

Government of India
Ministry of Railways
(Railway Board)

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New Delhi, Dated 6/7/05.

FA&CAOs,
All Zonal Railways/PUs etc.

Sub: Minutes of FA&CAOs' Conference -- May 2005.

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Please find enclosed minutes of FA&CAOs' Conference held in Board's Office on 31/5/05 for information and necessary action. The action taken report thereon may kindly be sent within a month.

DA: As above.



(Sudhir Mathur)
Executive Director (Accounts)
Railway Board

Minutes of FA&CAOs' conference held on 31.5.05 in Board's Office

A conference of FA&CAOs of Zonal Railways, Production Units and FA&CAO/ Const. was held in Board's office on 31.05.05. The conference was graced by Hon'ble MR and MSR(V), ML, MM, MS, AM/F, AM/B and was chaired by FC(Railways). A list of participants is at Ann.1. The minutes of the conference are as under:

1.0 Special Session

Welcoming Hon'ble MR and MSR(V), FC(Railways) thanked Hon'ble Ministers for having spared their valuable time to address the conference. She mentioned that, thanks to the dynamic initiatives taken by MR, Railways have been able to not only achieve but also surpass both physical and financial targets. Goods earnings are exceeding the revised estimates by Rs 325 Crore and realisation of outstanding is likely to be Rs 300 Crore as against the target of Rs 150 Crore. The operating ratio is expected to be 91.07% as against target of 91.17%. Net Revenue is showing a quantum jump of Rs 964 Crore over last year and excess /surplus will be around Rs 2000 Crore during the current year and thus more funds will be available for appropriation to Railway funds. Hon'ble MR and MSR(V) addressed the special session of the conference and also presented mementos for excellent financial performance during 2004-05 to officers from Board's office and FA&CAOs.

1.1 Address by Minister of Railways

- (i) Addressing the participants, MR expressed his happiness to attend the conference. He stated that Accounts and Finance department is playing a key role in management of IR.
- (ii) He expressed his satisfaction over the functioning of FA&CAOs and congratulated them for their exemplary performance. He stated that the financial year 2004-05 is marked by excellent growth in all the segments of railway business and we have surpassed both the physical and monetary targets set, particularly in goods and passenger segments. This would not have been possible without the rigorous budgetary controls exercised by FA&CAOs and careful monitoring in Board's Office.
- (iii) He stated that our next target is to achieve 700 MT loadings for which several new capacity enhancement works are on the anvil. FA&CAOs may ensure that these works are completed in time without cost over runs as they have an important role in finalisation of tender and timely payment of bills.
- (iv) He desired focus on the new accounting reform initiatives viz, electronic payment system, adoption of generally accepted accounting practices in case of leased assets, assessment of depreciation and pension liability on a more scientific basis etc. and expected Accounts and Finance department to contribute in development of IR through such important reforms.
- (v) He hoped that FA&CAOs will ensure to plug the revenue leakages and whenever required take up computerisation on priority for this purpose for increasing the revenues. He reposed his confidence in the capability and commitment of Accounts and Finance Officers and assured his full support and good wishes to FC and FA&CAOs while wishing success to the conference.
- (vi) FC while thanking Hon'ble MR and MSR(V) for sparing their valuable time for addressing the FA&CAOs' conference, assured that Finance officers will leave no stone unturned to ensure achievement of the targets set by MR.

1.2 Address by Minister of State for Railways(V)

- (i) MSR(V) lauded the improved financial results achieved during the financial year 2004-05. The earnings and loadings have surpassed the estimates. The net surplus achieved is the highest in the past 7 years and commended finance officers for the remarkable performance.
- (ii) He appreciated the fact that revenue leakages have been plugged to some extent and desired more attention to this aspect.
- (iii) He stressed the need for expeditious finalisation of proposals for which contribution of FA&CAOs is very essential. He mentioned that two dedicated freight corridor projects connecting Delhi-Mumbai and Delhi-Howrah are in the offing and once they materialise, Railways will gain tremendous advantage as carriers in these areas. He wished the Conference a success and highlighted the need to thrash out issues through discussions which otherwise take time to be resolved in the normal course of proceedings.

2.0 Inaugural Session:

Executive Director/ Accounts while welcoming the participants stated that the conference has been organised to review the financial results of f.y. 2004-05 and to plan strategies for achieving the targets set for financial year 2005-06. However, the theme this time is house-keeping activities and internal check mechanism, an area of concern for Board, which over the years has been given a back seat.

The details of the address by Board Members and Additional Members are given below:

2.1 Financial Commissioner/ Railways

- (i) FC welcomed Hon'ble MR, Hon'ble MSR(V) and Members of Board and all other participants from Board's Office and Railways.
- (ii) Giving a brief account of IR's performance during f.y. 2004-05, FC stated that IR has surpassed the targets set. Operating ratio has been better than the target. Though OWE were marginally high, the position remained under control.
- (iii) She highlighted MR's personal efforts in ensuring that leakages in revenue are plugged especially the surprise checks conducted personally by him to arrest overloading of wagons. Railways have also been able to boost revenue by plugging leakage of revenue in the form of unaccounted scrap disposal. Ticket checking mechanism has been strengthened.
- (iv) Mid-term appraisal of the 10th plan shows that Railways have been able to meet a number of targets, which is commendable.
- (v) FC complimented the FA&CAOs for increase in the earnings and desired the Railways to have a proactive role in controlling the expenditure by strict adherence to the spending limits.
- (vi) FC desired FA&CAOs to augment internal resources as SRSF is going to end next year and fund balances should be augmented for replacements/ renewals.
- (vii) She emphasised upon tight budgetary management and complete utilisation of the funds sanctioned for plan activities as non-utilisation of sanctioned funds is adversely commented upon by PAC.

- (viii) She stressed on the need for proper maintenance of pensioners data and updation of asset registers to comply with Hon'ble MR's Budget pronouncements on actuarial evaluation and DRF accountal respectively.
- (ix) She also desired the FA&CAOs to give focussed attention to strengthening of house keeping activities and ensure that there are no arrears in internal checks and reconciliation of suspense balances is current and up to date besides emphasising on test checks, field inspection of executive offices by Accounts and Field inspections by officers. JAG/SAG officers should make system checks also during their inspections.
- (x) She stated that improvements brought out by the FA&CAOs in housekeeping activities would constitute the parameter for the evaluation of their work during the financial year 2005-06. Railways may achieve this with the help of automation. Computerisation projects should be given attention as these will help in clearance of the arrears under housekeeping activities besides making the checks more effective.
- (xi) As regards implementation of Payment of salary through cheque, certain Railways have considerably low coverage. The concerned FA&CAOs may discuss the implementation strategies with their counterparts on Railways that have achieved substantial progress viz., SR, ECoR and SCR.
- (xii) She stated that the thrust areas for Railways are Mission 700 MT envisaged by Hon'ble MR and achieving an operating ratio of 85%. She directed all FA&CAOs to make efforts in this direction.
- (xiii) A decision has been taken for actuarial evaluation of pension liability through a professional agency. Zonal Railways have already been advised to furnish basic data on pension as may be required by the consultants. Railways may gear up the system for the same.
- (xiv) DRF assessment is another key area. Now that Asset registers are in place the assessment should not pose any problem. Updating the Asset Register due to creation of new zones will be done by CRIS and for assessment of DRF etc RITES is being engaged for this work and railways may extend necessary assistance to CRIS & RITES as may be required by them in this regard.
- (xv) Drawing attention of the participants to the financial review presented by AM(B) and AM(F) she called upon all the railways to ensure that the targets set for earnings, traffic suspense, working expenses and plan expenditure are achieved. She mentioned about her discussions with Finance Minister and desired all FA&CAOs to ensure that expenditure is contained within the sanctioned limits.
FC thanked AM(B) for her immense support and lead role played in handling of works expenditure proposals and the budgetary exercise which helped in achieving excellent financial results and wished her a very happy retired life.

2.2 Member/Mechanical

- (i) Member/Mechanical highlighted the changing role of Accounts Officers. Earlier they were only providing accounting and financial advice. Now, the horizons are widening and Accounts officers have the additional role of facilitators.
- (ii) For procurement purposes, e-procurement is the new norm and it is one area where a lot needs to be done. A pilot project in this regard is being handled by Northern Railway. This would shorten the procurement time and change the method of working. If the Railways need any help from Railway Board, they may seek so.

- (iii) This year the Railways have achieved a good operating ratio. As compared to the spending, the Railways have shown good results. He congratulated the FA&CAOs for the good financial results.

2.3 Member/ Electrical

- (i) Member/Electrical complimented FA&CAOs for bringing down the OR to 91% through tight budgetary control and greater care for accountal of earnings. He stressed the need for streamlining of procedure of fund certification for procurement keeping in view the fact that in a number of cases supplies against the contracts executed during a year are made in the next year.
- (ii) He stated that computerisation should be given priority to streamline and develop an integrated system.
- (iii) He also stressed upon the need for accurate and timely flow of statistical information. He underlined the importance of CTRs as initial documents to be uploaded on computer to work out crew related and all other statistical information correctly.
- (iv) Efforts should be made to shift to railway OFC network from VSNL.

2.4 Additional Member/ Finance

- (i) AM(F) welcomed the participants to the conference and stated that this conference has mainly been organised to give emphasis on house keeping activities. During the past sometime a number of frauds have been detected on various Railways involving lapse on part of Accounts Department. Investigations revealed that the frauds were a result of either internal checks being in arrears or the same not being exercised properly.
- (ii) This is not acceptable and calls for immediate corrective action. She mentioned that she has already addressed FA&CAOs to review the position obtaining on their railways in various internal checking activities and draw up a suitable action plan to ensure that the arrears in internal check, inspections, review of suspense balances, stock verification etc if any, are wiped out and the position brought up to date on all railways. Further the current financial year 2005-06 has been declared as the 'Year of Housekeeping' and improvement in the position of these iteras of work will be one of the evaluation parameters for performance of officers including FA&CAOs. Therefore, FA&CAOs may personally monitor the position in this regard.
- (iii) The New Pension System has been operational for almost 17 months but it is a matter of concern that it has not yet stabilised on some Railways. Railways have time and again been requested to ensure that recoveries as due under the New Pension System are made timely and completely and information thereof is sent to Central Pension Accounting Office in the desired format by scheduled dates every month.
- (iv) FA&CAOs may look into the matter to review implementation of the New Pension System and the flow of information to the Central Pension Accounting Office and ensure strict compliance of Board's instructions on the subject. Railways that have arrears in recoveries may pull up the arrears immediately.
- (v) The scheme of salary payment through ECS/Bank and direct remittances in to banks may be given more attention to reduce cash handling to the extent possible.
- (vi) As regards financial position, the performance during 2004-05 has been comfortable and we have been able to achieve the targets and FA&CAOs deserve commendation for the same. However there have been excesses in Ordinary Working Expenses. FA&CAOs

must therefore ensure earnings/loading targets fixed for 2005-06 are realised fully and expenditure is contained within the targets fixed.

- (vi) During 2004-05, there has been saving under the Internal Resources and SRSF segment of the Plan though the higher projections made by the Railways/Production Units had compelled the Ministry to seek Supplementary Grants under the Internal Resources. Such aberrations are difficult to explain. FA&CAOs should therefore critically analyse and monitor these projects.
- (vii) Ongoing computerisation projects in particular implementation of AFRES /PRIME applications, must be monitored closely to ensure that the targets fixed for completion thereof are achieved fully.

2.5 Additional Member/Budget

- (i) Welcoming the participants AM/B expressed satisfaction that both the physical and monetary targets set in the Revised Estimates, particularly for goods and passenger segments, have been achieved during 2004-05 and Railways have surpassed the loading target of 600 MT by achieving loading of 601.89MT. The number of passengers has also exceeded the targets.
- (ii) As per approximates for 2004-05, the freight earnings at Rs. 30,570 crores surpassed the Revised target by Rs. 120 crores registering a healthy growth of 10.7% over previous year. Passenger earnings show improvement by Rs. 20 crores over revised target. Other coaching earnings were at par with revised target but sundry earnings were Rs. 14 crore less than Revised Target. Greater analysis and efforts are required in this segment.
- (iii) The overall earnings at Rs 46,762 cr also exceeded Revised Estimates by Rs 127 cr registering a growth of 9% over 2003-04.
- (iv) There has been record clearance of unrealised dues by Rs. 304 crores during the last financial year against targeted Rs 150 crores. She congratulated FA&CAOs for the excellent financial results during 2004-05.
- (v) However in case of OWE the approximates for the year have come to Rs 33,386 cr. registering an excess of Rs 126 cr over the Final Grant of Rs 33,265 cr though Railways were repeatedly asked to contain their expenditure within the Grants given for each Demand. As Audit and PAC are observing and criticizing the instances of excess expenditure vehemently, the position must be arrested by strengthening the budgetary control mechanism existing on the Railways.
- (vi) Plan Expenditure was Rs 15,144 crores against RE of Rs. 15,675 crores. Reduction was mainly on account of reduction in market borrowing and slow progress of road related safety works. Surrender of funds after seeking supplementary demands is not a good trend and greater prudence needs to be exercised by the railways.
- (vii) The loading target set for 2005-06 is 635 MT. The enhanced loading target is a step in the direction to achieve an Operating Ratio of 85% in the current year itself. Therefore, the Railways are expected to not only achieve the target but to surpass it by a substantial margin taking advantage of the enhanced wagon axle-load, charging on the basis of carrying capacity etc.
- (viii) In this context the performance realized in April'05 is encouraging and both goods loading and passenger traffic has shown growth of 15% over last year. As a result the Railways have achieved an earnings of Rs 4,001 cr during April'05, which is 16.1% more than the earnings achieved during the same period of the previous year. However, loading of iron ore for export, cement and fertilizers is below target and number of passengers have shown growth of 11.78% over last year. Certain railways (NCR, NER and NWR)

have shown shortfalls also. These Railways should make all out efforts in increasing their loading and earnings to come up to the expectations since the thrust now is on bringing about a drastic reduction in the Operating Ratio.

- (ix) The OWE have been kept at Rs 35,600 cr in BE 2005-06. The approximates for April'05 show a saving of Rs 237 cr. The Railways are expected to save at least 3% of their respective Budget Grants and should take all steps from the very start to live not only within the Budget Grant but also the spending limit. There should not be any case of excess expenditure.
- (x) Regarding Works Programme, route wise planning has to be ensured for improving through put enhancement.
- (ix) She hoped that Railways will also be able to achieve the target of 635 MT fixed for year 2005-06. Infact the railways have now to gear up for mission 700 MT as envisaged by the Hon'ble MR for 2005-06.
- (x) She emphasised on the need for completing projects in time so that the investments give the desired results & benefits.
- (xi) AM(B) thanked MR, MSR(V), MSR(N), FC, other Members for their support and guidance during her tenure as AM/B and said that it had been a satisfying tenure with focussed approach on strengthening of rail infrastructure and the results will be seen in the near future.

3.0 Agenda Items:

3.1 Financial Review

- (i) Financial results of the Railways to end of f.y.04-05 and April/05 were reviewed including loading targets and Railways were advised to analyse the causes of shortfall in earnings and excess of expenditure as compared to the targets. FA&CAOs may ensure their personal involvement in budget preparation and budgetary control process.
- (ii) FC emphasised on optimum utilisation of locos and crew. Some Railways have suggested reemployment of drivers, which is under consideration.
- (iii) MR is concerned about the facilities available to gangmen. The proposals received in this regard may be dealt with expeditiously.

3.2 Traffic Suspense

- (i) The position of Traffic Suspense was reviewed. FA&CAOs may take necessary steps to ensure that targets fixed for Railways under this head are fully achieved.
- (ii) Certain Railways viz., WR brought out difficulties in realisation of Traffic Suspense from the parties. FC desired that CCMs should be involved in such issues and matter be escalated to GMs. Penal Provision should be involved in case of defaults. She directed that the Railway may send separate note on all such cases to Board within 15 days time.
- (iii) Some of the Railways viz., ECR, SER etc brought out certain ambiguity in the revised instructions issued on billing of postal charges under 'seat displacement' method. FC desired EDF(C&RM) to have the matter finalised in consultation with Postal Department at the earliest and issue suitable directives to Railways.

3.3 Housekeeping activities

- (i) EDA stated that half yearly arrears report of railways show heavy arrears in housekeeping activities. Similarly very old balances exist under suspense heads, some of which are irregular. Check of pension debits are not done as per codal provisions. In this regard instructions were issued to the railways which inter-alia envisaged issue of detailed JPOs on the subject by the railways for guidance of concerned staff. They may issue the same immediately. Further, as directed by Board, FA&CAOs may chalk out Action Plan to clear the arrears and send a report to Board's Office.
- (ii) Some of the Railways expressed difficulty in recovering the amount of loss from delinquent employees on account of pending D&AR cases. It was clarified that recoveries of loss can be made from delinquent employee notwithstanding D&AR cases, as long as it is attributable to such employee.
- (iii) FC mentioned that a no. of suspense heads including Misc Advance, Remittance into Banks and Cheques & Bills are showing heavy arrears on Railways. Some of the Railways also have irregular balances in the suspense heads. This is dangerous and may lead to serious frauds. Railways have to pay serious attention to the suspense heads.
- (iv) There are heavy arrears in stock verification and stock sheets on railways. She desired FA&CAOs to draw out action plan to wipe out these arrears in a time bound manner, if necessary, by suitable redeployment of staff.
- (v) FC fixed a target of 3 months for all Railways to clear the oldest item of their arrears reports and review of suspense balances as indicated in the agenda for this conference circulated by Railway Board. FA&CAOs may ensure that target is complied with and report compliance.

3.4 Payment of salary through ECS/banks etc.

- (i) The progress made in implementation of the scheme is abysmally low in NR, ER, NCR, NER, NFR, WR & NWR.
- (ii) However SR, SCF and ECoR have achieved good progress in the matter.
- (iii) Other Railways may emulate. Railway may also co-ordinate with banks for augmentation of banking facilities in Railway offices & colonies and also to facilitate opening of bank account by staff so that the scheme could be implemented smoothly.

3.5 New Pension System

- (i) FA&CAOs may ensure that the recoveries as due under the New Pension System are made timely and completely and information thereof is sent to Central Pension Accounting Office in desired format by scheduled dates every month.
- (ii) Railways may depute the officials to the office of CPAO for clarification of doubts related to formats prescribed for submission of information to that office and also other issues, if any, related to New Pension System.
- (iii) Railways that have arrears in recoveries may pull up the arrears immediately.

3.6 Outstanding GRP Dues

- (i) Instructions have been issued to Railways to closely monitor the position of dues payable to State Governments on account of deployment of GRP and submit monthly statement of outstanding dues every month for Board's information. However an amount of Rs.

