The Objectives of Railway Management and Management Accountability

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1. Introduction

The railway board is the chief administrative and executive body for all matters connected with the railways. The railway board was constituted in February 1905. Apart from its functions as the top railway executive body for administration, technical supervision and direction of the railways, the railway board also functions as a ministry of the Government of India and exercises all the powers of the central government in relation to the railways. As a result of the inclusion of the financial commissioner for railways as a member of the railway board since 1923 and the separation of the railway finance from the general finance from 1924, the Railway Board also exercises the powers of the Government of India in regard to railway expenditures subject to the ultimate financial authority of the Minister of Railways and the Union Cabinet.

2. Objectives of railway management

The corporate management objectives of the railway undertaking are under-

(1) To provide rail transport for both passengers and goods adequate to meet demands in areas where railway operation confers optimum benefit to the economy, having the due regards to the government’s policy of development of such work.

(2) To provide such rail transport at the lowest cost consistent with the canons of financial providence and requirements of the railway users and their safety.

(3) To work in association with or to utilize other modes of transportation such as pipelines and road transport.

(4) To establish a corporate image of the railways

(5) To develop organizational effective personal with pride in the work and faith in the management.

3. Management accountability

Authority and responsibility go together. The art of management is connected with the responsibility for judgement and decision making in effectively planning and controlling operations towards known objectives.

The railways are owned and managed by Government of India. The railway management is, therefore, accountable to the Parliament for the efficient operation of this vital transport system in the country. Parliamentary financial control is designed to keep a watch over the performance of managers and trusted with handling and disposal of public funds. The budget grants voted by parliament and the appropriations sanctioned by the President are thus the limits upto which expenditure can be incurred by the central government during a financial year on the specific purposes for which the grants and appropriations have been obtained. While, it is the duty of the Railway Board as the controlling authority in respect of the total amount of its grant voted by Parliament and appropriations sanctioned by the President, to watch the progress of expenditure and to restrict the aggregate expenditure within the amount of grant or appropriation placed at their disposal, it is the responsibility of the individual Railway Administration as to exercise a similar control over the allotments made to them.

4. Accountability to Parliament

The accountability to Parliament is satisfied through the submission of the annual Appropriation Accounts, that is to say records suitably devised for the scrutiny, by public Accounts Committee and the Comptroller and Auditor General, of incurred and adjusted expenditure in relation to the grants and appropriations, so as to ensure authenticity each item in relation to the budget grants and appropriations. The constitutional principle underlying these accounts is that the Parliament approves every year the provision of certain sum of money which are distributed to the Railway Manager for spending on approved objects. Parliament has, therefore, to be satisfied when the year has ended, that the money has, in fact, been spent as authorized. The certified Appropriation Accounts show how the revised / final allotments/ appropriation vary from the original ones and the actual expenditure from the final allotment/ appropriation. The Railway Management is thus accountable to Parliament for achieving the financial targets envisaged in the budget for realization of revenue and restricting the disbursement of money and adjustment of expenditure within the authorized limits.

5. Accountability for performance-performance budgeting

Underline the annual budgets are certain assumptions in respect of physical outputs such as moment of a specific quantum of traffic, consequential workload on maintenance of track, rolling stock and other assets, fuel consumption, optimum utilization of assets and generally operating the system effectively etc. The extent to which these assumptions
are actually realized is judged through a number of performance indices which are worked out periodically and annually.

The Railway Managers should set themselves performance targets taking into account the additional investment on modernization. Failure to realize the norms should require a detailed examination of reasons and adequacy of remedial action. A direct correlation between the norms as may be laid down in this efficiency indices and the budgeted financial targets is, however, extremely difficult. In financial terms, the final test of the working of a zonal railway is its operating ratio, profit / loss and the return on the capital which enable the Railway Board to monitor the overall efficiency of each zonal railway management.

6. Management Accountability

The concept of Management Accountability supplies all along the line from the top manager down to the Divisional/Workshop officer, or viewed up words from below, the performance/financial targets set for a Division/Workshop are the responsibility of the concerned officers. The Divisional Superintendent, is accountable for operating/financial targets fixed for the Division. As accounts of earnings are maintained for the Zonal Railway as whole without any breakup by Division or sections, the accounting records of the railways do not indicate the complete financial results of working of a Division. Expenditure accounts are, however, maintained for the different spending units like Division, Workshop, Headquarter etc. At the divisional level, the financial targets, therefore, do not relate to earnings but only to expenditure within the budget allocations.

There is no separate profit and losses account for each Division, nor it is feasible under the present accounting arrangements to prepare such accounts. The accountability of the Division of Superintendent is, therefore, restricted to the financial limits of expenditure laid down in the sanctioned budget and the physical (operating and commercial, etc.) targets set for his Division. He is duly authorized under a system of delegation of financial powers, to incur expenditure for the specified purpose up to the limits laid down in the sanctioned budget. The monthly financial review prepared at the Divisional level compares the actual expenditure with the proportionate budget under the subhead of grants. At the level of the headquarters of the Zonal Railway, however, the accountability of the General Manager and his heads of departments extends fully to the total financial performance-profit/loss of the Railway administration in relation to the budgeted targets. The monthly financial review prepared by the Financial Advisor and the Chief Accounts Officer for the Zonal Railway administration as a whole compares the actual earnings and expenditure with the budget anticipations, with brief explanation for variance from the budgetary proportions.

7. Management Controls

Management Controls have been defined as a combination of the objectives of plans, procedures, techniques, and standards in addition to measurement, evaluation for appraisal of results. Business control represents the pattern of activity followed by the managers and should not be isolated from performance standards or plan of action.

The operational control of the business of an organization may be further classified as either policy control or systems control. In the case of Railways, the policy objectives are clearly defined in their corporate plan. The systems control comprises the plan of organization and coordinated methods and measures adopted to promote the policy objectives of the organization. Management is difficult art; wise men use all available aids to help them deal with their many problems.

8. Inventory Management

Inventories of raw materials, stores and spare parts, and the values of unfinished jobs (known as work-in-progress) in Railway Workshops represent essential, but unproductive Capital investment. Efficient inventory management requires lowest stock levels with the highest service levels. This objective is secured through budgeting for inventory after careful scheduling of deliveries against purchase and regular monitoring of the changing needs of the inventors. In view of high inventory carrying cost, the importance of inventory management as a part of the overall accountability of Railway Management cannot be overemphasized.

References

1. Indian railway administration and finance - railway board's publication 1976