

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1933-34.

Volume I—Report.

Part II—Railways.



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Composition of the Committee on Public Accounts in 1935 (vide rule 51 of the Indian Legislative Rules.)

Chairman.

1. The Hon'ble Sir James Grigg Finance Member.

Elected Members.

Date of election.

2. Mr. B. Das 23rd March 1935.

3. Mr. S. Satyamurti 23rd March 1935.

4. Prof. N. G. Raga 23rd March 1935.

5. Dr. Thein Maung 23rd March 1935.

6. Maulvi Sir Muhammad Yakub 23rd March 1935.

7. Mr. J. Ramsay Scott 23rd March 1935.

8. Captain Sardar Sher Muhammad Khan 23rd March 1935.

9. Bhai Parma Nand 23rd March 1935.

Nominated Members.

Date of nomination.

10. Dr. R. D. Dalal 30th April 1935.

11. Rai Bahadur Sir Satya Charan Mukherjee 30th April 1935.

12. Khan Sahib Shaikh Fazl-i-Haq Piracha 30th April 1935.

Report of the Public Accounts Committee on the accounts of 1933-34.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating and control of expenditure.

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 :—

				(In lakhs of Rs.)		
				Budget.	Revised.	Actuals.
(1) Traffic Receipts (less refunds)	..	..	..	87,00	86,50	86,63
(2) Miscellaneous Receipts	..	..	..	2,26	2,19	2,07
(3) Working Expenses	..	..	..	63,10	63,04	63,06
(4) Miscellaneous Expenditure	..	..	..	1,00	1,03	1,02
(5) Interest charges	..	..	..	32,93	32,40	32,58
(6) Surplus (+), Deficit (—)	..	..	..	—7,77	—7,78	—7,96
(7) Contribution to general revenues	..	..	..	..	..	..
(8) Payments to (+), withdrawal from (—) Reserve	..	..	..	..	..	..
(9) Loans from the Depreciation Fund	..	..	..	7,77	7,78	7,96

2. The budget estimates for 1933-34 anticipated a net deficit of Rs. 7,77 lakhs which was increased to 7,78 lakhs in the revised estimate. The actuals proved to be slightly worse resulting in a deficit of Rs. 7,96 lakhs which was met by a loan from the Depreciation Fund. As in the past two years, the prescribed contribution to general revenues could not be paid during the year under review. The figures in the above table show that the variations between the actuals and the Budget and Revised estimates are very small. The deterioration of 18 lakhs as compared with the revised estimate was principally due to increased interest charges on account of actual rate of interest on capital expenditure being more than the rate adopted in the estimates.

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

				(Lakhs of rupees).			
Voted.			Original grant.	Supple- mentary grant.	Final grant.	Actual Expendi- ture.	Excess + Savings—.
<i>Expenditure charged to Revenue.</i>							
1. Railway Board	..	..	8·31	..	8·31	8·02	—·29
2. Inspection	..	..	·82	..	·82	·70	—·12
3. Audit	..	..	12·30	·60	12·90	12·77	—·13
4. Working Expenses— Administration	..	..	10,30·00	..	10,30·00	10,34·63	+4·63
5. Working Expenses— Repairs, Maintenance and Opera- tion	..	..	38,12·50	4·75	38,17·25	38,11·38	—5·87
6. Working Expenses— Payment of Surplus Profits	..	..	54·00	2·50	56·50	56·65	+·15
9. Appropriation to Depreciation Fund	..	..	13,75·00	..	13,75·00	13,56·48	—18·52
11. Miscellaneous Expenditure	..	..	5·00	1·20	6·20	4·59	—1·61
14. Interest Charges	..	..	2·83	..	2·83	2·81	—·02
<i>Expenditure charged to Capital and Depreciation Fund.</i>							
7. New Construction	..	..	31·25	..	31·25	21·72	—9·53
8. Open line works	..	..	8,92·00	1	8,92·01	5,80·99	—3,11·02
10. Appropriation from Depreciation Fund	..	..	7,77·12	9·99	7,87·11	8,05·33	+18·22

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

		(Lakhs of rupees).				
Non-Voted.		Original Appropriation.	Supple- mentary Appropriation.	Final Appropriation.	Actual Expendi- ture.	Excess (+) Sav- ings(—).
<i>Expenditure charged to Revenue.</i>						
1. Railway Board	.. ..	4·19	—·19	4·00	4·00	..
2. Inspection	.. ..	2·28	—·24	2·04	2·03	—·01
3. Audit	.. ..	4·25	—·02	4·23	4·23	..
4. Working Expenses—Administra- tion	.. ..	1,05·50	7·51	1,13·01	1,12·99	—·02
5. Working Expenses—Repairs, Maintenance and Operation	.. ..	1·00	·27	1·27	1·25	—·02
11. Miscellaneous Expenditure	.. ..	9·10	·51	9·61	9·56	—·05
14. Interest Charges	.. ..	32,90·37	—53·22	32,37·15	32,55·16	+18·01
<i>Expenditure charged to Capital.</i>						
7. New Construction	.. ..	·75	—·18	·57	·65	+·08
8. Open line works	.. ..	1·00	2·20	3·20	2·46	—·74
Discharge of Debentures	.. ..	..	20·23	20·23	20·23	..

5. *Excesses over voted grants.*—The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :—

Demand No.	Final grant.	Actual expenditure.	Excess.
4. Administration	10,30,00,000	10,34,63,107	4,63,107
6. Companies' and Indian States' share of surplus profits and net earnings	56,50,000	56,65,149	15,149
10. Temporary withdrawals from Depreciation Fund	7,87,11,000	8,05,33,325	18,22,325

The excess under Demand No. 4 was mainly due to an unexpected payment of Municipal rates and taxes on the Eastern Bengal and Great Indian Peninsula Railways, to larger contributions for hospitals and medicines and to the charges in respect of special class apprentices having been debited to this Demand instead of to Demand No. 11. A larger increase in the earnings of certain branch line companies than anticipated caused the excess under Demand No. 6. The excess under Demand No. 10 represents the increase in the deficit of the Railways. The percentages of the excesses in the three cases are .4, .3 and 2.3 respectively. There were excesses during the year under three Demands against four in the preceding year. We recommend that the Assembly should assent to the excess demands which will be placed before them by Government in due course.

6. The excesses over non-voted appropriations were only two during 1933-34 as against six in 1932-33.

7. Taking the total railway expenditure both voted and non-voted, there was a saving of 4 lakhs or .04 per cent. under expenditure charged to revenue and a saving of 3,03 lakhs or 17.42 per cent. under capital expenditure. The position in this respect compares as follows with the last three years :—

Expenditure charged to revenue (excluding appropriations to and from the Reserve Fund).

					(Lakhs of rupees).		
Year.					Final grant and appro- priation.	Savings.	Percentage of column (3) to column (2).
1930-31	..	..	..	..	1,05,11	—2,98	2.83
1931-32	..	..	..	..	1,01,38	—4,24	4.18
1932-33	..	..	..	..	97,36	—37	.38
1933-34	..	..	..	..	96,81	—4	.04

Expenditure charged to Capital and Depreciation Fund.

1930-31	..	..	..	..	25,74	—1,14	4.39
1931-32	..	..	..	..	29,18	—4,95	16.96
1932-33	..	..	..	..	19,55	—2,66	13.60
1933-34	..	..	..	..	17,34	—3,03	17.42

Under expenditure charged to revenue the variation in the total as compared with the final allotment amounted to .04 per cent. only and the variations in the totals of the individual demands also were not large. This result was, however, achieved in many cases by large excesses counterbalancing large savings within the Demands. We also noticed several cases where either no funds were allotted for expenditure which could reasonably have been foreseen and provided for or insufficient or excessive provision of funds was made. We realise that, in a large concern like the Railways, the Railway Board has to work on the totals of each demand rather than on individual subheads. We also realize that original estimates may be subject to alteration on account of unforeseen items, such as, larger or smaller volume of traffic than originally estimated, accidents, floods, etc. Even after making allowance for all these, we are of opinion that there is considerable room for improvement. The Railway Administrations should see that the totals allotted by the Railway Board are distributed among the individual subheads with greater accuracy.

Under Demands for capital expenditure on the other hand even the total expenditure diverged very far indeed from expectations. For example, under Demand No. 8, the total expenditure amounted only to 5,81 lakhs against an allotment of 8,92 lakhs. We were told by the Financial Commissioner that the capital programme was settled several months in advance, that it was very difficult for Railway Administrations to make accurate estimates so much in advance and that many factors entered into the picture over which Railways had little control. The Financial Commissioner has informed us that he is drawing the attention of all Railway Administrations to the large difference between the amounts they have been demanding and the amounts they have been

actually able to spend and that he will endeavour to correct the tendency to overestimating in preparing the programmes for 1936-37. We consider that the Railway Board should take all possible steps to secure greater accuracy in estimating.

While examining the question of the control of the Railway Board over Railway Administrations we have considered whether a more effective control could not be exercised if the Board were enabled, by a further delegation in minor matters, to relieve themselves of any necessity for interfering in questions of detail and so to leave themselves free to concentrate on securing effective control in matters of first class financial importance.

8. *Irregular reappropriations.*—Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another and every reappropriation within a grant which is not in accordance with the prescribed rules. During the year under review the following reappropriations were sanctioned by Railway Administrations which were not strictly within the powers delegated to them :—

- (1) *Grant No. 4.*—The Bengal and North-Western Railway reappropriated Rs. 16,000 from the sub-head “ Worked Lines ” to the sub-heads “ Establishment ” and “ Miscellaneous ”.
- (2) *Grant No. 5.*—The Bengal and North-Western Railway transferred Rs. 69,000 from the sub-head “ Worked Lines ” to the sub-heads “ Repairs and Maintenance ” and “ Operation other than fuel ”.
- (3) *Grant No. 6.*—In allotting the sum of Rs. 13,48,000 to the Bombay, Baroda and Central India Railway under this head the Railway Board omitted by oversight to distribute it under the two sub-heads of the grant. The Railway Administration made good this omission and distributed the total between the two sub-heads. Though this was the right thing to do, it was technically incorrect.
- (4) *Grant No. 8.*—The North-Western Railway made a reappropriation of Rs. 2,48,000 between works costing over one lakh each and other works. Two other Railways made reappropriations between track renewals and other sub-heads, namely, the Assam-Bengal Railway to the extent of Rs. 56,000 and Bengal-Nagpur Railway to the extent of Rs. 29,000.

Financial position of the Railways.

9. The total deficit during the years 1931-32 to 1934-35 amounted to about Rs. 32 crores. In 1935-36 the budget anticipated a deficit of only Rs. 2 crores, but judging from the actuals of the first few months it appears that the deficit will be much greater unless there is considerable improvement in earnings during the remaining months of the year. The position is actually more disquieting than these figures indicate, because under the present accounting system certain expenditure which according to sound

financial principles should be charged to revenue is being charged to capital. The Auditor General in his letter forwarding the Appropriation Accounts to the Government of India says as follows :—

“ In paragraph 42 of his Review the Financial Commissioner expresses regret that it has not been possible to proceed much further with the examination of various important questions essential to a proper financial settlement for Railways, such as the correct amount to be set aside for depreciation, the principles of allocation of expenditure between capital and revenue, and the amortisation of railway capital at charge. In paragraph 9 (b) of my letter submitting the Railway Appropriation Accounts for the year 1930-31 I drew attention to certain paragraphs (paragraphs 208—213) of the Audit Report which discussed disquieting tendencies towards over-capitalisation, and I emphasised the necessity of immediate examination of the problem so that Government should be prepared with a well-considered scheme in connection with the setting up of a Railway authority under the new constitution. In paragraph 28 of their Report on the Appropriation Accounts of 1930-31 the Public Accounts Committee stressed the necessity of early decision on the various problems thus indicated. The tendencies towards over-capitalisation that were brought to notice three years ago are still in operation, and during these three years net Railway earnings have failed to meet interest charges by 27.39 crores. Evidences of improvement are unhappily still uncertain. In the meantime, the preparation of the scheme for Railways under the new constitution must be in an advanced stage, while, according to the admission of the Financial Commissioner, Railways, the complicated financial problems connected with this scheme are still far from settlement. This is a position which seems to me to be exceedingly unsatisfactory.”

We were informed that the whole question of Railway finance was engaging the serious attention of the Government of India. There was no difficulty in arriving at a theoretical solution of the problems of allocation between capital and revenue. Ideally, the depreciation fund ought to be turned into a reserve for renewals and minor improvements and a definite provision for amortisation should be made out of revenue. The former would involve an increased allocation of something like 2 crores a year to cover expenditure which is at present being wrongly charged to capital while the latter ought to be something like 5 crores a year. The trouble was however that the Railways were failing to meet from Revenue their ordinary interest charges even on the present basis of charge. The deficit on this account was nearly 8 crores in 1933-34, about 5 crores in 1934-35 and in February 1935 it was estimated at 2 crores for 1935-36. But it is now clear that what appeared to be a process of continuous improvement has suffered an interruption and that unless the remaining months of this year show a great change, the deficit for 1935-36 may not be materially less than that for the preceding year. Even so, as has already been pointed out, this understates the real position by something like 2 crores. The question thus becomes not so much one of a slow tendency to over-capitalisation because of a somewhat lax accounting system but of the inability of the railways as a whole to show a profit even on the present system. To

this matter we devoted a great deal of attention. We were informed that interest charges would show a gradually declining tendency and might in 5 years time fall by about 2 crores. We understand moreover that the new scales of pay for new entrants will ultimately produce a saving of about 3 crores a year but this will of course take a whole generation to mature fully. Apart from these, the Railway Board think that no more than economies of a minor administrative order are now obtainable. There is obviously not in these any assurance of a return to solvency in a measurable time, much less of any surplus for amortisation of debt or contribution to general revenues and, if the position is as stated by the Railway Board, solvency can only be restored by increasing traffic receipts. We are well aware that a restoration of economic prosperity is the most satisfactory means of effecting this but we do not see in the present condition of world affairs any certitude that this will be at all rapid. We think therefore that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freight and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued. But we are prepared to believe that an increase of receipts is, in present circumstances, likely to be the more important factor in the restoration of financial stability.

Incidentally some of us would like to call attention to the fact that Railway Finances are being made the instrument of Government policy towards particular industries with the result that burdens are thrown on the Railways which ought to fall on the general taxpayer. An instance of this is the reduction of the output of Railway collieries to help the Indian coal industry. We were informed that, if Railway collieries are worked to their full capacity, the Railways will be able to produce coal at least as cheaply as the market rate and thus avoid a loss in the working of the collieries amounting approximately to 12 lakhs. On the assumption that this statement is correct, a considerable proportion of us feel that it is not right that a commercial concern like the Railways should be made to subsidise the coal industry.

We hope we have made clear that we regard immediate and continuous attention to the solution of these problems as of vital importance to Indian interests. Some of the non-official Members wish to place on record their views in regard to the failure to press to an earlier conclusion an examination of the working of the separation convention. Under the Resolution passed by the Assembly regarding the separation of railway from general finance, the convention should have been revised periodically after being tried provisionally for at least 3 years. The explanation given by the Financial Commissioner for not revising the convention is recorded in paragraph 3 of the proceedings. If however the convention had been revised earlier, the question of the proper allocation of expenditure between capital and revenue would have come up for consideration earlier and an examination of the question of allocation between capital and revenue could not have failed to disclose that the surplus was really less than it appeared to be under the old allocation. In the face of this, it is doubtful

whether Government would have felt justified in embarking on the very large capital expenditure of the "prosperity" years. In that case the unremunerative capital at charge would clearly have been reduced and the present financial problems would have assumed a less intractable aspect.

Miscellaneous.

13. The Director of Railway Audit has brought to our notice a case in which the North-Western Railway were unable to recover from the auctioneers about Rs. 44,000, being the sale proceeds of scrap metal auctioned. The decree obtained by the Railway Company could not be enforced as the debtors were paupers. The Director of Railway Audit reports that in this case (1) the agreement was not signed by each member of the firm of auctioneers as required by the rules, and (2) the Railway Administration did not exercise its right of not allowing the removal of the auctioned material until the full amount due had been received from the auctioneers. We recommend that the Railway Board should issue necessary instructions with a view to avoid such omissions in future and they should also impress upon the Railway Administrations that proper care should be taken in selecting auctioneers.

14. We understand from the Auditor General that the Railway Codes are generally out of date. We agree with him that the Railway Board should immediately take up their revision and complete it before the new Statutory Railway Authority comes into existence.

15. While going through the Quarterly Statement of outstanding items, we found that the departments generally took a considerable time in taking action on the recommendations of the Committee. The departments should try to avoid such delays in future. In this connection, we recommend that a special meeting of the Committee should be held some time during the Delhi session, if so desired by the members, to examine the action taken by the departments on the various recommendations and suggestions of the Committee.

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

P. J. GRIGG.
B. DAS.
S. SATYAMURTI.
N. G. RANGA.
THEIN MAUNG.
MD. YAKUB.
RAMSAY SCOTT.
SHER MD. KHAN.
BHAJ PARMANAND.
R. D. DALAL.
S. C. MUKHERJEE.
FAZL-I-HAQ PIRACHA.

K. SANJIVA ROW.

14th September 1935.

Proceedings of the 12th and 13th meetings of the Public Accounts Committee held on Thursday, the 22nd August, 1935, at 11 A.M. and 2-30 P.M., respectively.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman.*

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHEER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Sahib Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor-
General.

Mr. B. NEHRU, Director of Railway Audit.

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

Mr. T. S. SANKARA AIYAR, Director of Finance.

Mr. V. S. SUNDARAM, Controller of Railway
Accounts.

Mr. F. D'SOUZA, Director of Traffic, Railway
Board.

Members.

Were also present.

Witnesses.

1. The Committee took up the examination of the appropriation accounts and connected documents relating to the Railway Department.

2. The Committee discussed at some length, the present and prospective financial position of the railways and found it disquieting. The total deficit during the years 1931-32 to 1934-35 amounted to about 32 crores. In 1935-36, the budget estimate anticipated a deficit of only 2 crores, but judging from the first few months' actuals the deficit is likely to be much more. The position is actually much more disquieting than these figures indicate because under the present accounting system certain expenditure which according to sound financial principles should have been charged to revenue, is being charged to capital. The Auditor-General in paragraph 5 of his letter has drawn pointed attention to this tendency towards over-capitalisation. He had brought this to notice three years ago in his letter on the Appropriation Accounts for 1930-31 and the Public Accounts Committee in their report on those accounts had stressed the

necessity of an early decision on the problem. The Auditor General in his present letter says that " evidences of improvement are unhappily still uncertain " and that the position appears to him to be " exceedingly unsatisfactory ". The Committee was informed that this matter had been engaging the serious attention of Government and that there was no difficulty in finding out an ideal solution to the problem, but the result of applying it would be to increase the revenue deficit still further. The Committee was assured that the matter was under the active consideration of Government.

3. The Committee then considered why the convention for the separation of Railway from General Finances had not been revised till now, though under the resolution passed by the Assembly it should have been revised periodically after being tried provisionally for at least three years. The Financial Commissioner explained that a committee of the Assembly was set up for the purpose in September 1928. It met in February and March 1929 and appointed a sub-committee which held one meeting in June 1929. It then became *functus officio* owing to the dissolution of the Assembly. The question was not again taken up as the revised arrangements for administering Railways under the new constitution were under active consideration, and it was felt that the whole position would be reviewed in that connection. Some of the non-official members of the Committee felt strongly that, if the convention had been revised earlier, the position of the Railways would not have deteriorated to the extent that it has done. Their point was that the question of the proper allocation of expenditure between capital and revenue would have come up at the time of the revision of the convention. The Auditor General said that the convention was based on a certain method of allocation of expenditure between capital and revenue and that the revision of the convention and the revision of the method of allocation should have gone together. If, after proper allocation, the surplus of Railways was really less than what it appeared to be under the old allocation, Government would have been forced to consider seriously whether the Railways would be able to bear the large capital expenditure which was being incurred at the time. The over-capitalisation could thus have been avoided to a certain extent.

4. The Committee desired to draw the special attention of Government to paragraph 5 of the Auditor General's letter and to impress upon Government the necessity of settling immediately the question of the proper allocation between capital and revenue and the amount of the contribution to the depreciation fund or to a Renewals and Replacements Fund.

5. The Committee also desired that Government should seriously consider the question of increasing receipts, especially in view of the road-rail competition, and of reduction in working expenses.

The Committee then adjourned till 10-30 A.M. on Friday, the 23rd August 1935.

Proceedings of the 14th meeting of the Public Accounts Committee held on Friday, the 23rd August, 1935, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.,

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, K.T., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE,
K.T., C.B.E., M.L.A.

Members.

Mr. A. C. BADENOCH, C.I.E., I.C.S.,
Auditor General.

Mr. B. NEHRU, Director of Railway Audit.

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

Mr. T. S. SANKARA AIYAR, Director of
Finance.

Mr. V. S. SUNDARAM, Controller of
Railway Accounts.

Were also present.

Witnesses.

6. The Committee continued the general discussion on the financial position of the Railways and then took up the various points mentioned in the Auditor General's letter.

7. *Paragraph 3 of the Auditor General's letter.*—The Committee agreed with the Auditor General that certain comments on defects in budgeting and in current control of expenditure, which are included in this year's report of the Director of Railway Audit, should in future be included in the Financial Commissioner's review. The Committee also desired that the Financial Commissioner should take steps to see that the appropriation accounts reached the Auditor General on the due date.

8. *Paragraph 6 of the Auditor General's letter—Financial irregularities.*—(i) *Paragraph 58 of the Audit Report.*—The Auditor General stated that the Agent of the particular Railway admitted the mistake and assured him that he had taken steps to secure that it would not occur again.

(ii) *Paragraph 59 of the Audit Report Allocation of expenditure on rolling stock.*—The Financial Commissioner explained that most of the

Railways had accepted the revised classification, and that he thought the new formula proposed by them would probably be accepted by all without much difficulty.

(iii) *Paragraph 138 of the Audit Report.*—Some of the members of the Committee felt that the loss to Railways in this case was due to proper care not having been exercised in selecting auctioneers. The Committee desired that instructions should be issued by the Railway Board—

- (a) that proper care should be exercised to select auctioneers of certain financial standing ;
- (b) that the auctioned material should not be allowed to be removed until the full amount had been received from the auctioneers ; and
- (c) that the agreements with the auctioneers should be signed by duly authorised persons.

9. The Committee then went into the other paragraphs of the Audit Report mentioned in paragraph 6 of the Auditor General's letter.

The Committee then adjourned till 11 A.M. on Saturday, the 24th August 1935.

Proceedings of the 15th meeting of the Public Accounts Committee held on Saturday, the 24th August, 1935, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD Khan, C.I.E., M.B.E.,
M.L.A. } Members.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Khan Sahib SHAIKH FAZL-I-HAQ, Piracha, M.L.A. }

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General. } Were also
Mr. B. NEHRU, Director of Railway Audit. } present.

Mr. P. R. RAO, Financial Commissioner of Railways. }

Mr. T. S. SANKARA AIYAR, Director of Finance. } Witnesses.

Mr. V. S. SUNDARAM, Controller of Railway Accounts. }

10. The Chairman brought to the notice of the Committee certain unauthorised and improper press reports of the proceedings of the Committee. The Committee desired that the Secretary should issue a statement to the effect that the reports were not only unauthorised and improper, as the proceedings were private, but also completely inaccurate.

11. The question of the codification of the Railway rules and regulations was then taken up. The Auditor General informed the Committee that the Railway codes were generally out of date and expressed the opinion that, in fairness to the new Railway Authority, they should be revised and brought up to date before that authority came into existence. The Committee agreed with the Auditor General and desired that this matter should be taken up immediately by the Railway Board.

12. *Accuracy of budgeting and control of expenditure.*—Though the total actual expenditure in the majority of the grants (with the exception of the grant relating to works not charged to revenue) was very close to the original estimates, there were many large divergencies in the various sub-heads of individual grants, in many cases large excesses counterbalancing large savings. Several cases were noticed where either no funds were allotted for certain expenditure which could reasonably have been foreseen and provided for or insufficient or excessive provision of funds was made. The Committee realised that, in a large concern like the Railways, the Railway Board has to work on the totals of each grant rather than on individual sub-heads, but it is certainly the business of

the Railway Administrations to see that the totals allotted by the Railway Board are distributed among the individual sub-heads with a fair amount of accuracy. The Committee also realised that the original estimates may be subject to alteration on account of unforeseen items, such as, a larger or smaller volume of traffic than originally estimated, repair of a bridge damaged by accident, flood or earthquake, etc. Even after making allowance for all these contingencies, the Committee was of opinion that there was considerable room for improvement in budgeting and control over expenditure.

Under grants for works expenditure, even the total expenditure diverged very far indeed from expectations. For example, under Grant No. 8-Open Line Works, the total expenditure amounted only to 5,81 lakhs against a grant of Rs. 8,92 lakhs. The Financial Commissioner has, in his review, given the following explanation for the large variations in the works grants :—

“ The works programme is, for one thing, prepared very much earlier. Taking the 1933-34 budget as an example, the rolling stock portion of the programme was submitted to the Railway Board in February and considered and practically settled by them in March 1932. The rest of the programme was submitted in July and scrutinised and decided by the Railway Board in August or September 1932. The estimates of working expenses on the other hand were submitted in November and December 1932, and considered only in January 1933. Secondly, in preparing the works programme, the control exercised by the Railway Board is mainly as regards the works to be included in the programme. As regards the actual amount required for any particular work in any particular year, the estimates made by railways are generally accepted. It is very difficult for railway administrations to make very accurate estimates of the funds they are likely to require so much in advance of the time at which they are required. There are so many factors over which railways have little control that enter into the picture. Further consideration may result in some of the projects being dropped, or materially altered ; the preparation of detailed estimates might make the cost of the work vary appreciably from the original rough estimate ; unavoidable delays in acquiring land, where necessary, collecting material, letting out contracts, and so on might throw forward expenditure to another year, or result in expenditure provided for in an earlier year being met from the grant for the year in question ”.

The Financial Commissioner also stated that he is drawing the attention of all Railway Administrations to the large difference between the amounts they have been demanding and the amounts they have been actually able to spend during the last few years, and that he would endeavour to correct the tendency to over-estimating in preparing the programmes for 1936-37. The Committee considered that this was a very important point and the Railway Board should take steps to see what they can do to secure greater accuracy in estimating.

13. *Statement of un-sanctioned expenditure.*—The Committee noticed that this statement contained several items which had been outstanding for years. On going through the various items their general conclusion was that these items took a very long time to clear up, and they desired that the possibility of speeding them up should be examined. The Financial Commissioner promised to do this and also to give an explanation for the delay in each case in future appropriation accounts.

The Committee then adjourned till 10-30 A.M. on Monday, the 26th August 1935.

Proceedings of the 16th meeting of the Public Accounts Committee held on Monday, the 26th August, 1935, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman.*

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHEER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

} Members.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General.

Mr. B. NEHRU, Director of Railway Audit.

Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of
Railways.

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

Mr. T. S. SANKARA AIYAR, Director of Finance.

Mr. V. S. SUNDARAM, Controller of the Railway
Accounts.

} Were also
present.

} Witnesses.

14. *Unanticipated credits.*—Under grant No. 5 there were unanticipated credits to the extent of about 29 lakhs which were utilised for expenditure, and but for the utilisation of these credits a supplementary grant of about 23 lakhs from the legislature would have been necessary. The Committee was informed that, according to the previous recommendation of the Public Accounts Committee, where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee has to be obtained ; as grants were voted net, however, it was not constitutionally unlawful to appropriate unanticipated credits to increased expenditure. Under this grant it was not a case of incurring fresh expenditure which would not have been incurred but for the credits, but an excess over ordinary expenditure in the closing months of the year which in the ordinary course would have led to an excess grant. The excess would have been 23 lakhs in an estimate of over 30 crores.

15. The Committee discussed with the Chief Commissioner the general administration of the Railways and their financial position, especially the

steps that might be taken to improve revenue, reduce working expenses, increase the facilities for third-class passengers and to meet the rail-road competition.

16. While examining the financial position of some of the railways, the Committee was informed that the railways were at present granting certain special concessions as a result of the general policy of the Government of India. The Committee desired to have a note from the Railway Department showing to what extent these concessions reduced the Railway earnings. One instance of this is reducing the output of railway collieries to subsidise the Indian coal industry. The Committee was informed that, if railway collieries were worked to their full extent, the railways would be able to produce coal at least as cheaply as the market rate, and thus avoid a loss on working of Railway collieries amounting roughly to about twelve lakhs. On the assumption that this statement was correct, a considerable proportion of the members of the Committee expressed the opinion that railway collieries should not be so worked as to subsidise the coal industry.

17. The Committee then went through the balance-sheets and profit and loss accounts of railway collieries. They desired that the Auditor General should consider whether the form in which these are at present prepared could not be improved.

18. The Committee desired that the Railway Department should examine and send a note to the Committee to show whether there is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries.

The Committee then adjourned till Tuesday, the 27th August 1935.

Proceedings of the 17th meeting of the Public Accounts Committee held on Tuesday, the 27th August 1935, at 12 noon.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAQUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt., C.B.E., M.L.A.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General.

Mr. B. NEHRU, Director of Railway Audit.

Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of Railways.

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

Mr. T. S. SANKARA AIYAR, Director of Finance.

Mr. V. S. SUNDARAM, Controller of the Railway Accounts.

Members

Were also present.

Witnesses.

19. The Committee considered the Memorandum furnished by the Railway Board on the financial results of the electrification of the B. B. & C. I. and G. I. P. Railways, and generally accepted the views of the Board about the financial effect of these schemes. They desired to have next year a similar report on the electrification of the South Indian Railway. They then took up the quarterly statement of outstanding items. The Committee expressed the opinion that there was considerable delay in taking action on their recommendations and desired that every effort should be made to expedite their disposal. Special reference was made to item (1), namely, concessions for military traffic, which has been outstanding from 1928-29.

20. The Committee then adjourned and agreed to meet some day during the session of the Assembly to consider the draft report.

APPENDICES.**APPENDIX I.**

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

PART II.—Railways.

[Quarter ending July 1935.]

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

PART II.—

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
1	1928-29 1929-30 1930-31 1931-32	5 P. .. 53 P. 3 P (Item No. 80). 8 R.	That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible.
2	1930-31 1931-32	28 R. .. 10 R.	That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately.
3	1930-31 1931-32	46 P. .. 11 R.	That some definite procedure calculated to obviate the present delays in the apportionment of Joint Station expenses between railways should be laid down as soon as possible and that a memorandum explaining the action taken should be placed before the Committee next year.
4	1930-31 1931-32	63 P. .. 3 P. (Item No. 10).	That a report on the extent to which it is found feasible to adopt various suggestions of the Director of Railway Audit made in paragraph 28 of his Appropriation Report for 1930-31 with a view to expediting the submission of monthly accounts should be furnished to the Committee.
5	1931-32	18 R. ..	That the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.
6	1931-32	10 P. ..	That a report regarding the Railway Schools should be furnished to the Committee.
7	1932-33	9 R. ..	That the proposal regarding the method of calculating the contribution to the Depreciation Fund should be formally put to the Auditor General, and if he is satisfied, effect should be given to it but a report should be made to the Committee.

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

RAILWAYS.

Action taken or proposed to be taken.

The matter is still under consideration.

The matter is under the consideration of the Government of India.

Necessary action has already been taken in the matter as explained in paragraph 255 of the Director of Railway Audit's Appropriation Report for 1932-33.

The Director of Railway Audit has since agreed that the present arrangements regarding the submission of monthly accounts are quite satisfactory, *vide* paragraph 270 of his Appropriation Report for 1932-33.

The Railway Administrations concerned have been instructed to submit annual reports of agreements not finally concluded at the end of each financial year. The first series of such reports for the year ending 31st March 1934 was received by the Railway Board and action, wherever necessary, was taken by them on these reports.

Necessary instructions on the lines of the Director, Railway Audit's suggestions, referred to in paragraph 44 of his Appropriation Report for 1931-32, have since been issued to Railway Administrations, *vide* Railway Board's letter No. 1867-B., dated 30th November 1934 (Annexure).

The Assembly approved of the calculation of contribution to the Depreciation fund at the rate of 1/60th of Capital, in considering the Budget for 1935-36.

ANNEXURE.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS OF CLASS I RAILWAYS, No. 1867-B., DATED THE 30TH NOVEMBER 1934.

SUBJECT.—*Treatment of Grants made by Local Governments to Railway schools in the Railway accounts.*

It has been brought to the notice of the Railway Board that the procedure obtaining on railways in accounting for grants made by Local Governments to Railway schools is not uniform. In some cases these grants are treated as reductions of expenditure, while in others, the accounts of these schools are kept outside the Railway accounts, only the amount of net grant paid by the Railway being shown as an item of expenditure in the Railway accounts. In the latter case, expenditure which ought to have been included in the accounts and the appropriation accounts of the Railway is kept outside Railway accounts and accounted for as the expenditure of a private body.

2. The correct procedure that should be followed in such cases is as follows :—

The expenditure on Railway schools proper should be provided in gross in the Demands for grants, the amount received from the Local Governments being deducted therefrom, provided the amount is received in the same financial year. Grants received after the close of the financial year should be treated as receipts and the same treatment should be accorded to fees recovered from the pupils.

In the case of other schools run by Local Governments or private bodies to which grants in aid are given by the Railway (Railway aided schools) the grant given from the Railway funds should be treated as expenditure.

3. I am directed to request that the correct procedure as outlined above be followed with effect from the accounts of the year 1935-36, and this should be taken into account when the budget estimates for the next year are prepared.

APPENDIX II.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S. AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 193-REP. 7—35, DATED THE 22ND JUNE 1935.

SUBJECT :—*Appropriation Accounts (Railways) 1933-34 and the Audit Report 1935.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1933-34 together with two copies of the Audit Report 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. I have the honour also to transmit herewith two copies of the Review of the above Appropriation Accounts prepared by the Financial Commissioner, Railways, together with two copies each of the Capital Statement, Balance Sheet and Profit and Loss Accounts of Railways in India and of Balance Sheets and Profit and Loss Accounts of Railway Collieries for 1933-34.

3. *Financial Commissioner's Review.*—The Financial Commissioner's present Review approaches much more nearly than his last to the model which has been generally agreed upon in discussions which have taken place in the Public Accounts Committee in recent years ; and I wish to express my appreciation of the trouble which the Financial Commissioner has taken to adapt the Review both in form and in substance to the requirements of my Department and of the Public Accounts Committee, and also to produce it at an earlier date. At the same time I think it is possible for the Review to be still further improved, and in this connection I wish to refer to what is said in paragraphs 3 and 4 of the Audit Report. As the Director of Railway Audit has indicated, Chapter I of his report contains a number of comments on defects in budgeting, and on various defects also in current control of expenditure, as revealed by appropriation audit, which to the extent that they are of importance would have proceeded more suitably from the Financial Commissioner himself as the controlling officer, and might properly have found a place amongst other comments of a similar character which he has actually included in his Review. I presume the Financial Commissioner will now consider these comments, particularly those in paragraphs 11 to 22 of the Report, and will be prepared to furnish further explanation if this should be desired by the Public Accounts Committee.

Again, while the Financial Commissioner's Review was received by me on the 29th of April, the Appropriation Accounts themselves were not received by me until the 3rd of May 1935 as against the prescribed date, the 15th of April 1935. I trust that it will be possible to avoid in future similar delay in the submission of the Appropriation Accounts, as such delay is liable to react unfavourably on the preparation of his Review by the Financial Commissioner and on the preparation of his Audit Report by the Director of Railway Audit.

4. *Excesses and Irregular Reappropriations.*—The excesses which occurred over the final appropriations and which require to be regularised by the vote of the legislature in the case of voted expenditure, and by formal sanction by the Governor General in Council in the case of non-voted expenditure, are set forth in Section III of the Financial Commissioner's Review.

The irregular reappropriations which require to be brought to the notice of the legislature are stated in paragraph 82 of the Review, the Director of Railway Audit's comments being in paragraphs 33 and 34 of his report.

5. *Railway Finance.—The general position.*—In paragraph 42 of his Review the Financial Commissioner expresses regret that it has not been possible to proceed much further with the examination of various important questions essential to a proper financial settlement for Railways, such as the correct amount to be set aside for depreciation, the principles of allocation of expenditure between capital and revenue, and the amortisation of railway capital at charge. In paragraph 9 (b) of my letter submitting the Railway Appropriation Accounts for the year 1930-31 I drew attention to certain paragraphs (paragraphs 208—213) of the Audit Report which discussed disquieting tendencies towards over-capitalisation, and I emphasised the necessity of immediate examination of the problem so that Government should be prepared with a well-considered scheme in connection with the setting up of a Railway authority under the new constitution. In paragraph 28 of their report on the Appropriation Accounts of 1930-31 the Public Accounts Committee stressed the necessity of early decision on the various problems thus indicated. The tendencies towards over-capitalisation that were brought to notice three years ago are still in operation, and during these three years net Railway earnings have failed to meet interest charges by 27.39 crores. Evidences of improvement are unhappily still uncertain. In the meantime, the preparation of the scheme for Railways under the new constitution must be in an advanced stage, while, according to the admission of the Financial Commissioner, Railways, the complicated financial problems connected with this scheme are still far from settlement. This is a position which seems to me to be exceedingly unsatisfactory.

6. *Financial Administration.*—The following are individual matters relating mainly to the subject of Railway financial administration which appear to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed :—

(i) *Paragraph 58 of the Audit Report.*—An irregularity in accounting.

(ii) *Paragraphs 59 and 60 of the Audit Report.*—Two important cases relating to the allocation of expenditure on rolling stock which I brought specially to notice last year, and which have not yet been finally settled.

(iii) *Paragraph 62 of the Audit Report.*—Loss on the abandonment of the Dacca-Aricha Railway project.

(iv) *Paragraph 81 of the Audit Report.*—Payment of interest by one Railway to another on the cost of wagons which are either no longer in existence or no longer in use.

(v) *Paragraph 88 of the Audit Report.*—Breach of orders in relation to an important contract.

(vi) *Paragraph 111 of the Audit Report.*—Loss on purchase of iron obtained from England.

(vii) *Paragraphs 112 to 114 of the Audit Report.*—Irregularities and errors in the East Indian Railway Stores Accounts.

(viii) *Paragraph 132 of the Audit Report.*—Shortage in stock of scrap material.

(ix) *Paragraph 133 of the Audit Report.*—Shortage in stock of teak wood logs.

(x) *Paragraphs 135 to 138 of the Audit Report.*—Defects in or non-enforcement of agreements.

(xi) *Paragraph 148 of the Audit Report.*—Loss due to failure of an accounts office to recover charges due.

(xii) *Paragraph 170 of the Audit Report.*—Fraud in an accounts office.

(xiii) *Paragraph 177 of the Audit Report.*—Loss due to an accounts office omitting to submit bills.

(xiv) *Paragraph 193 of the Audit Report.*—Consequences of postponement of expenditure.

7. The general conclusion which may be drawn from the Audit Report taken as a whole is that, due regard being paid to the magnitude and variety of the financial transactions which are involved, the standard of financial control attained by the Railway Administrations and the Railway Board may be said to be adequate.

APPENDIX III.**Memorandum by the Railway Board on paragraph 109 of the Director of Railway Audit's Audit Report on the Accounts for 1933-34 regarding Irregular Balances under the Workshop Manufacture Suspense Account on the North Western Railway.**

Expenditure incurred in railway workshops is ordinarily debited to a 'suspense' head in the first instance, this head being cleared gradually by the transfer of the relative debits to the departments for which the work is done. One of the important items of work done by the railway workshops is the manufacture of duplicates and other materials for the Stores and other departments of the railway. As supplies were made of the manufactured articles from time to time to the departments concerned, the suspense head is cleared by the transfer of a corresponding debit at an estimated rate called the 'issue rate'.

2. Under an ideal system of costing, the balance at a given moment under the head 'Workshop suspense' should represent the value of the articles in the course of manufacture in the workshop, at that point of time, the value including not only the cost of the materials but the labour already spent on them up to the given point of time. This, however, is only a theoretical ideal; and even with an elaborate system of costing, 'inefficient' balances under the head 'Workshop suspense' are inevitable, that is to say, the book balances under 'Workshop suspense' would differ to some extent—though only slightly—from the actual value of the materials in the course of manufacture.

3. If issue rates are revised at sufficiently frequent intervals in accordance with the varying costs of production, the 'inefficient' balance will naturally not be very large. A suitable workshop accounts procedure ought to provide for the periodical examination of costs and the consequent revision of rates and the adjustment of already accumulated—estimated—'inefficient' balances. But where costs are not so reviewed or revised for a fairly long time and periodical adjustments of costs not made, the 'inefficient' balances accumulate to large figure. When the figures so accumulate, the exact ascertainment of these 'inefficient' balances, is, a matter of difficulty, since it necessitates a careful stock-taking of the articles in the course of manufacture in the workshops and the appraisal of the value of the materials and the labour already consumed in those articles. Apart from the large staff required for the purpose, such verification would seriously interfere with the normal working of the shops.

4. On the North Western Railway owing to failure to analyse and adjust 'inefficient' balances for several years, the balances under 'Workshop suspense' rose to an unusually large figure which clearly indicated, even without a stock-taking, that a large part of it was 'inefficient'. A survey of the workshop undertaken during the Christmas holidays of 1932 revealed that the inefficient balances were of the order

of Rs. 5 lakhs ; and as a result of further investigation the figure was estimated at Rs. 4,75,747 as detailed below :—

	Rs.	A.	P.
(a) Manufacture of material for Stores Department on account of duplicates required for locos. and carriages	4,83,556	14	0
(b) Manufacture of material for other branches as per stores work orders	36,476	0	0
(c) Repairs to Springs received from the divisions	- 9,350	2	0
(d) Difference between actual freight and that debited to works at fixed rates ..	- 34,935	9	0
Total ..	4,75,747	4	0

5. The most important cause which led to the accumulation of such a large inefficient balance was the failure to revise issue rates for a long period but there were other contributory causes also, such as failure to 'reconcile' different sets of figures, incorrect adjustments (including omissions to make adjustments), the retention of materials in the shops both manufactured and un-manufactured, both serviceable and un-serviceable and also, to a small extent, which can be traced, embezzlement of wages and theft of materials. An elaborate analysis was made by the Chief Accounts Officer in the course of 1933, as a result of which several irregularities of procedure came to light, all of which had contributed to the large figure. Adequate steps have since been taken to set right the various defects in procedure that came to light and instructions have been issued to the Accounts Officer in charge of the workshop to submit a detailed report to the Chief Accounts Officer annually as the result of the review of the balance on 31st December each year. Necessary action has also been taken duly on the cases relating to embezzlement of wages and theft of materials.

6. The Railway Board have examined the whole position in consultation with the Controller of Railway Accounts and have brought to the notice of the Agent the various directions in which, in their view, there has been lack of check and supervision. They asked the Agent to examine the matter further in consultation with the Chief Accounts Officer and submit a report on the subject, indicating therein what disciplinary action has been or is proposed to be taken to bring home to the employees concerned the serious failures in essential and fundamental checks. The reply has been received and is under consideration.

APPENDIX IV.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL, BENGAL AND NORTH WESTERN, BENGAL-NAGPUR, BOMBAY, BARODA AND CENTRAL INDIA, BURMA, EASTERN BENGAL, EAST INDIAN, GREAT INDIAN PENINSULA, MADRAS AND SOUTHERN MAHRATTA, NORTH WESTERN, ROHILKUND AND KUMAON AND SOUTH INDIAN RAILWAYS ; THE MANAGER, JODHPUR RAILWAY ; THE AGENT, H. E. H. THE NIZAM'S STATE RAILWAYS ; THE CHIEF MINING ENGINEER, RAILWAY BOARD ; AND THE CENTRAL PUBLICITY OFFICER, INDIAN STATE RAILWAYS, No. 1728-B., DATED SIMLA, THE 21ST AUGUST 1935.

Railway Appropriation Accounts for 1933-34 and the Director of Railway Audit's report thereon.

I am directed to draw your attention to the Auditor General's remarks on the report of the Director of Railway Audit on the appropriation accounts of Railways for 1933-34 (Appendix II). The Railway Board are glad to note, and they have no doubt your administration will appreciate the general conclusion drawn by him in the last paragraph of his letter which runs as follows :—

“ The general conclusion which may be drawn from the Audit Report taken as a whole is that, due regard being paid to the magnitude and variety of the financial transactions which are involved, the standard of financial control attained by the Railway Administrations and the Railway Board may be said to be adequate.”

2. While the Board have no doubt that you have already carefully studied the report of the Director of Railway Audit and taken all steps necessary to apply to your railway the lessons to be learnt from the various cases of irregularities mentioned therein, they desire to draw special attention to a few points which they consider important :

Paragraphs 11 to 22 ; 29 to 32 ; 34 to 37 ; 39 to 45 and 46 to 54. Budgetting and control of expenditure.—The Board trust that steps will be taken to eliminate, as far as possible, the defects brought to notice, such as the omission to provide in the budget for certain fixed and recurring charges, failure to distribute final allotments over sub-heads of grants, irregular reappropriations, changes in classification and wrong booking of expenditure.

Paragraphs 71 to 76. Expenditure on new equipment.—Attention is drawn to the instructions issued on the subject in Railway Board's letter No. 33|256-S., dated 8th July 1933. The Board trust that these instructions are now being carefully followed and that new equipment and appliances are not obtained in large numbers or quantities without the administration completely satisfying itself as to their suitability for the purpose for which they are intended.

Paragraphs 82 and 83. Incurring of expenditure on behalf of other Departments.—The Board consider it important to ensure that, before any work which involves a recovery of a portion or the whole of it from another department of Government is undertaken the approval of that department

should be obtained to the full extent of their liability in the matter, just as in the case of private bodies the amount involved is recovered in advance.

Paragraphs 85 and 88. Contracts.—The Railway Board consider that the fundamental precaution to be taken in arranging for the execution of works on contracts cannot be too strongly and too frequently impressed on all the officers concerned, namely, that no contractor or contractors should, except in a case of extreme urgency, be allowed to commence the work to be entrusted to them without a definite understanding in writing as to the terms (including the description of the work to be done, the rates at which they are to be paid, etc.), on which they are to execute the work.

Paragraphs 90 to 97. Employment of staff on works other than those to which their pay is charged.—The Railway Board regret to notice from the report of the Director of Railway Audit that this irregularity has not disappeared entirely.

Paragraphs 108 and 109. Inefficient balances in workshop accounts.—The Railway Board regret to note that large inefficient balances were allowed to accumulate in the workshops of certain railways without special steps being taken by the executive and accounts departments to analyse them, to ascertain the causes which led to them and to devise methods of avoiding a recurrence. The main causes for such accumulation were, it is observed,

- (a) want of proper care and watchfulness in the fixing and revision of rates for outturn from workshops, waste, scrap, etc., from time to time,
- (b) initiating a vital change in the accounts procedure without the necessary accounts, assistance and supervision,
- (c) the undesirable practice of manufacturing articles in excess of requirements, and
- (d) the absence of the fundamental check of issues from one department with the receipts in the department to which the issues were made.

The Railway Board desire to impress on Railway Administrations the necessity of having a frequent examination made of the state of the suspense balances in their workshops.

Paragraphs 112 to 114. Stores accounts.—The serious irregularities disclosed in these paragraphs were apparently part of the general and prolonged disorganisation of stores accounts on the East Indian Railway, and can, the Board trust, be taken to be far from typical of the state of affairs on railways generally. Nevertheless they desire to draw the attention of all railways to the serious consequences that may ensue by initial neglect of prescribed procedure and the failure to take timely action. It will be observed that the serious differences that were allowed to accumulate between the balances of stores on the general books of the accounts office and the balances on the books of the executive officers were due to the failure for a considerable period to reconcile these balances and to maintain correct price ledgers and check them properly at periodical intervals with the results of stock-taking.

Paragraphs 115 to 129. Purchase of stores.—Some of these cases show a regrettable want of co-ordination in the preparation of indents between the department requiring the stores and the department responsible for their purchase. Others show an equally regrettable failure to make a careful estimate of requirements before making a purchase. The Railway Board trust that as a result of the instructions contained in their letter of 10th November 1934 there will be few or no such cases in future.

Paragraphs 137 and 138. Auction sales of scrap through auctioneers.—The Railway Board trust that adequate steps are now being taken to safeguard the interests of the railway and to ensure that money due to the railway is paid promptly and that the scrap sold is not ordinarily handed over before the price is received by the railway.

Paragraphs 172 and 173.—The Railway Board trust that railway administrations are taking steps to settle outstanding questions as speedily as possible.

No. 1728-B., DATED THE 21ST AUGUST 1935.

Copy forwarded for information to the Chief Accounts Officers, East Indian, Eastern Bengal, Great Indian Peninsula, North Western and Burma Railways, Director, Railway Clearing Accounts Office, Controller of Railway Accounts, Director of Railway Audit, the Auditor General in India and the Finance Department.

APPENDIX V.*Report by the Railway Board on the financial results of the electrifications of the Bombay Railways.*

The attached statements which have been prepared in consultation between the Railway Administration and the statutory auditor concerned show the financial results of the electrification schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1934-35. These have been prepared on the same basis as those which were prepared by Mr. Nixon as Director of Railway Audit in October 1933, and were placed before the Public Accounts Committee last year. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are inter-dependent.

2. The figures for the two railways are summarised below :—

	Great Indian Peninsula		Bombay, Baroda and Central India.	
	Traffic in train miles. Lakhs.	Percentage of net savings on net outlay.	Traffic in train miles. Lakhs.	Percentage of net savings on net outlay.
Estimate	55·40	10·51	16·60	16·93
1930-31	42·50	4·80	14·28	10·35
1931-32	41·87	5·37	13·43	10·96
1932-33	41·21	5·23	12·56	11·62
1933-34	41·85	4·90	14·00	13·43
1934-35	41·80	4·42	14·07	15·54

3. On the Great Indian Peninsula Railway the decrease in the percentage in 1933-34 is due to certain adjustments between capital and revenue, and expenditure incurred for the first time on the normal periodical overhaul to electric locomotives. In 1934-35 the expenditure on overhauls and repairs increased.

4. The more favourable results obtained on the Bombay, Baroda and Central India Railway as compared with the results on the Great Indian

Peninsula Railway are due to the fact that the gross capital expenditure in the former case was reduced to a much larger extent proportionately by the credit for the steam stock released. The actual value of this has proved to be even larger than was originally estimated.

5. The percentages given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in last year's memorandum problematical. Increased traffic has not materialised to the extent anticipated and it is possible that *some part* of the estimated saving should be neglected. If *the whole* of it is neglected, the percentages will be as follows :—

				Great Indian Peninsula. Per cent.	Bombay, Baroda and Central India. Per cent.
1930-31	..	..	..	3.12	3.18
1931-32	..	..	..	3.58	3.46
1932-33	..	..	..	3.49	3.77
1933-34	..	..	..	3.24	4.61
1934-35	..	..	..	2.87	5.58

6. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 6 and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

STATEMENT ' A '.

Financial results of the Great Indian Peninsula Railway Electrification Schemes.

Particulars. 1	Estimate all Sections elec- trified Total Estimates.	Actuals including percentage cut.				
		1930-31. 3	1931-32. 4	1932-33. 5	1933-34. 6	1934-35. 7
1. Traffic in lakhs of train miles (Steam)	55.40	42.50	41.87 In lakhs of Rupees.	41.21	41.85	41.80
2. Gross outlay on electrification	950.90	942.65	953.93	959.72	959.78	959.20
3. If no electrification estimated extra steam outlay for increased traffic	175.93	175.93	175.93	175.93	175.93	175.93
4. Cost of steam stock released because of electrification ..	254.71	172.98	172.98	172.98	172.98	172.98
5. Net outlay on electrification (item 2—item 3—item 4).	520.26	593.74	605.20	610.81	610.87	610.29
6. Cost of Steam Working, i. e., working expenses excluding depreciation	158.54	116.38	114.65	112.85	114.60	114.46
7. Cost of Electrical Working, i.e., working expenses excluding depreciation	87.52	72.85	66.83	65.08	68.81	71.67
8. Gross savings in Working Expenses due to (electrification (item 6—item 7)	71.02	43.53	47.82	47.77	45.79	42.79
9. Depreciation on gross outlay on Electrification	27.20	23.82	24.12	24.66	24.67	24.65
10. Depreciation on Steam Outlay avoided	10.88	8.81	8.81	8.81	8.81	8.81
11. Increase in annual depreciation due to Electrification (item 9—item 10)	16.32	15.01	15.31	18.85	15.86	15.84
12. Net savings on working expenses due to Electrification (item 8—item 11)	54.70	28.52	32.51	31.92	29.93	26.95
13. Percentage of gross savings on gross outlay (Item 8 × 100). (item 2)	7.47	4.62	5.01	4.98	4.77	4.40
14. Percentage of gross savings including depreciation on electrical assets only— (Item 8-9 × 100) Item 2	4.61	2.09	2.48	2.41	2.20	1.89
15. Percentage of gross savings on net outlay— (Item 3 × 100) Item 5	13.65	7.33	7.90	7.82	7.50	7.01
16. Percentage of net savings on gross outlay (Item 12 × 100) Item 2	5.75	3.03	3.41	3.33	3.12	2.81
17. Percentage of net savings on net outlay— (Item 12 × 100) Item 5	10.51	4.80	5.37	5.23	4.90	4.4

Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.

No.	Particulars.	Estimates 1931-32.	Actuals 1932-33.	Actuals 1933-34.	Actuals 1934-35.
1	Traffic in lakhs of train miles (Steam)	16.60	12.56	14.00	14.07
			(Lakhs of Rupees.)		
2	Gross outlay on Electrification ..	204.28	202.90	202.90	202.90
3	If no electrification, estimated extra steam outlay for increased traffic ..	72.00	72.00	72.00	72.00
4	Cost of steam stock released because of electrification ..*	50.00	68.79	68.79	68.79
5	Net outlay on Electrification (Item 2—Item 3—Item 4) ..	82.28	62.11	62.11	62.11
6	Cost of steam working—working expenses excluding depreciation ..	37.55	25.82	28.78	28.92
7	Cost of Electrical working—working expenses excluding depreciation ..	21.16	16.73	18.57	17.40
8	Gross savings in working expenses due to Electrification (Item 6—Item 7)..	16.39	9.09	10.21	11.52
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2) ..	6.12	6.09	6.09	6.09
10	Depreciation on steam outlay avoided at 3 per cent on items 3 and 4 ..	3.66	4.22	4.22	4.22
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10) ..	2.46	1.87	1.87	1.87
12	Net savings in working expenses due to Electrification. (Item 8—Item 11)	13.93	7.22	8.34	9.65
			Percentages.		
13	Percentage of gross savings without allowing for depreciation on gross outlay $\frac{\text{Item 8} \times 100}{\text{Item 2}}$..	8.02	4.48	5.03	5.68
13A	Percentage of gross savings (after allowing for depreciation on electrical outlay) on gross outlay $\frac{\text{Items 8-9} \times 100}{\text{Item 2}}$..	5.03	1.48	2.03	2.68
14	Percentage of gross savings on net outlay $\frac{\text{Item 8} \times 100}{\text{Item 5}}$..	19.92	14.63	16.44	18.55
15	Percentage of net savings (after allowing for depreciation) on gross outlay $\frac{\text{Item 12} \times 100}{\text{Item 2}}$..	6.82	3.56	4.11	4.76
16	Percentage of net savings (after allowing for depreciation) on net outlay $\frac{\text{Item 12} \times 100}{\text{Item 5}}$..	16.93	11.62	13.43	15.54
17	Percentage of net savings (after allowing for depreciation on actual gross outlay (of 202.90) with traffic of 16.60 lakhs train miles ..	6.86	4.70	4.87	5.62

APPENDIX VI.

Memorandum by the Railway Board on the enquiry conducted by Mr. F. A. Pope.

To ascertain whether further economies were possible on Indian Railways, the Government of India obtained, by the kindness of the London Midland and Scottish Railways, the services of Mr. Pope, General Executive Assistant to the President of that railway. Mr. Pope who had been closely in touch with the various processes of rationalization put into practice in recent years on the London Midland and Scottish Railway was in India from December 1932 to February 1933.

2. In view of the shortness of Mr. Pope's visit, it was decided that he should concentrate his attention on the Great Indian Peninsula Railway and inaugurate a detailed analysis of important activities of railway operation—"job analysis"—on that line. It was arranged to associate with him certain officers of other railways who could observe his methods and, if necessary, continue the investigations after his departure from the country. The following were the officers selected for the purposes :—

Mr. J. A. Bell, Divisional Superintendent, East Indian Railway.

Lt.-Col. C. F. Carson, R.E., Divisional Superintendent, North Western Railway.

Mr. R. C. Case, Deputy Transportation Superintendent, Great Indian Peninsula Railway.

Mr. G. S. G. Higginson, District Transportation Officer, Bengal Nagpur Railway.

Mr. G. A. R. Trimming, Deputy Chief Mechanical Engineer, East Indian Railway.

3. Mr. Pope and these officers worked on the Great Indian Peninsula Railway during the months of January and part of February 1933. By the end of February, Mr. Pope presented a report to the Railway Board, copies of which are in the Library of the Legislature. In his covering letter, which is printed at pages vii and viii of the Report, Mr. Pope pointed out that already a large number of economies had been effected on Indian railways and there were no big individual economies left except the better use of locomotive power, and possible further amalgamation of railways, both of which are now under separate consideration. He, however, was emphatically of opinion that considerable savings would be found possible if a detailed analysis of every operation conducted on a railway "job analysis" were undertaken. For this purpose, he pointed out that it was necessary to have a continual organised research and investigation.

4. In accordance with this recommendation, which is further elaborated on page iv of the Report under the "Summary of conclusions and recommendations", it was decided to start job-analysis on all State-managed Railways, and the State Railway officers who were originally

associated with Mr. Pope were selected to carry on the various investigations. Later similar organisations were started on most Company-managed railways as well and at the present moment such organisations exist on ten railways, as shown below :—

Railway.	Officer appointed.	Substantive position.	Date of appointment.
E. I. Railway ..	Mr. J. A. Bell	Divisional Superintendent	1-3-1933
N.-W. Railway ..	Lt.-Col. F. C. Carson ..	Ditto ..	1-3-1933
G. I. P. Railway ..	Mr. R. C. Case	Deputy Transportation Superintendent ..	1-3-1933
E. B. Railway ..	Mr. G. A. R. Trimming ..	Dy. C. M. E., E. I. R. ..	1-3-1933
B. N. Railway ..	Mr. G. S. G. Higginson ..	Dist. Transportation Officer	1-4-1933
Burma Railways ..	Mr. W. J. Air	Asstt. Engineer	15-5-1933
A. B. Railway ..	Mr. Prendergast	Personnel Officer ..	3-7-1933
B., B. & C. I. Railway	Mr. B. C. Covell ..	Dy. Agent (Senior) ..	2-10-1933
M. & S. M. Railway ..	Mr. C. H. C. Bowen ..	Dist. Engineer	28-10-1933
S. I. Railway ..	Mr. C. Middleton ..	Dist. Engineer	1-5-1933

5. These officers continue to draw, while engaged on this work, the pay which they otherwise would have received. They have, since their appointment, organised a small staff to assist them in their operations. On some railways it has been found necessary to have an additional officer to assist in the investigation. The total cost involved during 1933-34 is estimated at Rs. 3 lakhs.

6. When this research work was initiated, the Railway Board asked Railway Administrations to report progress every six months to indicate what economies had been recommended by these officers. The first six monthly progress reports from the important State Railways have now been received and show that, while the research work is only in its initial stages, the analyses already undertaken cover a large variety of railway operations ; including, indeed, such widely diverse matters as administrative organisation, intensive use of locomotives, reduction of shunting charges, savings in shed maintenance, painting of structures, reduction in the use of stationery, bigger loads of trains, improved routing of traffic, better utilisation of scrap, and many others. Moreover, on the principle of no saving being too small to be ignored, small economies have been suggested in such items as the process of copying correspondence, the clearing of points, the use of lights and fans, and even in the curtailment of number of newspapers taken. So far as can be gauged at present, it is apparent that substantial savings in working expenses may be anticipated from the work now being carried on by these officers, justifying the small special research organisations which have been set up on each railway. Brief particulars of the savings anticipated on the four State-

managed railways shown in their first six monthly progress reports are given below :—

- (a) On the *East Indian Railway* it is anticipated that, in connection with only 9 items of railway operation, savings amounting to Rs. 1½ lakhs have been effected during 1933-34 and it is hoped that this may increase to two lakhs in 1934-35. In addition, 26 other items are still under investigation and if the savings anticipated on these materialize they will amount to about 3½ lakhs.
- (b) On the *Great Indian Peninsula Railway* altogether 64 different items of operation have been analysed, and the possible savings up to September 1933 are placed at 2½ lakhs, which it is anticipated may increase to 6½ lakhs during the whole year. It would, however, be optimistic to assume that the administration will benefit to this extent immediately as the powers of retrenchment must, to some extent, be gradual.
- (c) On the *North Western Railway* some 11 different items of operations have been analysed but as these have been conducted at many different stations (as for instance shunting costs, shed maintenance, etc.), the aggregate number of analyses undertaken up to the submission of the progress report amounts to no less than 78. If all the recommendations are finally accepted the savings estimated on an annual basis would amount to 12 lakhs ; of this amount already 5¼ lakhs have been accepted as attainable by the departments concerned. It is estimated that during the year 1933-34 1½ lakhs may be saved.
- (d) During the first six months of " job analysis " on the *Eastern Bengal Railway* a large number of detailed analyses have been carried out covering operations in the Mechanical Traffic, Engineering, and Stores Departments. During the present year the savings resulting from these are estimated at over 2 lakhs, a figure that, it is hoped, will increase considerably in future years.

7. The results to date after six months careful detailed analysis of such operations as have already been examined on four railways may be classified as below :—

Savings in 1933-34.			Future Savings.		
(a) claimed as made.			(a) estimated as attainable, or		
(b) estimated as possible.			(b) accepted, or		
			(c) under consideration.		
(In lakhs).			(In lakhs.)		
Rs.			Rs.		
1. E. I. Railway	1.50(a)	1. E. I. Railway	3.51(c)		
2. G. I. P. Railway	2.50(b)	2. G. I. P. Railway	6.50(a)		
3. N. W. Railway	1.50(b)	3. N. W. Railway	5.75(b)		
4. E. B. Railway	2.00(b)	4. E. B. Railway	4.00(a)		

It should be realized that all these figures, including even that of the East Indian Railway in the first column, should be accepted with reserve,

for retrenchment must be a slow and deliberate process. It is felt, however, that the results, so far, are sufficiently encouraging ; more especially as " job analysis " has been in force for a comparatively short time. It should, moreover, be borne in mind that this process of research has only so far been applied to a certain number of operations and there are still large numbers waiting to be examined. On the London Midland and Scottish Railway the process of ' job analysis ' was started some years back, and is still being carried on, as there is much ground remaining to be explored.

8. In addition to the ' job analysis ' organizations working on each railway, the Railway Board themselves are examining certain other subjects recommended in Mr. Pope's report, among them being :—

- (a) the better use of locomotives ;
- (b) the better use of railway land ;
- (c) the more careful listing of surplus track, equipment, and accommodation ;
- (d) additional research and experiments ;
- (e) improved workshop practice, especially in regard to standardization of pattern design, the use of scrap, and the compilation of ' cost ' data ;
- (f) possibility of reducing hot axles.

As regards item (e) a small Committee is now engaged in investigating the compilation of " cost " data.

9. In recommending the initiation of ' job analysis ' on each Railway Mr. Pope emphasized that no individual or railway has a monopoly of ideas or efficiency, and to ensure the proper pooling and wide application of all available economies he suggested that officers engaged on this research should hold periodical meetings to exchange ideas. This suggestion is being followed.

10. As the Committee are aware, Mr. Pope's services have again, through the kindness of the London Midland and Scottish Railway, been secured for Indian Railways during this winter ; and he has been employed in making a more detailed investigation into the other State-managed Railways and examining the work done during the year by Railway Administrations themselves.

APPENDIX VII.

Memorandum by the Railway Board on the progress of 'job analysis' on Indian Railways up to 31st March 1934.

In February last, the Railway Board placed before the Standing Finance Committee for Railways a memorandum describing briefly the results of Mr. Pope's first visit to India, and explaining that small organisations for conducting a detailed examination of all railway activities—called by Mr. Pope 'Job Analysis'—had been set up on principal railways. A summary of the results of this work, as claimed and estimated then, was given, and these were shown to be sufficiently encouraging to justify a continuation of the organisations.

2. Further reports on 'job analysis' from certain railways are now to hand, giving the progress up to the end of the official year 1933-34. These show that the work is being continued with vigour and with an encouraging degree of success. The more interesting features of these reports are summarised in the following paragraphs :—

3. (a) On the *East Indian Railway* considerable savings have been effected during the official year 1933-34, generally under three headings :—

- (i) Economies in expenditure on fuel by substituting cheaper for more expensive coal and obtaining coal from nearer collieries ;
- (ii) Better utilisation of scrap metal ; and
- (iii) Reduction of staff.

The total savings, effected during the year, amounted to Rs. 7,01,083, which has been checked and certified as correct by the Chief Accounts Officer, while the total cost of the 'job analysis' organisation during the year amounted only to Rs. 77,691.

It is reported that investigations under 20 separate heads are also in progress, covering such extensive ground as the organisation of the Stores Department, running sheds, sick line work, station work and marshalling yards ; and including such varied items as the increased loads of goods trains, the intensive use of coaching stock, reduction in the use of stationery, reclamation of oil from used waste from axle boxes, the use of pulverised coal in stationary boilers, and the compilation of fuel and commercial statistics on Hollerith machines.

(b) On the *Great Indian Peninsula Railway*, the cost of 'job analysis' during the year 1933-34 amounted to Rs. 56,680 and the savings effected to Rs. 4,29,482, chiefly under wages. Since the initiation of the work on this railway, no less than 136 separate investigations have been started, covering many widely divergent activities. The cost of staff in many of the departments has been, and is still being, scrutinised, and considerable reductions have been found possible. The Nagpur Division has

been merged in the Bhusaval Division and further important developments are forecasted in the intensive use of locomotives, regarding which a separate report will shortly be available.

(c) On the *North Western Railway* the cost of 'job analysis' for the year 1933-34 amounted to Rs. 32,000 and the savings effected during the same period to Rs. 12,66,749. One of the most important investigations undertaken on the North Western Railway dealt with the maintenance of track and resulted in savings amounting to Rs. 5,23,629. This saving has been effected under "Maintenance of Way and Works", the bill for which generally accounts for about 15 per cent. of the working expenses of railways. Another Rs. 2½ lakhs has been saved by careful analysis of shunting and other activities at stations, and a further sum of over a lakh by improved methods of utilising scrap. Analysis is still being continued in connection with track and other maintenance, the operation of running sheds, and the working of marshalling yards and goods sheds. Considerable work still remains to be done in the analysis of the work of clerical staff, and further reports are shortly promised in connection with the work done in certain Stores depots. It is also hoped to initiate shortly an important investigation, aiming at further co-ordination of all mechanical workshops.

(d) On the *Eastern Bengal Railway* the cost of 'job analysis' for the year ended 1933-34 amounted to Rs. 63,000 per annum, whereas the annual saving effected on one item alone, viz., reduction of station staff, amounted to more than this sum. Actually a conservative estimate places the economies effected during the year at Rs. 2,14,864. This figure is chiefly made up of wages.

One interesting detailed investigation conducted on the Eastern Bengal Railway dealt with the maintenance of Block Instruments and Fixed Signals. Every operation, however small, in connection with this work was scrutinised and tested, and it was found that, if conducted to a reasonable time table, the work could be carried out with considerably less staff. The savings effected during 1933-34 amounted to Rs. 38,000.

Investigations into the better use of locomotives and coaching stock have already produced substantial results. On two districts the daily mileage of locomotives has been appreciably raised, and on the Calcutta suburban services, it has been found possible to provide increased trains with fewer coaching rakes. These analyses are still proceeding.

Further savings are forecasted in purchases of less quantity of high grade coal, and the abandonment of certain telegraph lines, with a consequent saving of rent.

(e) On the *Bombay, Baroda and Central India Railway* 'job analysis' started later at the beginning of October 1933. The economies actually effected have not been reported, but the annual savings which have been recommended and accepted are estimated to be Rs. 3,52,862 whereas the annual cost of the job-analysing organisation is anticipated to be Rs. 58,769. The principal saving anticipated is under the heading 'intensive use of engines', accounting for nearly Rs. 1½ lakhs. Analysis of the work in certain workshops and traffic stations is expected to result in a further saving of about Rs. 1½ lakhs.

4. The table below shows the savings effected on the five railways mentioned above, together with the cost of the job-analysing organisation on each railway for the year 1933-34 :—

* Railway.	Cost of ' job analysis ' organisation.		Savings effected.
	Rs.		Rs.
East Indian Railway	77,691	7,01,083	
Great Indian Peninsula Railway	56,680	4,15,000	
North Western Railway	32,000	12,66,749	
Eastern Bengal Railway	63,000	2,14,864	
Bombay, Baroda and Central India Railway	58,789*	3,52,862*	
Total ..	2,88,160	29,50,558	

* Only estimated annual figure.

APPENDIX VIII.

COPY OF LETTER No. 8593-F., DATED THE 21ST AUGUST, FROM THE RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENT, NORTH WESTERN RAILWAY, REGARDING IRREGULAR BALANCES UNDER WORKSHOP MANUFACTURING SUSPENSE ACCOUNT OF THE LOCOMOTIVE WORKSHOPS, MOGHALPURA, FURNISHED TO THE PUBLIC ACCOUNTS COMMITTEE IN SEPTEMBER 1935 IN ACCORDANCE WITH AN UNDERTAKING GIVEN BY THE FINANCIAL COMMISSIONER OF RAILWAYS BEFORE THE COMMITTEE.

With reference to the correspondence resting with your letter No. 256-S.213/1933, dated the 22nd July 1935, I am directed to state that the Railway Board, after a very careful perusal of the explanations given, consider that the explanations are far from satisfactory.

2. To begin with, the Railway Board observe that the main cause for the accumulation of the inefficient balances in the workshop manufacturing suspense account was the radical change made in April 1928 in the procedure of booking expenditure, and that this radical change, which, in the opinion of the administration, required really an expert accountant to initiate and supervise, was left to be inaugurated by the Production Engineer without any assistance from the Accounts Department. They also observe that this change was made in consultation with the then Chief Auditor of the railway and, so far as can be ascertained, without the written approval of any authority higher than the heads of departments concerned. The Board do not think that such vital changes in accounts procedure should have been initiated without the consultation of higher accounts or administrative authorities, and are of the opinion that the then Chief Auditor should have paid more attention to evolving a suitable accounts procedure to fit in with the reorganisation and to placing at the disposal of the Production Engineer a person with the necessary experience of workshop accounts to assist him in details.

3. Another cause for the growth of the inefficient balance in this case was, it is noticed, the irregular system, which was then in force in the workshops, of manufacturing material in excess of requirements. It is stated that this was probably a legacy from the past when all expenditure in the workshops was charged to revenue repairs. That such a state of affairs should have been allowed to continue reflects, in the opinion of the Railway Board, seriously on the efficiency of the supervision exercised over the working and management of the workshops.

4. The Railway Board further observe that no explanation has been offered on the first point raised in their letter No. 8593-F., dated the 12th June 1935, namely, the failure to exercise the fundamental and obvious check of the quantities of articles manufactured in the shops with the quantities issued and of the quantities issued by the shops with the quantities acknowledged by stores. For this also the Railway Board must hold the Audit and Accounts Department, and in a lesser degree, the workshop management, responsible.

5. In conclusion, I am to state that the Board feel greatly disturbed by the state of affairs revealed by this case, and trust that you are taking steps to impress on all the workshop staff, both accounts and executive, the lessons to be learnt from this case and that you are taking adequate measures to prevent the recurrence of such cases.