric undertaking relying entirely on water-power, which would accept an agreement to supply energy at a rate which varies with the price of coal or oil. It is quite true that in negotiating an agreement with any such undertaking, the price at which the other party concerned could produce or obtain energy from other sources would be a factor to which due weight would be given when deciding on the rates of the supply, but after taking all known circumstances into consideration and having arrived at a price which in the light of the information available regarding loads, traffic, etc., was considered to be a fair economic rate, it would in the Board's opinion have been unfair and unreasonable to attempt to impose on the Power-supplying Company a sliding scale of rates dependent on the prices of a commodity which the Company did not use for the generation of the energy supplied to the Railway, and with which it was not in any way directly concerned.

The only action that can be taken in connection with the agreement with the supplying Company is to consider whether a reduction in the price of energy supplied should not be demanded when a fresh agreement is under consideration but it may be pointed out that the prices at which energy is obtained from the Company, having regard to their obligations under their agreement, is considered to be a favourable rate, and if the traffic on which the original estimates were based had been obtained, the Chola Power Station

indents for locomotives were forwarded for compliance, there was every expectation that the full complement ordered would be required to deal with the anticipated traffic. That the expectation was not an extravagant one is evidenced by the fact that at the present time, even with the great reduction in train miles noted by the Director of Railway Audit, 23 out of 24 passenger locomotives (including locomotives laid off for overhaul and repairs) are actually required to work the existing service, and 38 of the 41 goods locomotives are needed to deal with the goods traffic. It will no doubt be appreciated that for the working of electrified railways the number of locomotives does not vary directly with the volume of the traffic. There is a minimum number which is dependent on the service. A greater volume of traffic could undoubtedly be handled by the locomotives now in service, but the figures given show that piecemeal demands, the forecasting of which would have been a matter of great difficulty, might have resulted in grave inconvenience and inability to deal with the traffic offering. The advantage of 'keen' prices for a large number of locomotives ordered at the same time would have been lost, but this to some extent might have been set off by the reduction in price owing to the general world-wide depression in the heavy engineering industry. The other important consideration is the time taken to manufacture electric locomotives. These are not equipments which can be quickly obtained, and a period of 18 months to 2 years is not an unreasonable one to take as the time required from the sending of an indent to the placing of the locomotive in useful service.

Taking into account all the factors of the case, the Board are of the opinion that no ultimate saving would have been obtained by indenting for the locomotives piecemeal, but on the other hand, if such a course had been adopted, serious risk of dislocation in working and general deterioration of the service on the electrified system would have been imposed on the Railway Administration, and this risk is one which the Board, in view of their obligation to provide an efficient transport service, would not have been justified in taking.

Paragraph 193.—The Director of Railway Audit expresses doubts as to the propriety of taking credit in the estimates relating to the electrification scheme for the cost of the additional locomotives amounting to Rs. 48 lakhs which would have been required for additional traffic if steam working had been retained. It may be pointed out that when the electrification scheme was placed before the Standing Finance Committee, neither the item of Rs. 48 lakhs for additional locomotives, nor the credit for coal and oil, wagons and track, were taken into account in calculating the probable return obtainable on the capital cost of the electrification.

Paragraphs 194 and 195.—The main reason why the expectations of the Board, as stated in their report of 1925, were not realised, was the unprecedented slump due to the wide-spread financial stress and consequential general all-round depression.

(c) Suburban Electrification on the G. I. P. Railway.

Paragraph 198.—It is suggested by the Director of Railway Audit that the opening of the Harbour Branch merely diverted the old main line traffic instead of attracting as much new traffic as was anticipated by the framers of the scheme. Actually the diversion of suburban passenger traffic to the Harbour Branch was not a result of the electrification so much as of the extension of the Branch from Reay Road into Masjid and Victoria Terminus which coincided with it. As the Harbour Branch provided a new means of getting to the Cotton Depot at Sewri there is no doubt that a considerable amount of new traffic was obtained.

All tickets for journeys which can be made by one or other of the two routes, are available by either and as there is no information to show which route is most preferred, the total number of passengers travelling is apportioned between the two routes on a train mile basis. The number shown as travelling by the suburban section other than the Harbour Branch was therefore almost bound, in so far as the Harbour Branch provided an alternative route between certain stations, to show a diminution after the Harbour Branch was opened.

The point to which attention should be most directed is that, in spite of all the vicissitudes and depressing influences to which Bombay has been subjected during the past few years and in spite of increasing motor bus competition between the years 1927-28, 1928-29

and 1929-30, there was an increase in the total number of suburban passengers. In 1930-31 the total was still in excess of that for 1925-26.

It appears to the Board that in making deductions from statistics the Director of Railway Audit has omitted to take into account the various adverse conditions under which Bombay has been labouring during the past few years. •

Paragraphs 199 to 201.—With regard to these remaining paragraphs of the report, the Board are in general agreement with the following views expressed by the railway administration :—

“ A comparison is made between the cost of working the actual suburban train mileage in 1930-31 electrically and the estimated cost of working the same mileage by steam. It is not known, however, how the figure of 29·22 annas per steam train mile (on which Audit's figures seem to be based) is obtained. In any case, the cost of hauling a train of 4 coaches would not be the same as the average cost of hauling some of 4 and some of 8 coaches and calculations based on such an assumption cannot be accepted.

“ Actually the average number of coaches per suburban multiple unit train in 1930-31 was 5·96 and the total train mileage run was 2,287,297. A recent computation of the cost per train mile, steam and electric in the suburban area has given 30·75 and 23·86 annas respectively (excluding interest and depreciation).

“ This difference of 6·89 annas on the train mileage run represents an annual saving of Rs. 9,85,000, which on the Capital outlay of Rs. 275·28 lakhs which does not include a credit for the released steam locomotives shows a return of 3·58%.

“ In view of the adverse conditions which have had to be met, there does not appear to be any reason for disappointment with such a result.

“ A point which should be borne in mind when considering the suburban electrification scheme is that, when it was under discussion, it was stated that the retention of steam working would involve an additional outlay of Rs. 6·33 crores, making no allowance for the remodelling of the Victoria Terminus station, but allowing Rs. 4 crores for removing Parel Locomotive Works to another site to enable them to deal with the additional steam locomotives which would be required for the suburban service. Thus there is every reason to suppose that the retention of steam working would have involved a capital outlay almost as big as that incurred for electrification quite apart from the removal of Parel shops.

“ As regards the loss on suburban working in general it should be mentioned that suburban traffic is a necessary commitment of the Railway which may have to be run at a loss, when debited with its full quota of overhead charges and in this connection it is permissible to quote from an article by Mr. Henry Watson which appeared in the Electric Railway Bus and Train journal on 10th January 1932 :—

‘ Responsible transport undertakings must provide an adequate capacity for rush hour passengers, and must operate development services with good service frequency. These facilities must be extended to a degree which makes them, in themselves, unprofitable if the public are to be properly accommodated and the city to expand freely. It is not in the public interest to require each service to stand on its own feet, and the service must be extended, in non-remunerative directions by subsidy from others.’

“ The advantages of electrification such as ‘ the elimination of smoke and steam, greater acceleration, rapid reversals of suburban trains, and greater power in heavy gradients ’ which have been mentioned are those to which it is difficult to attach any monetary value, but it is only necessary to turn to the figures of operating results to find a very marked improvement in many other directions such as average speed of trains, gross ton miles per engine

hour, engine miles per engine day, mileage per engine failure, percentage of locomotives available for use, etc., etc.

‘ Automatic signalling which has also been mentioned is not dependent on electric working. It can be, and is, used on steam-working, but the greater acceleration and retardation of electric trains enables more advantage to be derived from automatic signalling than is the case with steam-working.

“ The conclusion which may be drawn from the results now available is that, had traffic increased according to estimates, the scheme would have been as remunerative as originally forecasted and the released stock would have been fully utilized. That the traffic has not reached expectations is solely due to causes which could not be foreseen at the time the estimates were made.

“ Moreover, if the capital outlay on electrification had not been incurred concurrently with the extension of the Harbour Branch the remodelling of Victoria Terminus, Mazgaon Yard, etc., and the elimination of the Bhore Ghat Reversing station, these schemes would have cost very much more in either construction or working, if not in both, and even then there would have been the risk of very serious congestions of traffic.

“ To have deferred the electrification would therefore have been both dangerous and extravagant, and the general result of the electrification is that we now have one of the best systems in the world and are in a position to meet any sudden and heavy increase in traffic without difficulty or undue further expenditure.

“ For any review of the financial aspects of the schemes to be complete, this enormous potentiality for economic development should not be ignored.”

To sum up, it is the Board's considered opinion that an attempt at comparison of the original estimates, or expectations of the electrification scheme with those actually obtained at the present time of acute depression can be of little value. It is almost impossible to discount the effect of the world trade depression on a scheme of this description, or, in other words, to get down to a comparison of like with like. Given the conditions and growth of traffic which were anticipated when the scheme was embarked upon and which in the Board's opinion were not unreasonable anticipations, the results obtained from the electrification scheme would have been satisfactory. No useful purpose will, it is considered, be served by attempting to make deductions from the results of working at a time when the electrification scheme, in common with many others, has been so seriously handicapped by conditions detached from the scheme and entirely beyond the control of the originators, or the Railway Administration under whose control it is operated.

(d) *Suburban Electrification on the B. B. and C. I. Railway.*

Paragraph 204.—The mileages done by electrical trains in 1930-31 were as follows :—

One unit trains	..	198,626	(2/3 accommodation of steam train).
Two unit trains	..	938,269	(4/3 accommodation of steam train).
<hr/>			
Total traffic	..	1,136,895	
Other trains	..	44,907	(equal to one steam train).
<hr/>			
Total train miles	..	1,181,802	

The equivalent of this in steam train miles would be roughly 1,428,000.

Paragraphs 205 and 206.—The position in regard to traffic and earnings in respect of the Great Indian Peninsula Railway Electrification has been dealt with at some length in sections (b) and (c) above. The remarks made therein apply equally to the Bombay Baroda and Central India Railway Electrification. It may be mentioned that the scheme was not brought fully into operation before 1928-29. The actual operating costs in 1930-31 works out to 32.03 annas a train mile. The cost of steam working on the Suburban system, when the Report on the Electrification estimate was prepared, was 36.19 annas per train mile.

It is obviously impossible to obtain actual present day costs of the latter, now that the system is electrified ; but assuming that the only variable was the cost of coal, this cost having dropped from 16·50 annas per train mile to 13·2 annas per train mile in 1930-31, the cost of steam working would, it is estimated by the Railway Administration, have been 32·89 annas per train mile.

Using the above figures for electric and steam working, the comparative cost of operation in 1930-31 would be :—

				Lakhs.
Steam 1,428,000 miles at 32·89 annas	..	..	..	=29·35
Electric 1,181,802 miles at 32·03 annas	..	..	..	=23·66
<i>Difference in favour of electric working</i>	..	..	..	5·69

These are 1930-31 figures. In 1931-32 the cost of electric working has been reduced to 30·57 annas, while the theoretical cost of steam working would, it is stated by the Railway Administration, be increased by a 15 per cent. surcharge on the freight of coal (freight forms about 66 per cent. of the total cost of the latter) to 34·29 annas per train mile.

Using the same train mileage figures as for 1930-31, the comparative costs of operation in 1931 would be :—

				Lakhs.
Steam 1,428,000 miles at 34·29 annas	..	..	..	=30·60
Electric 1,181,802 miles at 30·57 annas	..	..	..	=22·58
<i>Difference in favour of electric working</i>	..	..	..	=8·02

Further, it is expected that, when the steam drivers at present used on the electric service can be drafted back to steam working and replaced by cheaper motormen, the cost of electric operation will come down to the originally estimated figure of 27·09 annas a mile, thus still further increasing the difference in favour of electric working.

As regards interest and depreciation charges, Audit have presented only one side of the picture, by omitting to take into account the expenditure that would have been incurred had electrification not been introduced.

It must be realized that, at the time the decision to electrify was made, the steam system had reached the limits of its capacity to deal with the traffic offering, and that expansion was essential to meet the requirements of the traffic anticipated.

To increase the capacity of the steam service was, for many reasons, considered impracticable and no exact figures therefor can be given. Assuming, however, for the sake of argument, that it had been decided to increase the capacity of steam service instead of to electrify, it is almost certain that the quadrupling of the line then in hand would have had to be extended below Grant Road to Church Gate, at cost in land alone of anything up to Rs. 100 lakhs and that something in the neighbourhood of Rs. 50 lakhs would have had to be spent on purchase of additional steam rolling stock.

Adding to this the cost of the existing steam stock, the following comparison in Interest and Depreciation charges may be made :—

			Steam. (Estimated). Lakhs.	Electric. (Actual). Lakhs.
Capital outlay (existing stock)	..	..	52·65	
Capital outlay (new stock and quadrupling)	..	..	150·00	
			202·65	204·00
Interest on outlay at 5½ per cent.	..	..	11·15	11·22
Depreciation on outlay at 3 per cent.	..	..	6·08	6·12
Total	..	..	17·23	17·34

These figures, being largely hypothetical, must be accepted with caution ; but they will serve to illustrate the point that, although the present net earnings fall considerably short of the amount required to meet the interest and depreciation charges on the cost of electrification, the position is not necessarily, or appreciably, worse than it would have been under an expanded system of steam working ; and, as has been shown, in respect of operating costs, it is materially, better.

Paragraph 207.—The Board have no data on which to deduce the extent to which the improvement in the local service effected by electrification has resulted in the retention of traffic which might otherwise have been lost. It may, however, be mentioned that the Railway Administration puts the value of this at some Rs. 10 lakhs a year.

ANNEXURE I TO APPENDIX XV.

*Review by the Chief Accounts Officer on the working of the Suburban Electrification Scheme—
G. I. P. Railway (Harbour Branch Section only) during 1930-31.*

In 1922, in consequence of the development schemes which the Bombay Improvement Trust were then proceeding with in the Harbour Branch areas, the need was foreseen of providing access to Bombay and Sewri for the new population of these areas and for the business community.

In estimating the rolling stock equipment required, the estimated figures of population in these areas in 1925 were taken as the basis and it was then considered whether the new service should be steam or electric.

On the basis of rolling stock equipment the initial capital cost of Steam and Electric Service was estimated to be Rs. 81·68 and Rs. 72·80 lakhs respectively and the cost of working at 30·62 annas and 25·41 annas per train mile respectively. Moreover Electric Service was considered to be more rapid than steam service. It was further considered that owing to physical condition of this line a steam service of the required density was next to impracticable. On these considerations the electrification of the Harbour Branch was decided upon.

The actual capital cost of electrifying the section is Rs. 78·02 lakhs against the estimated cost of Rs. 72·80 lakhs. The actuals are thus below the estimated steam costs of Rs. 81·68 lakhs by Rs. 3·66 lakhs. And if it be assumed that the original estimated steam costs would have likewise been exceeded in actual execution, the saving owing to the adoption of electric service would be still greater.

On the basis of this saving of 5·21 annas per train mile and on the estimated train mileage of 350,000 the saving in favour of electric working was placed at Rs. 1·14 lakhs. The actual train mileage during 1930-31 was 558,000, i.e., considerably in excess of the assumed train mileage of 350,000, and the actual saving in favour of electric working Rs. 4·70 lakhs, *vide* statement attached, which works out to a return of 6·02% on the outlay of 78·02 lakhs. The claim that the electric service would be cheaper in operation is, therefore, also justified.

It will be seen *vide* column ' B ' of the statement attached that the estimated operating costs of the Electric Service do not include a charge for administration, presumably on the ground that it was anticipated that the then existing administration would suffice and that there would be no additional expenditure under this head. The expenditure under administration for the Electric service may be divided under two heads (a) the proportion which may be said to be common to both steam and electric and which would have been incurred if steam working had continued, and (b) the proportion which is purely attributable to electric working in connection with power distribution. The charge for time (b) is estimated at Rs. 15,000 as shown in column ' D ' of the Statement.

To arrive at the cost of steam working shown in column " C " is difficult as a steam worked suburban service is very much more expensive to run than a long distance service. It has been estimated for instance that the coal consumption on suburban steam locomotives may be anything between 50% and 100% greater than that on locomotives used for long distance work, while expenditure on " Running repairs locos " and " Repairs to coaching vehicles " would also be higher, owing to the increased wear and tear suffered by locomotives in the more frequent starting and stopping and by the coaching stock in additional use of the greater number of doors per coach and the more frequent ingress and egress of passengers. It is not possible to give any definite figure for this increased cost without a long and detailed investigation. In calculating the figures of 10·14 lakhs entered in the statement a 50% increase in fuel consumption has been added to the average actual cost for working the whole line in 1930-31 by steam.

The electrification of the suburban lines was completed in two stages, the first relating to the Harbour Branch reviewed above and the second Victoria Terminus to Kalyan, a review on the working of which is appended.

In paragraph 198 of his Report on the Appropriation Accounts for 1930-31, the Director of Railway Audit has pointed out that since the electrification of the line the earnings of the suburban sections, excluding the Harbour Branch, have steadily decreased and he has

suggested that the opening of the Harbour Branch had merely diverted traffic from the old Main Line instead of attracting new traffic as was anticipated. Even looking at the matter from this point of view it may be added that omitting the figures relating to the years 1925-26 and 1926-27 during which the electric service was not in full swing and taking the figures for the following years and those for a corresponding period of years previously, the figures of traffic and of earnings of the suburban sections have been as follows :—

				Passengers. (Millions.)	Average.	Earnings. (Lakhs.)	Average.
1921-22	23·3	24·7	21·82	24·90
1922-23	..	..	..	25·0		26·32
1923-24	..	..	..	25·0		26·52
1924-25	..	..	..	25·5		24·95
1927-28	31·0	31·6	28·83	27·35
1928-29	..	..	..	31·5		27·42
1929-30	..	..	..	33·0		27·62
1930-31	..	..	..	31·0		25·53

It will be seen from the above that even including the figures of a bad year like 1930-31, the average No. of passengers carried has increased by 6·9 millions or 28 per cent. and the average earnings by 2·45 lakhs of rupees or 9·84 per cent.

The electrification will thus be seen to have been justified both from the point of view adopted in the original framing of the estimates and from that of the improvements in the No. of passengers carried and in the total earnings.

Statement of comparison of Steam and Electric Working.

HARBOUR BRANCH RAILWAY.

(Figures in lakhs.)

Steam working.			Electric working.		
Items.	Estimated operating cost.	Actual operating cost.	Items.	Estimated operating cost.	Actual operating cost.
Fuel	3.94	5.15	(1) Cost of current ..	3.89	1.72
Oil .. ..	.18	.12	(2) Motormen's, Brakesmen's and Guards' wages.	.73	1.42
Water	0.9	.27	(3) Substation wages and maintenance.	.31	.12
Maintenance of locomotives.	1.20	1.66	(4) Cleaning and repairs of coaches.	.20	1.19
Running expenses and Drivers' wages.	.98	1.68	(5) Cleaning, stores, oil, repairs and renewals of electric equipment.	.43	.84
Cleaning and repairs of coaches.	.31	1.26	(6) Administration ..	..	.15
	6.70	10.14		5.56	5.44
	A.	C.		B.	D.

A. This amount represents the estimated cost of working the steam service of 3.50 lakhs of train-miles at 30.62 annas per train-mile as given in the original justification.

B. This represents the estimated cost of working the electric service of 3.50 lakhs of train miles at 25.41 annas per train-mile as given in the original justification.

C. This amount represents the estimated cost of working by steam service the same mileage as that covered by electric service during the year 1930-31 namely 558,000 train-miles at 29.09 annas per train-mile based on the actual cost for 1930-31 as explained in paragraph 9 of the review.

D. The outlay booked under abstract C (a) for the year 1930-31 excluding Depreciation has been divided between Suburban (including Harbour Branch) and Main Lines partly on the ton-mile basis, partly on the actual expenditure booked and partly on data furnished by Chief Transportation Superintendent.

The figures so obtained for Suburban electrification scheme including Harbour Branch has been further apportioned between Main Line, Suburban and Harbour Branch on a train-mile basis except in the case of power which is apportioned on ton-mile basis.

NOTE.—As similar items were not included in the estimated costs, the following items of expenses are excluded from the costs shown in columns C & D :—

	Column C.	Column D.
Repairs of machinery, tools, etc. .. ..	.15	.04
Lighting, watering and general stores .. ..	.10	.02
Carriage of Revenue stores except on fuel .. ..	.06	..
Train Staff .. ..	.52	..
Line equipment maintenance .. ..	..	.32

ANNEXURE II TO APPENDIX XV.

Review by the Chief Accounts Officer on the working of the Suburban Electrification Scheme, Victoria Terminus to Kalyan only for the year 1930-31.

The justification for the suburban electrification scheme, excluding the Harbour Branch, was based on the return which a reduction in working expenses would give on the capital required for electrification, an increase in train mileage of about 75 per cent. being assumed and the increased train mileage fixed at 1,581,435. The assumed increase of 75 per cent. in train-miles would have necessitated additional steam locomotives and coaching stock if worked by steam, and the estimated cost of such additional stock was taken credit for in estimating the capital required for electrification.

2. The cost of working by steam service was calculated at 39·79 annas per train-mile, based on the actual expenses for 1921-22, and that of electric working was estimated at 29·00 annas per train-mile. Details of the estimates are shown in columns 'A' and 'B' of the Statement attached, and on the estimated train mileage of 1,581,435 the saving in favour of electric working was estimated as Rs. 10·67 lakhs (i.e., Column 'A' Rs. 39·32—Column 'B' Rs. 28·65).

3. The capital outlay for electrification was estimated as under :—

Electric Service—	Rs.
Gross capital cost of electric plant as per estimate	1,58,61,060
Credit for steam locomotives to be released	31,39,200
Net Total (a)	1,27,21,860
Steam Service—	
New locomotives and coaching stock to work additional service ..	46,01,150
Excess of capital required for electrification (b)	81,20,710

It was therefore calculated that the saving of working expenses of Rs. 10·67 lakhs referred to in paragraph 2 would give a return of 13·1 per cent. on the net capital outlay.

4. The actual train mileage for 1930-31 is 1,729,000, i.e., considerably in excess of the assumed train mileage. The release of steam locomotives referred to has also been realised, the locomotives having either been sold to other railways or made available for use on other sections of the line. To this extent, therefore, the introduction of the new scheme has been justified. With regard to the financial results, the actual cost of electric working worked out on the basis explained in the Statement is Rs. 27·16, *vide* column 'D', and the estimated cost of working the same mileage by steam is Rs. 33·06 as per column 'C' of statement; there is therefore a saving in favour of electric working of Rs. 5·90 lakhs, which, as shown below, works out to a return of 5·99 per cent. on the net capital outlay of Rs. 98·50 lakhs as compared with the estimated return of 13·1 per cent.:—

	Gross.	Net.
	(Figures in thousands of Rupees.)	
Capital outlay as per estimate	158·61	81·21
Estimated saving Rs. 10·67 .. ..	..	..
Percentage return on capital *as per justification ..	6·73%	*13·1%
Actual capital outlay to 31st March 1931 † includes the estimated credit of Rs. 77·40 referred to in paragraph 3 above.	175·90	†98·50
Actual saving in 1930-31 Rs. 5·90 .. ..	..	..
Percentage return on capital	335%	5·99%

5. In the *working estimate* for the scheme credits for the value of released locomotives and for the estimated cost of additional stock that would have been required if electric traction was not introduced, were excluded and the reasons for this are not known. Considered with reference to the gross outlay as adopted in the working estimate, it will be seen that the actual return during 1930-31 comes out as 3.35 per cent. as compared with the estimate of 6.73 per cent.

6. It will be seen, *vide* Column 'B' of the Statement attached, that the estimated operating costs of the Electric Service do not include a charge for Administration, presumably on the ground that it was anticipated that the then existing administration would suffice, and that there would be no additional expenditure under this head. The expenditure under Administration for the Electric Service may be divided under two heads (a) the proportion which may be said to be common to both Steam and Electric and which would have been incurred if steam working had continued, and (b) the proportion which is purely attributable to Electric working in connection with Power Distribution. The charge for item (b) is estimated at Rs. 48,000 as shown in column 'D' of the statement.

7. The actual return has not come up to the estimates, *vide* paragraphs 4 and 5 above, and this has to be attributed to some extent to the increased capital cost, a number of additional works not provided for in the original estimate having been carried out. Had the estimated capital outlay not been exceeded the actual return would have been 3.72 per cent. and 7.27 per cent. respectively.

8. It may also be noted that the estimated cost of steam working in 1930-31 is Rs. 33.06 lakhs against the original estimated cost of Rs. 39.32 lakhs. It is difficult to arrive at a correct figure for this cost because steam worked suburban service is very much more expensive to run than long distance service. It has been estimated for instance, that the coal consumption on suburban steam locomotives may be anything between 50 per cent. and 100 per cent. greater than that on locomotives used for long distance work, while expenditure on "Running repairs Locomotives" and "Repairs to coaching vehicles" would also be higher, owing to the increased wear and tear suffered by the locomotives in more frequent starting and stopping, and by the coaching stock in additional use of the greater number of doors per coach and the more frequent ingress and egress of passengers. It is not possible to give any definite figure for this increased cost without a long and detailed investigation; in calculating the figure of Rs. 33.06 lakhs referred to above, a 50 per cent. increase in fuel consumption has been added to the average actual cost for working the whole line in 1930-31 by steam.

9. The unfavourable results brought out above on a comparison of the actuals for 1930-31 with the estimates are thus due to capital expenditure on works not provided for in the estimate and the large reduction in the costs of steam working in 1930-31 as compared with those of 1921-22 as contrasted with the corresponding figures relating to Electric working.

STATEMENT OF COMPARISON OF STEAM AND ELECTRIC WORKING.

Suburban Electrification Scheme—Main Line V. T. to Kalyan.

(Figures in lakhs.)

Steam Service.			Electric Service.		
Items.	Estimated Operating costs.	Actual Operating costs for 1930-31.	Items.	Estimated Operating costs.	Actual Operating costs for 1930-31.
	Rs.	Rs.		Rs.	Rs.
Fuel	18.32	15.95	Electric energy ..	17.06	14.64
Oil, Tallow, etc. ..	.74	.37	Motormen's, Brakesmen's and Guards' wages.	3.32	4.36
Water .. ..	.52	.84	Cleaning and repairs of coaches.	4.09	5.96
Maintenance of locomotives.	6.55	5.16	Cleaning, storage, oil repairs and renewals of Electric equipment.	1.93	.36
Running expenses and Drivers' wages.	5.47	5.21	Substation wages and maintenance.	1.37	.39
Cleaning and repairs of coaches.	5.61	3.91	Line Equipment maintenance.	.88	.97
Train Staff ..	2.11	1.62	Administration ..	..	.48
Administration ..	..	..	
Total ..	39.32 (A)	33.06 (C)	Total ..	28.65 (B)	27.16 (D)

(A) This amount represents the estimated cost of working the steam service of 15.82 lakhs of train-miles at 39.79 annas per train-mile as given in the original justification.

(B) This represents the estimated cost of working the electric service of 15.82 lakhs of train-miles at 29.00 annas per train-mile as given in the original justification.

(C) This amount represents the estimated cost of working by steam service the same mileage as that covered by electric service during the year 1930-31, namely, 1,729,000 train-miles at 30.59 annas per train-mile, based on the actual costs for 1930-31 as explained in paragraph 10 of the review.

(D) The outlay booked under abstract C (a) for the year 1930-31 excluding Depreciation has been divided between Suburban (including Harbour Branch) and Main Lines, partly on ton-mile basis, partly on the actual expenditure booked and partly on data furnished by Chief Transportation Superintendent.

The figures so obtained for suburban electrification scheme, including Harbour Branch, has been further apportioned between Main Line Suburban and Harbour Branch on a train-mile basis except in the case of power which is apportioned on a ton-mile basis.

NOTE.—As similar items were not included in the estimated costs the following items of expenses are excluded from the costs shown in columns C and D :—

	Column C.	Column D.
Repairs of Machinery, Tools, etc. .. ..	.48	.10
Lighting, watering and General Stores in trains .. ..	.30	.06
Carriage of Revenue stores, except on fuel .. ..	.17	.03
	.95	.19

ANNEXURE III TO APPENDIX XV.

Review by the Chief Accounts Officer of the working of the two Suburban sections combined of the G. I. P. Railway electrically during the year 1930-31.

The actual suburban train mileage performed in 1930-31 reckoned in actual unit train-miles was 22·87 lakhs. The cost of working this mileage electrically was Rs. 32·60 or 40·64 lakhs including depreciation of Rs. 8·04 lakhs adopted by the Chief Auditor, whereas it would have been 43·20 or 48·49 including depreciation of Rs. 5·29 lakhs if the same mileage had been operated by steam. The saving in working expenses due to electrical working is therefore (Rs. 48·49—Rs. 40·64) Rs. 7·85 lakhs which gives a return of 3·09% on actual outlay of Rs. 2,53,92 lakhs.

The cost of electrical working shown above differs from that given in paragraph 200 of the Director of Railway Audit's report on the Appropriation Accounts for 1930-31 as under :—

	Rs.
Director of Railway Audit's Report	43·42
Chief Accounts Officer's figure	40·64
Difference	2·78

This difference is made up of—

(a) a reduced figure of Administration adopted by this Office, that is (Rs. 2·69—Rs. ·63) Rs. 2·06 (<i>vide</i> paragraph 6 in the reviews on Harbour Branch and V. T. Kalyan Sections)	2·06
(b) Sundry items not included in original estimate, <i>vide</i> Notes in the reviews for Suburban Sections	·57
(c) Small differences due to different methods adopted by the Chief Auditor and this office in connection with distribution of expenditure between Main Line and Suburban	·15
	2·78

There is also a difference in the cost of steam working as shown in Director of Railway Audit's paragraph 200 and as given in paragraph 1 above as shown below :—

	Rs.
Paragraph 1 above	48·49
D. R. A.'s paragraph	44·46
	4·03

The excess is made up as under :—

Addition to cost of fuel, <i>vide</i> paragraphs 7 and 8 of reviews on Harbour Branch and V. T. Kalyan Sections respectively	7·03
Cost of administration excluded by this office as the same was not included in original estimate, <i>vide</i> paragraph 6 in the reviews on Suburban Sections	—2·69
Due to adjustment in rates per train-mile for certain items as suggested by the Chief Transportation Superintendent	—·31
	4·03

ANNEXURE IV TO APPENDIX XV.

Review by the Chief Accounts Officer of the working of the Main Line Sections upto Poona and Igatpuri electrically during the year 1930-31.

The justification for the Main Line Electrification Scheme was based on the return which a reduction in working expenses would give on the Capital Outlay incurred. The train mileages for these Sections during 1932-33 were estimated and this was taken as the basis for estimating the saving on working costs in favour of electrification. This reduction in working expenses during 1932-33 (the train mileage being estimated at 3,608,000) was expected to be Rs. 42.21 thousands, *vide* Statement attached (i.e., Column A—Column B), which would give a return of 7.63% on the estimated Capital Outlay of Rs. 5,52.84 lakhs.

2. This review relates to the year 1930-31. The actual electric train mileage for that year was 1,955,000 (passenger 1,340,000, goods 615,000). The total electric goods gross ton miles (excluding weight of engine) was 566,816,697. According to the 1924 Report of the Consulting Engineers (Table ii) the estimated average gross train load (Steam) in 1932-33 was 910 tons and as the estimated figure of gross ton miles steam and electric for 1932-33 is the same, the steam goods train-miles for 1930-31 might therefore be estimated at $566,816,697 \div 910 = 623,000$. As passenger train-miles remain the same if worked electrically or by steam, the total equivalent steam train miles for 1930-31 may be estimated at 19,63,000 (passenger 1,340,000, goods 623,000).

3. The cost of working 1,963,000 miles electrically in 1930-31 is Rs. 59.39 lakhs and the estimated cost of working the corresponding steam mileage Rs. 81.83 lakhs, *vide* Columns D and C respectively of the Statement attached.

4. With regard to the estimated cost of working 1,963,000 train-miles by steam in 1930-31 as shown in Column C of the Statement attached these figures are based on information supplied by the Chief Transportation Superintendent and have been accepted by me.

(a) *Fuel Rs. 30.90 lakhs.*—This is based on the estimated cost of fuel which would have been required to handle the actual traffic dealt with in 1931-32 (the first full year of electrification), increased in proportion to the higher traffic figures for 1930-31. The cost of fuel being taken at Rs. 20.62 per ton the average cost in 1923-24. In this connection the Chief Transportation Superintendent remarks as follows:—

“ I understand that the figures used in Messrs. Merz & Partners 1924 Report were based on the actuals for 1922-23, and the following deductions are based on this belief.

In 1922-23 the steam services in what is now the electrified area were largely worked by oil fired engines, whilst the coal fired engines used Bengal Mail Coal. Complete figures of cost and quantity of coal and oil fuel for 1922-23 are not now available, but 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. This figure would be approximately the same, or perhaps slightly less in 1922-23.

It is not possible to say now whether a steam service in 1930-31 would have used coal and oil in the same proportions as was done in 1922-23 and 1923-24, as the use of these two fuels is affected by a number of varying factors which cannot be ascertained for past years. I am therefore forced to assume for the purposes of this investigation that coal and oil in 1930-31 would have been used in the same proportion as they were in 1923-24. On this basis the average cost of fuel consumed in the electrified area in 1930-31 (oil having been reduced to a coal basis) would have been Rs. 22.09 per ton. It seems at first to be somewhat anomalous that at a time when the pitmouth price of coal is down, the average cost of fuel in Bombay should be higher than it was 8 years previously. It must, however, be remembered that while the cost of oil fuel has increased due to the payment of Customs duty, and the cost of Bengal coal in Bombay has decreased, we were using in the electrified

area very much more oil (in terms of coal) than coal, and there are not sufficient grounds to suppose that we should then have been in a position to reduce our oil consumption to any great extent.

* * * * *

If the estimated tonnage which would have been required in 1930-31 is costed at Rs. 22·09, the average cost in 1930-31 as shown above the total fuel cost for the year comes out at Rs. 32·7 lakhs. I hesitate to recommend the use of this figure because of the impracticability of determining the proportion of oil to coal which would have been used in 1930-31, as referred to in paragraph 3 above, and I therefore suggest that my original figure of 30·9 lakhs should be adhered to."

(b) *Water, oil, stores, etc., Rs. 6,83 lakhs.*—The cost of this item does not vary directly as the train mileage. The cost of running shed staff is almost entirely independent and water charges are also largely independent. It is therefore considered that 40 per cent. of the total under this head may be taken as dependent. The cost is therefore arrived at as under:—

$$\frac{40}{100} \times 8.35 = 3.34 \text{ lakhs as dependent.}$$

The dependent cost varies as the train mileage so the estimated cost for 1930-31 is:—

							Rs.
$3.34 \times 1,963,000$							
<u>3,608,000</u>	..	..	..	..	..		= 1.82 lakhs.
The independent cost	..	..	..	..	..		= 5.01 ..
							<u> </u>
Total	..	..	..	..	..		= 6.83 ..
							<u> </u>

(c) *Locomotive repairs.*—This includes repairs carried out by the Mechanical and Transportation Department. At page 207 of the Annual Report for 1930-31, it is seen that 41 per cent. of the total Outlay is on account of running charges and 59 per cent. Workshop charges. It is also estimated that 75 per cent. of the running charges and 12 per cent. of the Workshop charges are dependent. Applying these percentages to the figures of Rs. 18·01 shown in Column "A" of the Statement attached the cost of locomotive repair for 1930-31 is estimated to Rs. 14·90 lakhs.

(d) *Train Wages.*—More steam engines would have been necessary to work trains on the ghats with a steam service than with electric working, and therefore the cost would have been higher in 1930-31 than were the actuals for that year. As it would be difficult to estimate this figure with any degree of accuracy the actual expenditure for 1930-31 of Rs. 16·32 lakhs has been taken.

(e) *Shunting on the Ghats Sections.*—This applies purely to goods traffic and relates to expenses incurred in breaking up and forming trains at the top and bottom of the ghats. The figure of Rs. 5·28 lakhs given in the estimate (*vide* Column "A") is apparently based on the dependent cost of the number of shunting engine hours incurred and it is therefore correct to vary the cost on a mileage basis. The figure for 1930-31 is therefore:—

$$\frac{5.28 \times 44.6}{100} \dots \dots \dots = 2.36 \text{ lakhs.}$$

(44·6 is the percentage ratio of the equivalent actual to estimated goods engine miles.)

(f) *Traffic delays due to dividing trains on the ghats.*—This also applies purely to goods and being based on the saving in wagon hours may be apportioned on a mileage basis as in the previous item, the cost for 1930-31 is therefore:—

$$\frac{4.05 \times 44.6}{100} \dots \dots \dots \text{Rs. 1.81 lakhs.}$$

5. It is seen from paragraph 3 above that in 1930-31 there is a saving in working expenses in favour of electric traction of Rs. 22·44 lakhs (Rs. 81·83 — Rs. 59·39) equal to 4·49 per cent. on the actual Capital Outlay to end of March 1931 of Rs. 5,00,25,000.

6. The financial results as compared with the original estimate are as under :—

	Estimated.	Actuals.
	Rs.	Rs.
Capital Expenditure	5,52,84,000	..
Actual Capital Outlay to end of March 1931 ..		5,00,25,000
Saving in working expenses	42,21,000	22,44,000
Return on Capital Outlay	7·63%	4·49%

7. Although there is a reduction of over Rs. 50 lakhs in actual Capital Outlay as compared with the estimate, the saving in working expenses shows a return of 4·49 per cent. only on Capital Outlay as against the estimate of 7·63 per cent. The lower return on Capital Outlay appears to be due to the estimated volume of traffic not being realised, resulting in the rate per train mile for electric working coming out higher than estimated, viz., Rs. 3·04 as against 2·34, *vide* Statement attached.

STATEMENT OF COMPARISON OF STEAM AND ELECTRIC WORKING.

Main Line Electrification.

(Figures in lakhs.)

Steam Service.			Electric Service.		
Items.	Estimated operating costs.	Actual operating cost for 1930-31.	Items.	Estimated operating costs.	Actual operating cost for 1930-31.
	Rs.	Rs.		Rs.	Rs.
1. Locomotive Fuel	56.40	39.90	1. Electric energy including interest and Depreciation on Chola Power House.	36.57	27.35
2. Water, oils, stores and running shed charges ..	8.35	6.83	2. Water, oil, etc. ..	2.26	0.06
3. Locomotive repairs	18.01	14.90	3. Locomotive repairs	5.12	1.92
4. Train wages ..	20.37	16.32	4. Train wages ..	14.79	16.32
5. Shunting on the ghat section ..	5.28	2.36	5. Shunting on the ghat section ..	..	..
6. Traffic delays due to dividing trains on the ghat section ..	4.05	1.81	6. Traffic delays due to dividing trains on the ghat section ..	..	..
7. Maintenance of track released ..	0.06	0.06	7. Maintenance of track released ..	..	..
8. Sub-station operation and maintenance ..	..	..	8. Sub-station operation and maintenance	2.04	1.74
9. Maintenance of P.-way equipment and transmission system ..	..	..	9. Maintenance of P.-way equipment and transmission system	1.59	1.67
10. Control of Electric system (Administration)	..	..	10. Control of Electric system (Administration) ..	.58	1.30
11. Depreciation ..	8.65	8.65	11. Depreciation ..	16.01	9.03
Total ..	121.17	81.83	Total ..	78.96	59.39
	A	C		B	D

A. This amount represents the estimated cost of working the steam service of 3,608,000 train miles as given in the original estimate.

B. This amount represents the estimated cost of working the electric service of 3,372,000 train miles as given in the original estimate.

C. This amount represents the estimated cost of working by steam 1,963,000 steam train miles (*vide* paragraph 2 of review) corresponding to actual electric mileage of 1,955,000 during 1930-31 as worked out by the Chief Transportation Superintendent, see paragraph 4 of review.

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D. With the exception of the charge for electric energy this amount represents the proportionate cost of main line electrification expenses chargeable to abstract C (a). The division of the cost of abstract C (a) between suburban and main line electrification has been made partly on a ton-mile basis, partly on the actual expenditure and partly on the data furnished by the Chief Transportation Superintendent. The proportionate charge for electric energy (Rs. 27.35) has been adjusted to include interest and depreciation to enable a comparison being made with the original estimate.

		Rs.	Rs.
		7,896	
NOTE.—Estimated cost per train mile electric working ..	=	<u>3,372</u>	= 2.34
		5,939	
Actual	ditto	ditto	=
		<u>1,955</u>	= 3.04

As similar items were not included in the estimated costs the following items of expenses are excluded from the cost shown in column D :—

Carriage of revenue stores .. ..	..	..	..	..	03
Repairs of machinery and tools and plant	..	..	..	..	13
Telephone and train control equipment	..	..	..	..	0.6
					<u>22</u>
				Total ..	22

APPENDIX XVI.

Instructions issued to Railway Administrations on the Appropriation Accounts of Railways in India for 1930-31 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 29th August 1932. •

I am directed to address you on the Appropriation Accounts of Railways in India for 1930-31 and on the report of the Director of Railway Audit thereon.

While the Railway Board are confident that these have already been carefully studied by your administration in order to take necessary action to prevent in future the occurrence of irregularities similar to those noticed therein, they wish to communicate to you some general observations on them.

2. The Railway Board have noticed with concern the large number of instances in which an excess of expenditure over allotment is explained in the Appropriation Accounts as due to the absence of budget provision. They attach great importance to the principle that, except in cases of immediate urgency, no expenditure should be incurred without funds having been provided in the budget or found by re-appropriation, and they trust that in future years such irregularities will not occur with any frequency.

3. The Board have been disappointed to note the large number of cases where provision has been made in the budget under wrong heads (paragraphs 59 and 64 of the Director of Railway Audit's Report). A list is attached giving extracts from the Appropriation Accounts relating to your railway. The Board consider that these irregularities can be avoided altogether by the exercise of care in the preparation of the budget, and they expect that you will take such steps as are necessary to ensure that they do not occur in future.

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

Paragraph 34. Delay in the preparation of the Appropriation Accounts.—The Railway Board regret to note the delay in the preparation of the Appropriation Accounts both for individual railways and for all railways as a whole and hope that steps have been taken to ensure greater punctuality in future.

Paragraph 48. Irregular re-appropriations.—The Board desire to emphasise the importance of sanctioning re-appropriations as and when necessary. You will no doubt agree that re-appropriations, sanction to which is postponed till the end of the year, reflect on the adequacy of the arrangements for control of expenditure on the railway.

Section B of Chapter V of the Report.

Paragraphs 94 and 96.—The Railway Board desire particularly to draw the attention of your internal check organisation to the remarks in these paragraphs. They concur with the Director of Railway Audit as to the necessity for close co-operation between accounts offices and executive offices and the desirability of carrying out a definite programme of accounts inspections. They are also in full agreement with him that the duties of the Chief Accounts Officer of a railway should not be confined merely to the business of accounting and internal check, but that he should, as the financial adviser of the railway, devote special attention to a general examination of the finances of the railway in order to be in a position to make suggestions for reduction of expenditure or for increase of revenue.

Paragraph 95 (e) (2).—The Board consider that it cannot be too strongly impressed on accounts officers that certificates, such as those referred to in connection with suspense balances, should never be treated as a mere matter of routine.

Section C.

Paragraphs 100 and 103.—The advantages of periodical inspection, particularly an occasional surprise inspection, should be impressed on accounts and administrative officers.

Section D.

Paragraphs 104 et seq.—The Board trust that the instructions contained in their letter No. 6254-F. of 17th July 1930 have put an effective stop to this type of irregularity and that no cases of the sort will find a place in the Director of Railway Audit's report for 1931-32.

Sections E, F and G.

Paragraphs 108 to 116.—The Railway Board desire to draw the special attention of railway administrations to these sections of the Director of Railway Audit's report. They wish to emphasise the necessity

- (i) of settling, before a work actually let out on contract is commenced, the terms on which it is let, and of expressing these in the form of a contract drawn up where necessary on legal advice ;
- (ii) if and when necessity arises to modify such terms, of reducing these modifications to writing in proper form ; and
- (iii) of scrutinising most carefully in consultation with the financial adviser of the administration any payments which are not admissible on a strict interpretation of the terms of the contract before such payments are sanctioned. Your attention is invited to the principles enunciated in Government of India, Finance Department Resolution No. F. 22-XII-Ex.-II|27 of 12th August 1929, a copy of which was forwarded with this office endorsement No. 2692-S., dated the 25th September 1929. The Railway Board expect to issue very shortly in elaboration of these principles, definite rules dealing with the preparation of contracts.

Chapter VI.

Paragraphs 124—136.—The Railway Board are aware that the reduction of stores balances is a question which is always exercising railway administrations at present. They need not, therefore, say more on this point than express their full agreement with the Director of Railway Audit as to the necessity for special vigilance on the part of purchasing officers. They trust that all railway administrations are restricting purchases to urgent requirements and with due regard to existing stocks. Even though the article required is not in stock, the possibility of using a substitute, which is in stock, as far as practicable must not be lost sight of.

Chapter VII.

Section A. Paragraphs 144 and 145.—The Railway Board regret to notice the large number of cases in which the extent of variation between estimates and actuals is high and hope that you have taken steps to improve estimating.

Section D.—The large number of cases reported in which inordinate delays have occurred in settlements between railways is also a matter of grave concern. They are writing separately to individual railways with regard to particular cases where delays have been most marked, but, while they do not wish to minimise the difficulties that may in practice tend to delay the drafting of a final agreement, they wish here to emphasise the necessity of a railway administration taking all possible steps to see that such delay is reduced to a minimum.

APPENDIX XVII.

Instructions issued to Railway Administrations regarding timely ascertainment of responsibility of officers in cases of financial irregularities.

Letter from the Railway Department (Railway Board), to the Agents of various Railways, No. 1620-B., dated the 27th October 1932.

The attention of the Railway Board has been drawn to a number of cases in which explanations of irregularities brought to notice by audit are accompanied by a statement that the officer concerned has left the service of the railway, and consequently no disciplinary action can be taken. They realise that in many of these cases this is inevitable. Owing to the delay which is unavoidable to a large extent in such cases being brought to notice, it is often a perfectly natural accident, but they hope that the railway administrations have taken steps to guard against the temptation that this gives rise to of putting the responsibility wherever possible on an officer who has left the service of the railway. They also wish to draw your attention to the desirability of taking suitable steps to ensure that when an irregularity is under investigation an officer is not allowed to retire with his full provident fund bonus and gratuity until his responsibility is ascertained and it has been decided that no disciplinary action is called for in his case. In future whenever in an explanation by any railway administration it is stated that the employee concerned has retired, the Railway Board will expect a full statement explaining whether the irregularities were brought to notice before or after he had retired ; and if earlier, what steps had been taken to ensure that a full investigation had been made into the circumstances before he actually retired.

APPENDIX XVIII.

Supplementary Memorandum on the Vizagapatam Harbour Construction Project, furnished by the Railway Department [vide paragraph 27 of Auditor General's comments on the Appropriation Accounts of the Central Government (Civil) for 1930-31—Appendix III to Part I of Report].

The Auditor General has suggested that the Public Accounts Committee may desire to have the most recent information that is available regarding the revision of the estimate for the construction of the harbour. The memorandum submitted by this department on the 20th January 1932, printed as appendix XXXIV to the Report of the Public Accounts Committee on the accounts of 1929-30, volume I, contains the latest information on the question of estimates of cost and there is nothing that can be added at present to it.

2. It might be of interest, however, to the Committee to have a brief note explaining the scheme adopted for the protection of the entrance channel to the Vizagapatam Harbour from siltation. The large deposit of sand, which has been found to accumulate in the entrance channel, as a result even of a moderate disturbance at the Bay, was causing a good deal of concern to the Vizagapatam Harbour Administration. It was feared that trouble might be experienced in future in keeping the channel free of silt and that the optimistic view taken in the past by certain eminent engineers connected with the earlier investigations, that the sand travel along this stretch of coast was of a milder form and less in volume than that experienced at Madras and at other ports situated on coasts possessing this tendency, might not prove to be correct. This serious problem had to be tackled by the Harbour Administration. If the entrance channel is to be kept open in order to keep the Harbour accessible to ocean-going vessels either the forces of nature must be altered to stop the flow of sand or it must be dredged out as soon as it flows in. The Engineer-in-Chief, Vizagapatam Harbour Construction, was, therefore, employed in taking observations concerning the direction and amplitude of waves and other important data regarding sand travel which was causing the siltation.

3. Based on such evidence as was accumulated as a result of observations and experiments, it was anticipated that some permanent protective works in connection with the maintenance of the entrance channel would be required ; and on this basis, the revised construction estimate of the harbour, an advance copy of which was submitted to the Government of India in December 1931, included a sub-estimate amounting to Rs. 18.49 lakhs for the construction of these works. The main item covered by this sub-estimate was a Breakwater 1,650 ft. long consisting of a rubble hearting with a protection of 10 ton cement concrete random blocks.

4. The investigations were continued practically throughout the year 1931 (to cover the S.W. monsoon, April to August, and the N.E. monsoon, October to January, periods when the bulk of the deposit occurs) and in May 1932 the detailed reports regarding the entrance channel, the measures necessary for its maintenance, etc., were completed. In his reports, the Engineer-in-Chief recommended that an island Breakwater and a sand trap should be constructed and old ships hulls should be utilised as a nucleus of the Breakwater. This scheme, it is expected, will offer quick results. The nature of the sea-bed is favourable to such a scheme and the elimination of risks mainly depends on adequate protection by stone without and suitable weight within.

5. The reports and various other connected documents on the entrance channel were submitted to the High Commissioner for India who placed them before the Consulting Engineers to the Government of India, Messrs Rendel, Palmer and Tritton. At the instance of the Government of India, the Consulting Engineers examined the matter in collaboration with Sir Alexander Gibb and Partners who have considerable experience of Harbour work in India. The Engineer-in-Chief, Vizagapatam Harbour Construction, was also sent to England, on deputation, to discuss and settle on the spot with the Consulting Engineers the technical issues involved.

6. After thorough examination, it has been decided to adopt the scheme of the Engineer-in-Chief in regard to the utilisation of hulks for the nucleus of the Breakwater. As it is proposed to attempt the first stage of construction of the Channel Protection Works during the calm season of 1932-33, steps have been taken to start with the preliminaries. Two vessels have already been purchased at a total cost of £11,500. One vessel is expected to arrive at Vizagapatam in November and the other in December 1932.

7. The Breakwater, which has now been decided upon, will be about 4 times heavier than the Random Block Scheme formerly in view. The cost of the scheme, taking into account an allowance for possible maintenance work during the construction period, is not likely to exceed the provision of Rs. 18.49 lakhs which has been made in the revised estimate unless anything unforeseen happens during the course of its construction.

APPENDIX XIX.

Memorandum furnished by the Railway Department regarding Stores Balances
(vide paragraph 129 of the Director of Railway Audit's Report for 1930-31).

In paragraph 129 of the Report on the Appropriation Accounts by the Director of Railway Audit the question of stores balances on Indian Railways has been examined. It is thought that it would be of interest to the Committee to have some further details of the position.

2. In the first place it is important to remember that, though generally 40% of issues during the year may be considered a suitable limit for closing balances, a rough and ready formula like this cannot be absolutely adhered to, particularly during abnormal periods when the requirements of railways in regard to stores fluctuate violently.

3. The issues during 1930-31, which amounted to 34½ crores, were very much below the normal, which, from the figures shown in the Director of Railway Audit's report, can be taken as over 42 crores, and the closing balance, which is the same as the closing balance of 1925-26, is only about 35% of this figure.

4. It is interesting to note that the closing balance is almost exactly the same as the closing balance of 1925-26 in spite of the large accumulations in stores balances of materials released from permanent-way renewals which could not be utilised on new works in view of the reduction in our works programme.

5. Again while the issues were reduced by 7 crores or 17% as compared with the previous year, the receipts were reduced by 8½ crores, or over 22%. This indicates the efforts made by railway administrations to reduce their purchases to correspond with the reduced expenditure.

6. The figures given in the Director of Railway Audit's report relate to the principal State-owned railways. In Annexure A to this memorandum will be found a table comparing the figures of stores balances on all railways since 1921-22. This includes approximate figures for 1931-32, which it is hoped will be of interest to the Committee. From this it will be seen that taking all railways together not only were stores balances reduced in 1930-31 by 1½ crores, but there is a further reduction of 1½ crores in 1931-32, bringing down the balance to 13½ crores, a figure a crore lower than the lowest that has been reached within the last decade. This gives a figure of Rs. 4,300 per track mile. It is interesting for purposes of comparison to note that the value of stores held by the four amalgamated British railway companies in 1929 was £21 million, representing £577 (Rs. 7,800) per single line mile exclusive of sidings. The corresponding figure for Indian railways in 1929-30 was Rs. 5,400.

7. The year 1931-32 showed a further fall both in receipts and issues, and it is probable, though it cannot be said definitely because complete figures are not yet available, that the percentage of the closing balance to the issues during the year might show a further rise, though from the fact that the closing balances have been reduced by over 10% it is obvious that the percentage fall in receipts is still higher than the fall in issues.

8. The closing down of construction work and the curtailment of open line works necessitated by the financial situation during the past few years has meant storing much plant and equipment from completed or abandoned works which, in more prosperous times, would have been issued and used in new works and projects and the continued trade depression has restricted the disposal by auction or sale of surplus material in the market, for disposal of surplus stores at satisfactory prices is almost impossible at the present moment.

9. Annexure B contains a statement showing the receipts, issues and the balances of certain important stores on all Class I Railways during the three years ending 1931-32. This will give a graphic idea of the results achieved in various directions.

ANNEXURE A TO APPENDIX XIX,

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(Figures in lakhs.)

Railways.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32 (Approximate).
Assam Bengal ..	Ra. 25	Ra. 31	Ra. 18	Ra. 12	Ra. 9	Ra. 13	Ra. 13	Ra. 15	Ra. 18	Ra. 22	Ra. 21
Bengal Nagpur ..	1,40	1,62	1,48	1,50	1,28	1,17	1,08	1,33	1,36	1,21	1,07
Bombay, Baroda and Central India.	2,77	2,72	2,33	1,77	1,63	1,46	1,68	1,62	1,61	1,65	1,46
Burma ..	67	85	99	85	75	45	59	61	55	53	51
East Indian (including Oudh and Rohil- khand).	3,92	4,39	4,11	3,14	2,81	2,48	2,99	3,15	3,04	2,48	2,27
Eastern Bengal ..	2,52	1,76	1,58	1,22	1,12	84	84	80	77	76	69
Great Indian Penin- sula.	4,66	3,88	3,98	2,90	2,39	2,23	2,53	2,42	2,62	2,52	2,18
Madras and Southern Maharatta.	1,51	1,66	1,51	1,03	84	77	94	83	83	79	76
North Western ..	3,94	3,93	3,80	2,73	2,44	2,86	3,92	3,70	3,48	2,60	2,27
South Indian ..	1,14	1,39	99	77	1,13	1,07	1,24	1,14	1,06	94	80
Other Railways ..	31	41	42	43	37	39	46	44	53	57	52
Strategic lines ..	58	58	72	63	83	84	92	90	92	94	91
Total ..	23,67	23,50	22,09	17,09	15,68	14,69	17,32	17,09	16,95	15,21	13,65

ANNEXURE B TO APPENDIX XIX.

Statement showing Receipts, Issues and Balances of certain stores on all Class I Railways.

(Lakhs of rupees.)

	1929-30.				1930-31.				1931-32.			
	Opening balance.	Receipts.	Issues.	Closing balance.	Opening balance.	Receipts.	Issues.	Closing balance.	Opening balance.	Receipts.	Issues.	Closing balance.
Permanent Way ..	580	902	887	595	595	595	660	530	530	489	551	468
Rolling Stock ..	305	892	872	325	325	760	784	301	301	517	529	289
Metals ..	150	312	321	141	141	257	246	152	152	200	229	123
Timber ..	83	211	215	78	78	175	175	78	78	97	108	67
Fuel ..	62	477	479	60	60	485	470	75	75	398	407	66
Electric Plant and Material ..	44	211	206	49	49	146	145	50	50	67	74	43

APPENDIX XX.

Supplementary Memorandum showing the expenditure incurred by Foreign Railways on Railway publicity, furnished by the Railway Department on the 1st November 1932 with reference to paragraph 59 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1929-30.

The Public Accounts Committee desired last year that information should be obtained as far as possible about the expenditure on publicity incurred by foreign railways and the percentage that it bears to their total earnings.

2. Certain information has been collected either directly from railways or through the High Commissioner for India in London, and is given below.

3. The Swiss Federal Railways, whose gross earnings amount to some 400,000,000 Francs (Swiss), spend annually on publicity 1,600,000 Francs (Swiss).

4. The private Railway Companies in Switzerland, whose gross earnings amount to 84,000,000 Francs (Swiss), contribute a further 700,000 Francs (Swiss) annually for publicity. These private companies are actually most interested in tourist traffic, the Swiss Federal Railways only getting a proportionate return of two-fifths of the tourist traffic in all its forms.

5. The Swedish State Railways spend 400,000 Kronor against gross earnings of 181,000,000 Kronor.

6. The Norwegian Railways incur an expenditure of 284,000 Kronor against gross earnings of 73,000,000 Kronor.

7. Detailed information as to the expenditure on publicity incurred by the Canadian National Railways could not be obtained, but it has been intimated that the amount spent in America alone on publicity, i.e., excluding salaries and rents, etc., works out to 15% of the gross earnings of the railway.

8. It is also understood that the expenditure of the Canadian Pacific Railway on publicity in America amounted in 1931 to about 6% of its earnings.

9. The percentage of expenditure on publicity in India to the gross earnings of the State-managed Railways only work out to 08%, and if certain other railways, which were parties to the Central Publicity Bureau for part of the year, are included, it works out to 06%. It should, however, be borne in mind that other railways, not parties to the Central Publicity Bureau, benefit by this publicity without contributing thereto.

10. For ready reference the expenditure on various railways, expressed as a percentage of gross earnings is shown below :—

						%
Swiss Federal Railways	..	..	..	..	..	·38
Swiss Private Railways	..	..	..	..	..	·83
Swedish Railways	..	..	..	..	..	·22
Norwegian Railways	..	..	..	..	..	·39
New Zealand	..	..	..	..	..	·4
South Africa (Approx.)	..	..	..	..	..	·37
Canadian National Railways (only in the United States and excluding salaries, rents, etc.)	..	..	..	..	..	·15
Canadian Pacific (Approx.)	..	..	..	..	..	·6
Indian Railways (State-managed)	..	..	..	..	..	·08

APPENDIX XXI.

Instructions issued to Railway Administrations as a result of the examination by the Public Accounts Committee in November 1932 of certain paragraphs of the Appropriation Report of the Director of Railway Audit for 1930-31.

Letter from the Railway Department (Railway Board) to the Agents of various Railways, No. 1728-B, dated the 10th November 1932.

The Public Accounts Committee at their last meeting emphasised the importance of certain principles arising from certain paragraphs of the Report of the Director of Railway Audit on the Appropriation Accounts of Indian Railways for 1930-31. The Government of India are in full agreement with their views and I am therefore directed to draw your attention to the following points.

2. There appears to be a misconception in many quarters about the action to be taken when any cases are under police or judicial investigation, and I am directed to make it quite clear that in the opinion of the Government of India there is no necessity to delay departmental enquiries in every case pending such investigations. The importance of expeditious action in this matter not only with the object of modifying the procedure which has given rise to the raud, but to take any necessary disciplinary action as early as possible, should be recognised and action should be taken accordingly. Care should be taken, however, in consultation with your legal advisers that any police or judicial investigation in progress is not hindered or prejudiced by any action taken by you.

3. In paragraph 113 of the Director of Railway Audit's Report attention has been drawn to a case in which adverse comments had been made in the course of an arbitrator's award on a railway administration not taking steps to make payment to a contractor of sums which had been acknowledged to be due to him by the administration, as a result the administration had to pay interest on this sum. I am to stress the importance of payments which are not in dispute being made, after taking legal advice if necessary, as early as possible.

4. In paragraphs 114 and 115 of the Director of Railway Audit's Report attention has been drawn to cases where railway administrations have incurred unnecessary expenditure by not obtaining the prior concurrence of the parties on whose behalf the works were executed. I am directed to request that instructions should be issued to all officers under your control that when the whole or a portion of the expense of any work constructed by a railway administration is to be borne by other parties, their written concurrence should be obtained before work is started.

Again in Chapter III of the Director of Railway Audit's Report certain instances have been given where stores have been purchased without due regard to, or even full knowledge of, the stock in hand. The Government of India desire that it should be clear that Controllers of Stores are expected to take every possible step to avoid the unnecessary purchase of stores; estimates of the stock required should be made on an intelligent basis, having regard to the stock in hand throughout the railway and steps should be taken to ensure that as accurate and complete information as possible of such stock is in the hands of the stores authorities particularly at the time of preparation of indents.

5. Finally, I am directed to draw your attention to the recommendations of the Committee appointed on the Great Indian Peninsula Railway in October 1930, referred to in paragraph 103 of the Director of Railway Audit's Report, which contains valuable suggestions regarding measures to avoid the possibility of frauds in connection with the payments for casual labour.