





17/3/61

CENTRAL GOVERNMENT

AUDIT REPORT
RAILWAYS
1961

13
155
ord
D 9.



PRINTED IN INDIA BY THE GENERAL MANAGER,
GOVT. OF INDIA PRESS, NEW DELHI: 1961

TABLE OF CONTENTS

	Paragraph Number	Page Number
CHAPTER I—		
Comments on the Appropriation Accounts and connected documents and the Railway Board's Review thereof—		
General	I	I
General Results of Appropriation Audit	2-3	I
Unnecessary Supplementary Grants/Appropriations	4	1-2
Savings in Grants and Appropriations	5-7	3-4
Excesses over Voted Grants and Charged Appropriations	8	4-6
Expenditure on 'New Service' without a vote of Parliament	9	6-7
Expenditure on a 'New Instrument of Service' without a Vote of Parliament	10	7-8
Adjustment of the cost of stores without their physical movement—Western Railway	11	8
Non-availability of stock sheets recording discrepancies noticed in stock verification—Eastern Railway	12	8-9
Railway Catering—Profit and Loss Account	13	9-10
Suspense Balances	14	10-12
Unsanctioned Expenditure	15	12-13
Undercharges detected by Accounts or Audit	16	14
CHAPTER II—		
Losses, Nugatory expenditure, Financial Irregularities and Other Topics of Interest—		
Introductory	17-18	15
Contracts and Agreements	19-21	15-24
Purchases	22-26	24-31
Assisted Sidings	27	31-34
Works Expenditure	28-31	34-41
Travel Agencies and City Booking Agencies	32-34	41-47
Earnings	35-41	47-55
Compensation claims	42	55-56
Plant and Machinery	43-45	56-58
Pay and Allowances	46-49	59-62
Other Topics of interest	50	62-63
Other cases of losses	51-52	64-68
ANNEXURE—		
Statement showing important items of losses mentioned below the Appropriation Accounts	—	69-71

1-3113

CHAPTER I

Comments on the Appropriation Accounts and connected documents and Railway Board's Review thereof

GENERAL

As against a surplus of Rs. 21·19 crores anticipated in the budget estimates for the year 1959-60, the actual surplus amounted to Rs. 20·12 crores.

An analysis of the reasons for this variation shows that the working expenses indicated an increase of Rs. 5·80 crores over the budget mainly under coal, power supply and compensation for goods lost or damaged; the effect of this was largely offset by—

- (i) less expenditure under Open Line Works (Revenue) to the extent of about Rs. 3·18 crores representing mainly postponement of expenditure; and
- (ii) a fortuitous increase of Rs. 1·14 crores under 'Miscellaneous Receipts' mainly as a result of the write back of the government contribution to provident fund originally credited to the accounts of employees who have since opted for the pension scheme.

GENERAL RESULTS OF APPROPRIATION AUDIT

2. The number of Demands voted during 1959-60 was 20 against 19 in the previous year; this was due to an additional Demand for interest on the loan for Development Fund taken from the general revenues.

3. There was a small reduction in the number of supplementary grants taken during the year (11 as against 12 in the previous year), and also in the number of supplementary appropriations (2 against 3 in the previous year).

The total amount for which supplementary grants were taken was also substantially less than in the previous year (Rs. 9·91 crores against Rs. 42·76 crores in 1958-59). The supplementary provision under charged appropriations was also less (Rs. 0·12 crores against Rs. 0·18 crores for the previous year).

UNNECESSARY SUPPLEMENTARY GRANTS/APPROPRIATIONS

4. The funds obtained by supplementary grants/appropriations in a number of cases proved unnecessary or largely in excess of requirements.

There were large surrenders/savings towards the end of March 1960 as shown below; the supplementary grants and appropriations themselves were mostly obtained in that month on the basis of earlier figures adopted in the revised estimates:—

No. and name of the grant/ appropriation	Original grant/ appropriation	Supplementary grant/appro- priation (Am- ount and month in which obtained)	Amount surrender- ed in March, 1960	Final savings
(Amount in lakhs of rupees)				
<i>A—Grants:</i>				
<i>(a) Entirely unnecessary—</i>				
2-Revenue—Miscellaneous ex- penditure	1,78.45	3.00 (May, 1959) 10.64 (March, 1960)	13.68	17.75
4-Revenue—Working Expenses— Administration	35,47.21	28.02 (March, 1960)	54.81	80.18
6-Revenue—Working Expenses— Operating Staff	66,27.11	61.00 (March, 1960)	51.21	98.19
10-Revenue Working Expenses— Labour Welfare	9,24.35	10.89 (March, 1960)	45.03	76.51
15-Construction of New Lines .	45,09.38	18.00 (May, 1959)	17,02.08	17,81.49
<i>(b) Partially unnecessary—</i>				
5-Revenue—Working Expenses— Repairs and Maintenance .	1,09,89.34	2,50.13 (March, 1960)	1,16.86	2,17.79
12-Revenue—Dividend payable to general revenues	54,40.71	9.67 (March, 1960)	..	7.12
<i>B—Charged Appropriations :</i>				
<i>Entirely unnecessary—</i>				
8-Revenue—Working Expenses— Operation other than staff and fuel,	66.94	10.57 (March, 1960)	10.40	13.21
9-Revenue—Working Expenses— Miscellaneous Expenses	3.75	1.62 (March, 1960)	1.93	2.68

SAVINGS IN GRANTS AND APPROPRIATIONS

5. While the number of grants and appropriations under which savings occurred during the year (16 grants and 2 appropriations) was nearly the same as in the previous year (16 grants and 3 appropriations), the aggregate net saving, taking all grants and appropriations together, was somewhat greater than in the previous year, namely Rs. 56·55 crores in 1959-60 as against Rs. 51·72 crores in 1958-59. The percentage of the total savings has shown an increase since 1957-58 as shown below:—

Year	Net aggregate of grants/ charged appropriations	Aggregate disburse- ments	Savings	Percentage of Col. 3 to Col 1.
	1	2	3	4
1959-60	10,28·10	9,71·55	56·55	5·50
1958-59	10,66·67	10,14·95	51·72	4·85
1957-58	9,49·92	9,39·72	10·19	1·07

6. Analysing the position further, the larger savings in 1959-60, as in the previous year, occurred mainly under grants relating to expenditure met from Capital, Depreciation Reserve Fund and Development Fund and amounted to Rs. 46·27 crores in the aggregate as shown below:—

(Figures in crores)

No. and Name of Grant	Year	Original Grant	Supple- mentary Grant	Amount of saving	Percentage of saving
15—Construction of New Lines]	1959-60	45·09	·18	17·82	39·33
	1958-59	25·39	...	6·06	23·86
16—Open Line Works (Additions)	1959-60	372·31	...	18·36	4·93
	1958-59	412·02	18·59	9·99	2·37
17.—Open Line Works (Replacements)	1959-60	99·50	...	3·50	3·51
	1958-59	99·17	13·59	1·62	1·43
18.—Open Line Works (Development Fund)	1959-60	31·49	...	6·59	20·09
	1958-59	36·70	...	8·81	24·01
TOTAL—GRANTS 15, 16, 17 & 18	1959-60	548·39	·18	46·27	8·42
	1958-59	573·28	32·18	26·48	4·37

The savings occurred as a result of delay at different stages of planning and execution. In particular, it may be mentioned that—

- (a) there was a large saving of about Rs. 13.5 crores against a provision of Rs. 23.99 crores on the Railway Electrification Project at Calcutta, due, it is stated, to more time than anticipated having been taken in negotiating the most advantageous arrangements for the procurement of overhead equipment and to alterations in the phased delivery of locomotives; and
- (b) there was a substantial saving of Rs. 14 crores as a result of delay in the construction of wagons by wagon-building firms, due, it is stated—
 - (i) to difficulties in getting imported matching steel and certain components for a new type of wagon and more time taken in evolving a suitable design and proto-type for this type of wagon (Rs. 12 crores); and
 - (ii) to difficulties in getting matching steel for the conventional type of wagons (Rs. 2 crores).

7. While the percentage of savings was comparatively small in regard to grants and appropriations for working expenses, the savings were substantial in the provision for works chargeable to revenue as will be seen from the following figures:—

No. and Name of the Grant	Year	Final Grant	Savings	Percentage of savings
14—Open Line Works (Revenue) other than Labour Welfare	1959-60	13.71	3.11	22.7
	1958-59	13.33	3.95	29.63

The explanation for the savings is also more or less on the same lines as in the previous years, namely postponement of works as a result of economy measure, non-finalisation of plans and estimates (mainly on two railways) and delay in receipt of materials (mainly on four railways).

Excesses over Voted Grants and Charged Appropriations

8. There was an excess of expenditure over three voted grants and four charged appropriations during 1959-60 as against excesses over 3 voted grants and two charged appropriations in 1958-59. These excesses

are detailed below with brief explanations and require to be regularised under Article 115 of the Constitution.

(Figures in units of rupees)

S. No.	Grant/Appropriation	Expenditure		Excess	Percentage of excess
		Rs.	Rs.		

(A)—GRANTS—

1. 3—Revenue—Payments to Worked Lines and others.	Original .	19,77,000			
	Supplementary . . .				
	Final .	19,77,000	21,27,130	1,50,130	7.59

Due to increase in the net earnings of worked lines as a result of special efforts to clear arrears in the apportionment of their share of earnings from foreign traffic.

2. 7—Revenue—Working Expenses—Operation (Fuel)	Original .	62,44,52,000			
	Supplementary	3,83,44,000			
	Final .	66,27,96,000	66,56,67,248	28,71,248	0.43

Mainly due to—

(i) an increase of about 5 per cent of freight charges on coal on the Central Railway as a result of rebookings and diversions found necessary to meet local shortages of selected grades of coal; and

(ii) receipt of more higher graded coal than anticipated on the Western Railway.

3. 8—Revenue—Working Expenses—Operation other than staff and fuel.	Original .	20,55,79,000			
	Supplementary	2,09,13,000			
	Final .	22,64,92,000	22,86,86,835	21,94,835	0.97

Mainly due to—

(i) adjustment of heavier freight charges for carriage of revenue stores towards the close of the year;

(ii) more debits in respect of hire and penalty charges on stock inter-chargeable between railways; and

(iii) finalisation of more compensation claims involving inter-railway liability.

(B) CHARGED APPROPRIATIONS—

1. 4—Revenue—Working Expenses—Administration .	..	76	76
--	----	----	----

The excess is very small.

2. 5—Revenue—Working Expenses—Repairs & Maintenance	8,188	8,188
---	----	-------	-------

Due to—

- (i) Omission to provide funds (Rs. 6,188) for payment against a Court decree in favour of a contractor on the Northern Railway, as the amount had been accounted for, in the first instance, under 'voted' expenditure; and
- (ii) Omission to provide funds for payment of an amount (Rs. 2,000) to an employee due under a court decree on the Central Railway, as the question of appealing against the order was under examination and the advice to the Railway Board to make necessary provision was sent too late in the year for provision being made.

3. 15—Construction of New Lines .	..	2,53,751	2,53,751
--------------------------------------	----	----------	----------

Due to—

- (i) Omission to provide funds for payment to a firm under a court decree passed on the 17th February, 1959 on the Eastern Railway (Rs. 6,713); and
- (ii) receipt of more debits on Southern Railway (Rs. 2,47,038) on account of land acquisition cases decided by courts. A supplementary appropriation could not be obtained in time owing to late receipt of advice in the Railway Board's Office from the Southern Railway.

4. 16—Open Line Works—Addi- tions	..	16,666	16,666
---	----	--------	--------

Due to—

- (i) Payment to an employee made in satisfaction of a Court decree provision for which could not be made due to late receipt of advice in the Railway Board's Office from the Central Railway (14,146); and
- (ii) Omission to provide funds for payment against a Court decree in favour of a contractor on the Northern Railway, as the amount had been accounted for, in the first instance, under 'voted' expenditure (Rs. 2,520).

9. South Eastern Railway—Expenditure on a "New Service" without a vote of Parliament.

(1) A decision was taken by the Railway Board in June 1959 that an extension of the railway line from Barabil to Panposh Gorge which had originally been taken up as a siding in 1957 as a Deposit Work on behalf of the Hindustan Steel (P) Ltd., should be treated as a branch line of the Railway financed wholly by the Ministry of Railways. No specific vote

of Parliament was however taken for taking up the construction of the new branch line which constituted an item of "New Service". The expenditure incurred during 1959-60 amounted to Rs. 75.69 lakhs. The total anticipated cost of the work was Rs. 1,10 lakhs for a length of 5.8 miles.

A specific provision of Rs. 15 lakhs was, however, included for this work in the following year (1960-61) under Demand No. 15—Construction of New Lines.

Between June, 1959 (when the Board decided to treat this work as a Railway work) and January, 1960 (when an allotment of funds was made by the Board by re-appropriation) the Administration continued to book the expenditure under "Deposits" although it constituted Capital expenditure of the Railway.

(2) An expenditure of Rs. 1.01 lakh was incurred during 1959-60 on the construction of a Branch Line from Karaunji to serve Korea Coal Fields against a provision of Rs. 1 lakh made by re-appropriation in the final grant No. 15—Construction of New Lines. No funds for this work were provided either in the original budget for 1959-60 or through a supplementary grant. As the construction of a new line is an item of 'New Service', a specific vote of Parliament should have been obtained for this purpose.

A specific grant of Rs. 1.75 crores for this work was, however, obtained for the expenditure to be incurred during the following year (1960-61).

10. *North-Eastern Railway and Northeast Frontier Railway—Expenditure on a 'New Instrument of Service' without a vote of Parliament.*

In the two cases mentioned below, important 'works' for the development of traffic facilities estimated to cost Rs. 12.47 crores and Rs. 2.09 crores respectively were commenced during 1959-60 without specific provision of funds either in the original budget or by a supplementary grant. In both these cases, funds were made available by re-appropriation, as the Ministry of Railways hold the view that the term "New Service" does not include "line capacity works".

(1) The establishment of a broad gauge rail connection between Barsoi and Siliguri on an alignment closely following that of the metre gauge line between the two places was authorised by the Railway Board in April 1959 in connection with the development of capacity for movement of oil traffic for the Assam Link Project. The Administration was also permitted to incur expenditure and enter into commitments not exceeding Rs. 50 lakhs pending the submission of the estimate for the work and the provision of funds.

A sum of Rs. 1.88 crores was subsequently provided by reappropriation for meeting the expenditure during 1959-60; the actual expenditure against this provision amounted to Rs. 1.69 crores. The total cost of the work was estimated at Rs. 12.47 crores.

A specific provision of Rs. 6 crores for this work was however made in Demand No. 16—'Open Line Works—Additions' in the following year (1960-61).

(2) The construction of a broad gauge line between Barauni ^{and} Samastipur to run along with the existing metre gauge line was taken up during 1959-60 to meet the needs of increased traffic consequent on the opening of the Rajindrapul at Mokameh and the extension of the broad gauge line upto Barauni Junction.

A provision of Rs. 17.44 lakhs was made for this work by re-appropriation during 1959-60; the actual expenditure incurred amounted to Rs. 19.02 lakhs.

A specific provision of Rs. 1 crore for this work was however made in Demand No. 16—'Open Line Works—Additions' in the following year (1960-61).

It is considered that the above mentioned works should be treated as "New Instruments of Service" for which specific provision of funds with the approval of Parliament is necessary, as the expenditure involved in the above cases is large and the construction of new Broad Gauge lines is involved even though on an alignment close to the existing Metre Gauge Lines.

11. *Appropriation Accounts of Grants Nos. 16 and 17—Open Line Works—Additions and Replacements—Adjustment of the cost of stores without their physical movement (Western Railway)*

The cost of permanent way material worth Rs. 13.33 lakhs upto February 1960 and over a crore of rupees in March 1960, was charged to relaying works and casual renewals in advance of the physical movement of the stores from a Permanent Way Depot. This was in contravention of the prescribed accounting procedure and specific instructions issued by the Railway Board in May 1956, as a result of the recommendations of the Public Accounts Committee contained in paragraph 6 of their seventeenth Report, 1955-56. The materials actually were not moved from the Depot even as late as October, 1960.

12. *Eastern Railway—Non-availability of stock sheets recording discrepancies noticed in Stock Verification*

The following table gives particulars of outstanding stock sheets recording discrepancies noticed in stock verification in regard to which no investigation could be made for the reasons that the Stock Sheets were

not available and could not be re-constructed as the corresponding field books were also not available:—

Year	No. of Stock Sheets not adjusted in accounts
1947-48	273
1948-49	324
1949-50	186
1950-51	77
1951-52	100
1952-53	77
1953-54	108
1954-55	107
TOTAL	1,252

The Administration have explained that as there have been subsequent stock verifications and as any serious discrepancy located thereby should have been brought out immediately, it would not be incorrect to presume that in all these cases there were no important or major discrepancies.

In the absence of the location of the particular ledger cards to which these stock sheets related, the extent of shortages in the Stock Sheets closed and dropped cannot be assessed.

13. *Railway Catering—Profit and Loss Account for the year 1959-60*

The Profit and Loss Account of Railway Catering for 1959-60 (printed in the Appropriation Accounts of Railways in India Part II) indicates that the total amount of 'Commission and Brokerage' charges incurred during the year was Rs. 10.82 lakhs representing 4.7 per cent of the total sales amounting to Rs. 228.78 lakhs. The actual percentage on individual railways, however, varied from 0.5 per cent to 14 per cent as shown below. The percentage appears to be abnormally high on the North Eastern Railway:—

(Amounts in lakhs of rupees)

Name of Railway	Commission & Brokerage charges paid to vendors	Total sales	Percentage Commission and Brokerage charges to 'Sales'
Central	1.63	50.74	3.2
Eastern	3.39	51.19	6.6
Northern	2.23	25.38	8.8
North-Eastern	1.30	9.29	14.0

North-east Frontier	0·01	2·18	0·5
Southern	0·81	42·22	1·9
South Eastern	0·48	23·33	1·1
Western	0·97	24·45	4·0
Total	<u>10·82</u>	<u>228·78</u>	<u>4·7</u>

14. *Suspense Balances.*

Against the total outstandings of Rs. 74 crores (debits) and Rs. 44 crores (credits) under the suspense heads "Miscellaneous Advances (Capital)", "Miscellaneous Advances (Revenue)" and "Purchases" as on the 31st March, 1960, the amounts which have remained uncleared for more than two years amounted to Rs. 22 crores (debits) and 16 crores (credits) respectively and represented about 30 per cent and 35 per cent of the total outstandings *vide* Statement showing balances outstanding under Suspense in the Appropriation Accounts of Railways, Part II. On 31st March, 1959, the corresponding figures were Rs. 20 crores (debits) and Rs. 14 crores (credits), representing 26 per cent and 32 per cent of the total outstanding debits and credits respectively.

The increased percentages as on 31st March, 1960 indicate that the measures adopted by the Railway Board from time to time since 1954 have not produced adequate results in the matter of clearance of old items remaining in suspense. It is stated that some improvement is noticeable only on one Railway (Western Railway).

The rules require that the suspense accounts of the year should close with as few items in them as possible and those that unavoidably remain should all be proved to be current and efficient. The result of the further special steps which are stated to have been initiated by the Railways to clear old items will be watched.

The position in regard to some of the old outstandings on individual railways, awaiting clearance for more than two years, on 31st March, 1960 is indicated below:—

A. "Miscellaneous Advances" (Capital and Revenue)

Particulars	Awaiting clearance for more than two years
	(Amount in lakhs)
1. Raw materials issued to contractors for fabrication or manufacture of finished products—	Rs.
Northern Railway	2·20
Eastern Railway	22·12
Northeast Frontier Railway	7·73
Chittaranjan Loco Works	3·70

Particulars	Amount] awaiting clearance for more than two years (Amount in lakhs)
	Rs.
2. Credits in connection with fabricated stores remaining un-adjusted—	
Eastern Railway	12.35
Chittaranjan Loco Works	1.39
3. Recoveries due in respect of cost of staff engaged on behalf of Private bodies.	
Eastern Railway	10.18
4. Compensation payments, pending acceptance of liability by other railways—	
North-Eastern Railway	34.00
Northern Railway	49.75
Western Railway	28.91
Eastern Railway	17.11
5. Cost of materials supplied to another Railway (Northern) and other construction projects.	
Eastern Railway	6.66
6. Cost of imported steel and Pig Iron under IRSPM and TCA contracts awaiting distribution on receipt of despatch particulars of fabricated materials—	
Eastern Railway	58.36
7. Rails and fish plates etc. received during 1957-58 under IRSPM/TCA contracts.	
Southern Railway	9.29
8. Cost of Missing Coal Wagons—	
Central Railway	6.03
Northern Railway	5.13

In addition to the above, a sum aggregating Rs. 2.15 crores in all has been lying as debit under the head "Miscellaneous Advances (Capital and Revenue)" in the books of the various railways for more than two years pending settlement of correct allocation, ^{ordinarily} non-availability of relevant vouchers, non-acceptance of debits by other parties on whose behalf charges were incurred by railways, etc., and a sum of Rs. 75 lakhs has been lying as outstanding credit balance for more than two years owing to the inability of the Railway Administrations to link up the credits with the corresponding debits.

B. "Purchases"

Particulars	Amount awaiting clearance for more than two years (Amount in lakhs)
	Rs.
1. Excess debits received from D.A.G. (S&D), Calcutta for supply of Canadian Rails—	
Western Railway	39.65
2. Debits provisionally accepted for supply of Canadian Rails—	
Central Railway	46.40
3. Debits raised by ISM, Washington, for locos, pending for want of advice from the consignees regarding the receipt of the spares—	
Eastern Railway	15.00

In addition, credits and debits to the extent of Rs. 14.76 crores and Rs. 15.11 crores respectively have been lying outstanding on the various railways for more than two years owing to the inability of the Railway Administrations to link up the credits with the corresponding debits.

Credit balances under the head "Purchases" normally represent value of stores received by the Railways for which payments have not been made. The balances are cleared when the relative payments are made. Railways also make advance payments in a number of cases to the extent of 90 per cent of the cost to suppliers on the basis of despatch particulars; such payments remain as debit balances under 'Purchases' until they are cleared on the actual receipt of the stores.

The Railway Board are considering an *ad hoc* adjustment in respect of very old items amounting to Rs. 4.56 crores of credits and Rs. 3.00 crores of debits for the period upto 1952-53, as no verification is possible due to non-availability of the connected vouchers and other records as well as incomplete or incorrect particulars recorded in the purchase registers.

15. *Unsanctioned Expenditure.*

The total amount of unsanctioned expenditure under objection (c.f. Annexure 'A' to the Detailed Appropriation Accounts of Railways—Part II 1959-60) has shown an increase since 1958 as indicated below:—

Date	No. of items, under objection	Amount (in crores)
		Rs.
15th November, 1958	26,781	57.69
15th November, 1959	44,875	63.90
15th November, 1960	48,060	72.96

The increase of Rs. 9.06 crores over the previous year is made up of an increase of Rs. 14.37 crores under the heading 'want of estimate' offset by decrease of Rs. 4.96 crores under 'excess over estimate' and Rs. .35 crores under 'Miscellaneous Irregularities'.

The number of more important cases in which unsanctioned expenditure has been pending regularisation for more than 3 years is indicated below:—

Category	No. of cases in which the amount now awaiting regularisation exceeds Rs. 10 lakhs	Amount (in crores)	Remarks
1. Want of estimate.	4	Rs. 3.06	Sanction to the estimates is awaited. This amount comprises two main items, namely procurement of Broad Gauge Wheels and Axles for 1956-57 (Rs. .75 crores) and purchase of Amritsar Workshop from the Govt. of Punjab (Rs. 1.93 crores.)
2. Excess over estimate	7	.99	Sanction to the Completion Reports is awaited in 4 cases. In other cases Revised Estimates or Completion Reports are stated to be under preparation.
3. Miscellaneous irregularities.	3	3.57	Comprises the following items:— (i) General and Halalkhore Tax claimed by the Bombay Municipal Corporation (Rs.42 lakhs). It has been explained that the taxes have been paid under protest. The matter is <i>subjudice</i> in Bombay High Court. (ii) Provisional payment of Terminal Charges by Central and Western Railways to Bombay Port Trust Railway (2.53 crores). The rates were to be reviewed with effect from 1-4-1953 but these have not yet been finalised. (iii) Provisional payment on account of cost of Order Police to a State Government (Rs. 0.62 crores). The actual strength of the Police is under verification.

16. *Undercharges detected by Accounts and Audit.*

A statement of undercharges detected by Accounts and Audit is given as Annexure B to the Detailed Appropriation Accounts of Railways, Part II. The total amount of undercharges detected was Rs. 1.13 crores representing 0.27 percent of the total earnings amounting to Rs. 422 crores. This figure does not give an indication of the total amount that might have been undercharged by the Commercial Department staff since the Accounts Department carries out only a percentage check of certain classes of transactions and Audit is also confined to a test check over the whole field.

The percentage of undercharges detected to total earnings has shown an increase during the last four years as shown below—

Year	Total earnings in crores of rupees	Amount of undercharges in lakhs of rupees, detected by Accounts and Audit	Percentage of undercharges detected to total earnings
1956-57 . .	348.89	65.61	0.19
1957-58 . .	381.42	87.03	0.23
1958-59 . .	390.77	101.23	0.26
1959-60 . .	422.36	113.04	0.27

The percentage on individual railways during 1959-60 ranged from 0.09 on the Western Railway to 0.77 on the North Eastern Railway. The Eastern and South-Eastern Railways have recorded the greatest increase; the percentage on the former has gone up from 0.19 during 1956-57 to 0.26 during 1959-60 and on the latter from 0.07 to 0.45 during the same period.

CHAPTER II

Losses, Nugatory Expenditure, Financial Irregularities and Other Topics of Interest

INTRODUCTORY

17. This chapter deals with important financial irregularities noticed during the course of audit of the accounts of the year 1959-60. It includes a few irregularities pertaining to earlier years which could not be dealt with in previous reports. Certain matters relating to the period subsequent to the year 1959-60 noticed during concurrent audit have also been included, wherever considered necessary.

18. An indication is given below of the time taken by the Ministry of Railways in conveying their comments on the draft paragraphs sent to them for verification of facts.

(1) Number of draft paragraphs relating to material included in this Chapter.	42
(2) Number in respect of which the first replies conveying the comments of the Ministry were received	
(i) within six weeks.	2
(ii) between six weeks and three months.	21
(iii) after three months	19

CONTRACTS AND AGREEMENTS

19 *Import of wooden sleepers—defective supplies.*(i) *Imports from U.S.A.*

An order for the supply of 2.5 lakhs of treated wooden sleepers (red and white oak) was placed in June, 1958, at a total cost of Rs. 77 lakhs. The supplies were inspected prior to shipment by an Inspecting Company nominated for the purpose by the India Supply Mission, Washington and arrived in Bombay between December, 1958 and August, 1959.

In June, 1959, the Central Railway reported to the Railway Board that about 52 per cent of the 10,000 sleepers laid in the track had developed large longitudinal cracks after they had been on the line for about a month and further that when sleepers from stacks were spread and exposed to the sun, cracks developed within a matter of hours. The India Supply Mission, Washington, was then instructed by cable to stop all outstanding payments until further advice and a letter was sent to them on the 9th July, 1959, explaining the nature of the defects. The India Supply Mission,

Washington, considered the matter further, but decided on the 29th August, 1959, to make full payment to the firm, pending settlement of the claims against the firm, after giving them notice of the extent and value of the damages.

As the Suppliers, and the Inspecting Company with whom the matter was taken up, did not accept responsibility for the defects, the Railway Board gave notice on the 23rd September, 1960 to the Suppliers that the dispute should be referred to arbitration. The India Supply Mission, Washington, also gave notice on the 4th October, 1960 to the Inspecting Company of Government's intention to claim from them damages which were yet to be assessed. Further action in these matters is still under consideration.

Meanwhile, in October, 1959, the Railway Board issued instructions to the Central and Western Railway Administrations that no more sleepers received from U.S.A. should be laid in track until further orders. The bulk of the sleepers are kept in storage because of the stipulation in the guarantee clause of the contract that "the guarantee will not apply to any material which shall have been repaired or altered by the purchaser or on his behalf, in any way, so as to affect its strength, performance or reliability or to any defect to any part due to misuse, negligence or accident."

An amount of Rs. 65 lakhs is locked up in this transaction since August, 1959.

(ii) *Imports from Australia.*

Against the global tenders for the supply of wooden sleepers, invited by the Railway Board in October, 1957, various offers covering a large number of species were received from Australia. After a joint examination by the Timber Adviser, Ministry of Railways, and an officer of the Forest Research Institute, Dehra Dun, 19 species were approved and revised quotations were invited for the approved species only. Three of the species which did not find a place in the approved list were Blackbutt, White Stringybark and Yellow Stringybark, the reason being that on the data then available, the life expectancy of these species was below 12 years. The New South Wales Railway Administration had given a life expectation of 8 to 10 years for these sleepers in November, 1957.

Orders were accordingly placed in May, 1958 on 8 Australian firms for a total quantity of 18.49 lakhs sleepers of the approved species. The actual supplies amounted to 14.68 lakhs sleepers of which about 51,055 numbers were shipped by two firms in the three unapproved species. The supply of these unapproved species, which was received in India during the period May to July, 1959, was ultimately accepted by the Railways Board and this was done only in September, 1960.

During this period of about 15 months, the firms continued to press for the acceptance of the sleepers of the unapproved species but their

requests were turned down categorically in October, 1958 and again in September, 1959. In the meantime, the Railway Board obtained technical opinion in the matter. In May, 1959, a revised opinion was received from the New South Wales Railway Administration indicating that in the New South Wales track, it would be reasonable to assess the life of the unapproved species of sleepers at 12 years if unplated and 15 to 16 years if sleeper plates were used. Other technical literature furnished by the Railway and Forestry authorities and the Research Institute in Australia was also forwarded to the Forest Research Institute, Dehradun, for examination and advice. The first report forwarded by this Institute in September, 1959, (after a study of the literature and on the basis of the tests so far conducted by them) indicated that they were hesitant to recommend the species in question. It was expected that the results of further tests would be available within a period of one year. The Second Report of the Forest Research Institute became available in October, 1959. The Timber Adviser of the Ministry of Railways also submitted detailed notes in September, 1959 and January, 1960, giving his assessment.

In his earlier note, the Timber Adviser could not express a definite opinion about the behaviour of these species on Indian tracks; but he concluded on the basis of the Australian data that the species could give more or less the same service as could be expected from other Australian species. He also added that if it was administratively decided to accept these species, the life expectancy could be fixed as between 15 to 18 years for black butts and 12 to 15 years for other species. In the second note, he reiterated these conclusions and drew attention to the fact that the final report from Dehradun made no positive recommendation; it only went to show that the species were susceptible to damage by white ants in the same way as other Australian species. He added a rider in both the notes that the sleepers should be used in conditions of soil, climate, etc. as nearly similar to those obtaining in Australia as possible.

In April, 1960, the President of the Forest Research Institute, Dehradun, stated that it was not possible to draw general and final conclusion from the limited results obtained in India. But subject to this reservation, he graded two of the unapproved species higher in the order of durability than some of the accepted species.

It was decided by the Ministry of Railways on the 21st March, 1960, that in view of the clear notice of non-acceptability of the sleepers already given to the contractors and the specific conditions embodied in the contracts, the sleepers of the unapproved varieties which had already been shipped to India, could not be accepted and that "no useful purpose would be served in pursuing the question further". The matter was, however, reopened the same day on an enquiry from the Australian authorities and a decision was conveyed on the 23rd March, 1960 that "on the basis of experience available in Australia and actual observations made by Indian Inspectors in that country as well as experiments so far carried out in the

Forest Research Institute, Dehradun, these species could be accepted for use as railway sleepers in India". It was finally agreed in September, 1960, that there should be a reduction of 25 per cent below the contract price of track sleepers which constituted the bulk of the supplies and 30 per cent below the contract price for a small number of about 700 special size sleepers. The total amount paid for these sleepers was Rs. 8.21 lakhs.

In regard to the acceptance of these unapproved species of sleepers, the two firms seem to have been shown concessions as stated below:—

- (1) A clause was inserted in the terms of the contracts with these firms outside the terms of the tender notice, for acceptance of the unapproved species, subject to a proviso that if after further technological tests these species were found to be unacceptable, the total quantity of sleepers to be supplied under the contract might be reduced by a third, at the seller's option.
- (2) Even after the insertion of the clause, the firms were specifically informed by the Railway Board on the advice of the Timber Adviser, not to ship these unapproved species. The firms, nevertheless, persisted in shipping these species after getting them inspected by the Australian Forestry Commission and in spite of the protests made to them against their despatch by a senior Indian Railway Officer sent to Australia to supervise the supplies. The firms despatched supplies of sleepers of unapproved species and these did not even correspond in some cases, to the inspection certificates which were received later. In one instance, full payment was made in India for such sleepers numbering 4,191 through "oversight".

It was an unusual concession to the firms to have accepted supplies which were made in contravention of the terms of the contract. As already mentioned, a decision of categorical rejection taken on the 21st March, 1960 was reversed immediately thereafter to one of acceptance of the supplies outside the contract.

- (3) It may be mentioned that one of the grounds for rejection on the 21st March, 1960, was that the firms had already supplied more than the maximum percentage of class III sleepers under the contract. By the subsequent acceptance of the disputed sleepers under the class III category, this permissible percentage was allowed to be further exceeded.

The Railway Board have stated that if all the technical data that are now available had been before them when the contract was concluded, the three species in question would have been accepted along with other approved species, and hold that the acceptance of these sleepers has not resulted in loss since full value has been secured for the money paid at

the reduced price. The fact remains that two firms had been given undue concessions and the finally accepted prices were based on negotiations and not tested by tender. It is also significant that even though by September, 1959, most of the further technical data from Australia had become available, the Railway Ministry reiterated their decision not to accept the sleepers.

20. *Southern Railway—Excess payments to handling contractors for shipment of coal.*

The defective wording of a clause in the contract with two firms of shipping agents who supervised shipment of coal from Calcutta to ports in South India for the Southern Railway has resulted in its being interpreted in a manner which involved an excess payment, estimated at Rs. 15.37 lakhs beyond what was intended.

The contract in question was entered into in November, 1954 by the then Chief Mining Engineer, Railway Board, for a period of three years from the 1st September, 1953, and was extended from time to time until the 29th February, 1960. The contractors were required to make payment to the collieries in the first instance for coal intended for the Southern Railway on the basis of the invoiced weight. They were also to make payment of other incidental charges such as railway freight, port charges, etc. Reimbursement of the amounts paid by them was to be made in accordance with clause 21 of the respective agreements which read as under:—

“After the sailing of each steamer the contractor will submit bills, duly pre-receipted, in respect of the quantity of coal certified by the surveyor as having been actually shipped by the particular steamer on actual cost basis, *i.e.*, for all the actual expenditure incurred by him against that shipment, and he will add to the same as a separate item, his own remuneration at the rate at which the tender has been accepted, *viz.* Re. 0-2-10 per ton for 50 per cent. of the above work”.

The use of the words “for all the actual expenditure incurred by him” in this clause made the intention clear that the contractors should be reimbursed only to the extent to which they themselves paid for the cost of coal. The clause, however, also referred to the quantity of coal actually shipped being certified by the marine surveyor, and in actual practice it was found that the weight so assessed (hereinafter referred to as the “manifest” quantity) was generally greater than the invoiced weight of the consignments booked from the collieries. This disparity was first reported by the Southern Railway in December, 1956 and again in March, 1957 and September, 1957 to the Deputy Coal Controller who had taken over the functions formerly performed by the Chief Mining Engineer. The Deputy Coal Controller ultimately advised the Southern Railway in November, 1957, that the payment on the basis of the “manifest” quantity should be continued, as claimed by the contractors. This, in his view, was

according to the terms of the handling contract and if any change were made it would lead to "other complications which are not provided for in the contract". He, however, agreed to consider any suggestions made by the Southern Railway.

The Railway Board to whom the matter was referred by the Southern Railway examined the question in November, 1958, and also consulted the Ministry of Law. The two Ministries were agreed that Government could legitimately refuse to pay for any quantity of coal in excess of the invoiced weight. The Ministry of Law observed that "the position under the contract is that the contractor cannot claim to be paid for any quantity for which he has made no payment to the collieries nor incurred any of the other items of expenditure provided for in the contract." The Railway Board advised the Southern Railway accordingly in May, 1959. That railway had taken action already in September/December, 1958, to withhold payments to the contractors for quantities in excess of the invoiced weight.

The contractors who felt aggrieved by the Railway Board's decision threatened stoppage of work; according to them the variation between the "manifest quantity" and the "invoiced quantity" arose on account of inclusion of coal received through "unconnected" wagons (*i.e.* wagons received in the docks without identification labels to indicate to whom they were consigned) and shipped to the Railway by the contractors. While discussing this aspect with the Railway authorities at a meeting held in October, 1959, the contractors agreed to give a certificate to the effect that they had paid for the cost of such "unconnected" coal and that they would indemnify the Railways against any claims that might arise out of such payments. The contractors did not, however, subsequently implement this undertaking to the satisfaction of the Southern Railway.

Subsequently, in December, 1959, the Deputy Coal Controller referred the disputed provision of the agreement independently to the Solicitor to the Central Government in Calcutta, mentioning that the previous Chief Mining Engineer had decided in January, 1954, that the contractors were entitled to payment on the basis of the "manifest quantity". The Solicitor gave his opinion that the certificate of the surveyor was binding on both the parties and that payment was to be made on that basis, but he also indicated that the contractor would be entitled to be paid "the actual expenditure incurred by him" against each shipment.

The Deputy Coal Controller informed the Railway Board on the 18th January, 1960 that in terms of clause 27 of the agreement (under which his decision was to be final in the event of disputes in relation to the interpretation of the contract) he had decided "with the concurrence of the Coal Controller and in consultation with the Central Government Solicitor at Calcutta that the contractors are entitled to receive payment on the basis of the weight certified by the surveyors to have been loaded into the hold of the ship".

It is relevant to note in this connection that the Deputy Coal Controller questioned the view which had been conveyed to him by Government after obtaining legal advice, and did not (before making his reference to the Solicitor, or at least, before giving his final decision) obtain a statement of the case from the Railway Board or the Southern Railway explaining their point of view, or even a complete copy of the legal advice which had been obtained by the Railway Board. Further, in conveying his final decision, the Deputy Coal Controller reproduced the portion of the Solicitor's remarks referring to the binding nature of the surveyor's certificate, but ignored the portion in which the Solicitor had stated that the contractor would be "entitled to be paid the actual expenditure incurred by him".

The case was subsequently discussed at a meeting on the 16th February, 1960, between the representatives of the Ministries of Railways, Steel, Mines and Fuel, and Law. The Coal Controller was also present. It was then felt that in the circumstances it would be difficult at that stage to persuade the contractors to accept the interpretation of the clause as conveyed by the Railway Board on the advice of the Ministry of Law.

A meeting of the contractors was arranged by the Railway Board a few days later (on 22nd February, 1960) at which it was agreed, as an *ad hoc* settlement without reference to the legal implications and the interpretation of clauses 21 and 27 of the agreement, that the contractors might be paid on the basis of "manifest quantity" upto the 31st March, 1959, and on the basis of the invoiced weight thereafter till the termination of the contract *i.e.* the 29th February, 1960.

When recording his acceptance in this settlement as fair and reasonable in the circumstances, the representative of the Ministry of Law drew attention to the doubts on the interpretation of clause 21 and to the difficulties experienced by the Railway Board "particularly in respect of the finality of the decision of the Deputy Coal Controller in terms of clause 27 and in respect of the repudiation by the contractors of their liability to maintain supplies beyond October, 1959."

Final settlement on the above basis is being arranged by the Southern Railway. The total excess payment to the contractors on account of difference between the "manifest quantity" and the "invoiced quantity" has been estimated at Rs. 15.37 lakhs for the period from 1st September, 1953 to 31st March, 1959.

Apart from the defective wording of clause 21 of the contract which, as indicated above, gave rise to the dispute, the point could have been taken up and settled satisfactorily much earlier if the provision in the contract that the ~~payment to the~~ contractors should be re-imbursed on the actual cost basis, had been kept in view and the contractors required to produce proof of their having made payment for the excess quantities

which they claimed to have loaded into the steamers over and above the invoiced weight. There was a provision in the contract requiring the contractor to maintain records of the receipts and issues of all coal coming to the docks on account of the railway and make them available for inspection. He was also to submit a daily statement giving particulars of the colliery, wagons, quantity etc., which were actually received for loading into steamers. Even after December, 1956, when the Southern Railway drew the attention of the Deputy Coal Controller to the seriousness of the problem, there was no attempt made to establish by an examination of the records, how far the difference was due to excess coal shipped from "unconnected" wagons and how far the contractors got a fortuitous benefit of an additional quantity as a result of the manner in which the "manifest" weight was determined.

It may also be mentioned that the Administration did not take advantage of the provision in the agreement which made it incumbent on the contractors to "train free of cost such number of suitable officers as may be deputed by the Administration from time to time to learn the handling and shipment work". The contract was extended from time to time from 1953 without considering the question of departmental working. When, in 1959, the Railway Administration insisted on making payment only on the basis of the actual invoiced weight, the contractors repudiated their liability to maintain supplies beyond October, 1959, and created a difficult situation by threatening to stop the work.

21. *Central Railway—Contract for the clearance of sea-borne stores.*

(1) A firm of contractors who had been doing the work of clearance of imported stores at Bombay Port at the rates accepted by the ex. G.I.P. (now Central) Railway in 1946, quoted lower rates for the same type of work in response to open tenders invited by the Western Railway in December, 1956, and offered the same lower rates to the Central Railway also. A decision on this offer was, however, not taken until April, 1959, and payments continued to be made by the Central Railway at the higher contract rates.

When, in April, 1959, the Administration conveyed their acceptance of the offer of lower rates with retrospective effect from the 1st January, 1957, the firm stated that their offer had lapsed by reason of the railway's acceptance and payment of their bills at the original rates; they, however, offered, after discussion, to accept lower rates from the 1st January, 1959, or alternatively from the 1st July, 1959 with a lump sum deduction of Rs. 1 lakh in full settlement of all differences. The Administration decided in October, 1959, to accept the former alternative, that is, payment at lower rates from the 1st January, 1959, and the firm was advised accordingly in November, 1959.

The overpayments upto December, 1958, by reason of the delay in accepting the lower tender amounted to Rs. 2.20 lakhs.

The question of the delay of more than two years in accepting the lower rates offered by the firm in December, 1956, was examined by a Committee of three officers appointed in August, 1960 under instructions of the Railway Board. After considering the report of the Committee, the Ministry of Railways have held that the former Deputy Controller of Stores, who had retired in July, 1958, was primarily responsible for not promptly accepting the revised rates offered by the contractor in December, 1956, and thus losing the benefit of lower rates for two years. A small residual amount of his special contribution to provident fund, which has not yet been paid, is proposed to be forfeited.

(2) Payments were also allowed to the same firm in respect of assembled locomotives, tenders, coaches, cranes and other rolling stock landed on their own wheels in the docks direct from the ship's hold, and packages unloaded direct by the ship's cranes into wagons, although these items were not specifically provided for in the contract and little or no labour was involved in their clearance. The question was specifically raised by the Controller of Stores when the acceptance of the lower rates offered by the contractor in December, 1956 was under consideration, having regard to the fact that the actual wording of item 8 of the schedule to the contract (reproduced below) referred only to consignments loaded into wagons:—

“For clearing and loading into wagons in docks all loading gear and handling labour to be supplied by the contractors including crange charges.

(a) for packages, boilers, etc. exceeding 10 tons and upto 15 tons. Rs. 16 8 0 per ton.

* * * * *

(r) for packages, boilers, etc. exceeding 95 tons and upto 100 tons. Rs. 63 0 0 per ton.”

The contractors were warned accordingly on the 31st December, 1959, that the payments made to them in respect of fully assembled stock should be deemed to be erroneous, but that the Administration would be prepared to consider, outside the contract, their claim for labour and work, if any, involved in the clearance of such fully assembled stock. In the course of further negotiations, however, the legal opinion expressed was that the plea of non-applicability of item 8 of the schedule to the contract in the case of items not directly loaded into wagons might be difficult to maintain as the Railway had operated the contract for 10 years on a different basis.

A compromise was ultimately reached with the firm according to which it agreed to refund to the Railway a sum of Rs. 3.20 lakhs in full settlement of all claims. The Railway Ministry considers this to be a reasonable settlement in all the circumstances of the case.

There has obviously been a failure in this case to distinguish and make separate provision in the contract for fully assembled stock not loaded into wagons in respect of which payments have continued to be made over a number of years at the rates applicable to other consignments. If the Railway had considered this matter at the time of entering into the contract or if the question had been taken up with the contractors within a reasonable period after it was found that several items of rolling stock were landed on the rails by the ship's cranes, without involving any appreciable work by the contractors, substantial savings could have been effected.

PURCHASES

22. *North Eastern and North-East Frontier Railways-Loss due to deterioration of sleepers at Sleeper Treating Plants.*

In December, 1955, the Railway Board issued orders that certain supplies of Broad Gauge sleepers which had been purchased from the Assam Government and stored at the Sleeper Treating Plant at Naharkatiya should be moved to Clutterbuckganj in Uttar Pradesh for treatment in the plant at that station. As soon as the first consignment of half treated sleepers from Naharkatiya was received at Clutterbuckganj in February, 1956, the Superintendent, Clutterbuckganj Treating Plant, reported that a considerable percentage of the sleepers was much below specification and was unfit for treatment on account of deep set rots, hollows, deep splits in the spike line, breakage etc. In December, 1956, the sleepers were inspected by the Track Supply Officer who reported that 21,975 B.G. sleepers were deteriorated resulting in a loss of Rs. 2.59 lakhs excluding freight, handling and other incidental charges. The responsibility for the loss has not been fixed and the loss has not yet been written off.

The circumstances in which the sleepers could not be treated at the Naharkatiya Plant itself are indicated below:—

- (1) The North Eastern Railway Administration had pointed out to the Railway Board in November, 1954, that they would not be in a position to treat all the B. G. sleepers that were proposed to be accepted from the Assam Government and that the Railway would be forced to suffer a heavy loss by deterioration of a large number of sleepers remaining untreated. It was stressed that evergreen timbers were very much liable to fungus attack and that the Administration had bitter experience on past occasions when the treating plant could not cope with the rate of supplies.
- (2) In February, 1955, the North Eastern Railway Administration again pointed out to the Railway Board that even with the plant working to its full capacity in three shifts, there

would be a surplus of 1,40,000 numbers of B. G. sleepers awaiting treatment at the end of the 1954-55 season.

It was also proposed to adopt open tank treatment as a prophylactic measure to clear old stocks carried forward from 1953-54 to prevent deterioration.

- (3) It was only in December, 1955, that instructions were issued by the Railway Board to move the surplus sleepers to Clutterbuckganj after prophylactic treatment at Naharkatiya to prevent fungus growth or other deterioration. It was, however, reported by the North Eastern Railway Administration that the open tank for prophylactic treatment could not unfortunately be brought into use "for one reason or another".

It is relevant to mention that another case of loss of Rs. 1,47,522 which occurred on account of fungus in the sleepers received in the Naharkatiya Treating Plant during the years 1947-48 and 1948-49 was considered by a survey committee appointed two years later in 1951, and reported to the Railway Board for write off in February, 1960 after a delay of eight and a half years. The Railway Board have not yet accorded sanction to the write off of the loss pending further investigation.

23. *Central Railway—Purchase of stone crushers without detailed financial justification.*

13 stone crushers were purchased by the Railway Administration between 1947 and 1952 at a total cost of Rs. 4.38 lakhs for producing ballast departmentally as the supply of stone ballast by contractors was becoming both difficult and expensive. A review by Audit of the utilisation of these crushers in April, 1956, showed that eight crushers costing Rs. 3.52 lakhs had remained idle for a major portion of the time since their purchase. The non-utilisation of these crushers was then attributed to frequent repairs and difficulties in obtaining spare parts and also to the fact that it was found cheaper to obtain ballast from contractors.

The Administration expected that the crushers would be fully utilised in the near future, but there has been no material improvement. Two crushers have not been utilised at all since 1948, two have been utilised for less than a year and two more from one to two years. Only one crusher has been continually in use while six have been in use for three to four years.

The Administration explain that the purchase was not made on any meticulous financial justification but on the basis of difficulties experienced in the post-war years in the matter of obtaining hand-broken ballast

at reasonable rates from contractors in the upcountry divisions, and that this object was served, as also the object of obtaining good quality ballast quickly to make up serious deficiency in track in the post-war years. The difficulties and delays in operating the equipment are stated to have been largely unavoidable owing to difficulties in importing spares.

The Administration at one stage considered that the life of these stone crushers would be 10 years but they now consider that not more than 5 years' life could be expected from these crushers if intensively utilised, and that on this basis, 7 out of 13 crushers could be said to have been reasonably well utilised. It does not appear that the Administration had a clear idea of the position when a sum of Rs. 4.38 lakhs was invested in these crushers. No estimates were prepared of the cost of production of ballast with the stone crushers when they were originally purchased. No records have also been kept to show the periods for which they were actually worked, the output achieved, and the cost of production.

Attempts made by the Administration to dispose of some of the crushers have not been successful. They now expect to derive some residual value by hiring them out to contractors but this expedient was not apparently found feasible all these years.

24. Eastern Railway—Direct purchase of Air Compressors.

Indents for 12 air compressors of foreign manufacture for supply to contractors on hire were placed on the Director General, Supplies and Disposals, on the 26th April, 1958 but were returned by him on the 16th May, 1958 for resubmission after obtaining the release of necessary foreign exchange, as the stores were not likely to be available from indigenous sources.

The Railway Administration, however, considered immediate procurement necessary to ensure the completion of a project by a target date, even though, under the contract, there was no obligation on their part to supply compressors to the contractors on hire. Open tenders were, therefore, invited for 12 compressors on the 18th June, 1958 without recourse to the Central Purchasing Organisation.

The number of compressors was subsequently reduced to 6 and the Committee which examined the tenders, recommended in September, 1958—

- (i) the purchase of 3 compressors of foreign make at Rs. 20,055 each *plus* sales tax; and
- (ii) the purchase of 3 compressors of Indian make at Rs. 32,775 each *plus* Rs. 1,355 for each set of spares *plus* sales tax.

Three months later, in January, 1959, the Administration decided to proceed with the purchase of only three compressors of Indian make and

approached the Railway Board for their approval. Although the margin of price preference over the imported purchase was 60 per cent, involving an additional expenditure of Rs. 38,160 for the three sets, the Administration felt that it would save foreign exchange and that earlier supply could be expected. The Board's approval as a special case was conveyed another two months later, in March, 1959, and orders were placed in April, 1959 for delivery by July-August, 1959.

The compressors were received at the place of work by the end of October, 1959. The particular project with reference to which the emergency purchase was justified had been nearly completed before the machines were received.

The Railway Board have stated that the Railway Administration had to give considerable thought before arriving at a decision as to whether foreign exchange expenditure should be incurred and lower quotation accepted or higher quotation should be accepted and foreign exchange saved, and that for the same reason this case had to be given careful thought in the Board's office also. It has been added that "in view of the complexity of the problem, the time taken either by the Administration or by the Railway Board does not appear to be excessive".

The Railway Board have also stated that the mere fact that the particular project with reference to which the emergency purchase was justified had been nearly completed before the machines were received, does not render the transaction infructuous, because after completion of the particular work for which they are needed, the intention is always to make use of such machines in several subsequent works in turn.

Audit is, however, of the view that the direct purchase on grounds of emergency, of compressors of local manufacture otherwise than through the Central Purchasing Organisation, was not justified when the work had been nearly completed even without these machines. The delay which occurred in taking decisions at every stage also supports this view.

25. Central Railway—Additional expenditure on a clothing contract.

A decision had been taken in September, 1957, at a conference between the General Manager and the Divisional Superintendents that for station masters and similar categories of staff, special arrangements should be made for the stitching of uniforms with a view to securing a higher standard of tailoring. Tenders invited for this purpose were opened on the 7th April, 1958. Subsequently, on the 6th May, 1958, samples were called for to examine the quality of the stitching and on the 30th June, 1958, the Tender Committee recommended the acceptance of the lowest offer received for each division, specifically observing that the stitching was satisfactory.

The Controller of Stores passed orders on the recommendation asking the Committee to re-examine the matter on the ground that "a new comer and a minus quotation are both likely to create a worse situation instead of improvement of quality and timely delivery". These observations had reference to the fact that the rates quoted by the tenderers recommended by the Committee for the different divisions of the railway were 3 to 10 per cent below the standard rates.

The same Tender Committee thereupon met again on the 18th July, 1958, and approved the standard of quality, stitching and finish of certain samples produced by one of the tenderers, who was not the lowest tenderer and had accordingly been rejected on the earlier occasion. They graded the samples of the other tenderers with reference to these approved samples but proceeded on the basis, that for comparable samples, "any quotation for rates lower than the schedule rate would definitely indicate that the tenderers have not properly understood the significance of the tender".

In particular, they considered the rate quoted by one of the tenderers which they had earlier recommended for acceptance, as "an unworkable rate being ridiculously low". They also recorded their view that the entries that had been made by this firm in their tender and their covering letter were on the whole "very confusing". A clarification of the quotation was asked for and obtained but their tender was rejected on the ground that they were new comers and that the rates were unworkable. The Tender Committee also rejected the tenders of other firms who had supplied garments to the Railway in the previous year on grounds of unworkability of the rates.

The Committee finally recommended the tenderer, whose samples had been first approved for purposes of comparison with others, although the rates were 49 per cent, 99 per cent and 149 per cent above the standard rates in respect of the three types of samples selected as standard, and involved an extra expenditure of Rs. 52,000 for the year. The contracts were let out accordingly with the approval of the General Manager.

Subsequently, on a representation from one of the tenderers whose lower offer had thus been rejected, the contract relating to one division was awarded to him at 3 per cent below the standard rate as originally quoted by him, on the condition that he would supply garments according to the sample supplied by the contractor whose tender at much higher rates had already been accepted.

The practice of making special arrangements for uniforms of certain staff was continued in the following year 1959-60, but the accepted rates were substantially lower, the total expenditure amounting to Rs. 58,121 only as against Rs. 1,01,769 in the previous year, in spite of there having been a 14 per cent increase in the number of garments.

The Administration explain that merely on the basis of the lower value of the contract for the subsequent year 1959-60, no conclusion can be drawn in regard to the action taken at different stages in the preceding year. The Administration add that it would not be unreasonable to assume that the Controller of Stores' direction to the Tender Committee to re-examine their recommendations and the Tender Committee's revised recommendations were both in the background of complaints from staff in regard to the quality of the uniforms and that any measures to ensure timely delivery, even at higher costs, and by keeping out lower tenderers who were new in the field or whose rates were unworkable, can be viewed as being reasonably justified. The Administration further explain that there was nothing inconsistent in the fact that, when one of the tenderers who had quoted lower prices made a representation subsequently and agreed to supply the improved quality at the lower prices, his offer was accepted as an educational order for one Division of the Railway.

It is nevertheless difficult to understand the change in the attitude of the Tender Committee who had made their original recommendation after inspection of samples, and within a month completely reversed them, mainly on the ground that the rates were too low. The fact that one of the rejected tenderers, who was given an opportunity, after further representation by him, to supply a portion of the requirements, actually did so at rates considered by the Committee as uneconomical, is significant in this context.

26. *Western and Eastern Railways—Loss in purchase of stores.*

In the following cases, the Railway Administration issued orders in May, 1959 and February, 1960 respectively, writing off as losses the additional expenditure amounting to Rs. 13,398 and Rs. 10,810 incurred as a result of the failure of certain contractors to complete supplies of stores ordered from them within the stipulated date. It was, however, not found possible to recover the extra cost from the defaulting firms as the conditions for enforcing 'risk purchase' were not fulfilled.

Western Railway.

An order for 22,500 Cft. of timber valued at Rs. 1.97 lakhs was placed by the Director General of Supplies and Disposals, on a firm on the 2nd December, 1950 to be supplied to the Western Railway by the 31st March, 1951. Although a part of the stores was tendered for inspection by the firm on the 8th January, 1951, the inspection was not undertaken by the Inspecting Officer of the Railway until the 21st April, 1951. The Inspecting Officer rejected a large quantity of the stores as below specifications and left the firm's premises without completing his inspection, as he considered it futile to carry out any further inspection unless the material offered for inspection was upto specification. By the end of

September, 1951, the firm could supply only 7,236 Cft. of timber. The balance was cancelled by the Director General of Supplies and Disposals on the 19th January, 1952, at the risk and expense of the firm.

Purchase of timber against the same indent was made by the D.G.S.&D. in May, 1952 from another firm at an extra expenditure of Rs. 13,398. The extra cost was, however, not recovered from the defaulting firm, on the advice of the Ministry of Law, that the Government's case had been rendered weak on account of considerable delay in inspection and of failure to effect risk purchase within the usual period of 6 months from the date of breach of the contract.

The loss was written off by the Railway Board only in May, 1959.

The Administration explain that the Deputy Chief Mechanical Engineer, who should have ensured the timely inspection, had retired in 1954, and that the Inspecting Officer who should have kept the record regarding the rejection of timber, had also retired in 1954.

Eastern Railway.

The Director of Supplies and Disposals, Madras, placed orders on a firm on the 29th July, 1955 for supply by the 30th September, 1955, of 66 Aluminium Roof Tanks at Rs. 350 each for use in the air-conditioned coaches. In view of the anticipated delay in obtaining a machine from U.K. the firm applied for an extension of the delivery date by two and half months, that is, upto the 15th December, 1955, but subsequently pressed for extension only upto the 30th November, 1955. The Railway Administration declined to agree to the grant of any extension, stating that the tanks in question were very urgently required for the carriage construction work.

The order was cancelled on the 1st October, 1955, and two fresh purchase orders were placed by the Railway Administration on another firm in January and March, 1956, for the supply of a smaller number of tanks (46 in all) at Rs. 585 each. The repurchase involved an extra expenditure of Rs. 10,810 as compared to the amount that would have been paid if supplies had been obtained from the first firm by allowing them an extension of time.

It was held by the Ministry of Works, Housing and Supply, and confirmed by the Legal Adviser of the Railway, that no recovery could be made from the defaulting firm because deviations had been made from the original orders placed on that firm. The Director of Supplies and Disposals had already pointed out to the Controller of Stores of the railway in September, 1955, that unless the repurchase was effected in terms identical to the original contract, it might not be possible to enforce recovery of extra cost, if any, from the defaulting firm.

The loss was written off by the Railway Board in February, 1960, on the ground that undue strictness would not be desirable towards the firm who, in this case, undertook an order of a trial nature at a reasonable price, but could not complete supply in time owing to factors beyond their control.

In this case, the capacity of the firm to manufacture the particular stores had been verified by the Central Purchase Organisation, and at the time of applying for extension in August, 1955, the firm had already made arrangements for the import of a spot welding machine required for the purpose. It has been pointed out by the Director of Supplies and Disposals, Madras, that instead of cancelling the order and then setting about exploring other likely sources of supply, the Railway Administration could at least have given a short extension of the delivery period, and that, by their hasty action, the Administration not only failed to get early supplies, but lost the benefit of the favourable rates originally accepted.

ASSISTED SIDINGS.

27. *Delay in the recovery of interest and maintenance charges in respect of assisted sidings.*

The recovery of interest and maintenance charges in respect of the assisted sidings has not been satisfactory on some Railways and a substantial amount has been outstanding from several firms as indicated below :—

Eastern Railway

The terms and conditions of certain old agreements on this Railway for the construction of assisted sidings do not conform to the Code provisions which prescribe an annual recovery on account of interest and maintenance charges at $8\frac{1}{2}$ per cent of the cost of the siding borne by the Railway.

Most of the agreements provide for the recovery of interest and maintenance charges at specific rates only on receipt by the party from the Railway Administration of a notice of termination of the agreement on account of insufficient traffic. A few agreements require the party concerned to make up a guaranteed return varying from 3 to 10 per cent on the railway capital outlay if the siding charges recovered on the traffic booked over the siding do not come up to this percentage.

An annual review of the earnings from the sidings with reference to the provisions in the agreements, and the issue of notices to the siding-owners where necessary, was not done systematically in the past. In August, 1951, special instructions were issued by the General Manager,

- (a) that a revision of the old East Indian Railway agreements should be undertaken with a view to safeguarding the interests of the Railway,
- (b) that a systematic annual review of the earnings from the sidings should be carried out and prompt notices issued to parties whose sidings are found to be unremunerative, and
- (c) that an up-to-date list of all industrial sidings should be prepared and sent to the Chief Commercial Manager by the 15th September, 1951, after verification by Divisional Accounts Officers.

By September, 1960, the review of 339 industrial sidings and 842 colliery sidings for the period 1953-54 to 1959-60 was still in arrears, the review outstanding for previous years having been waived by the General Manager. There was no up-to-date list of industrial and colliery sidings upto May, 1960, on the basis of which an appropriate review could be carried out. It has been stated that appreciable progress has since been made and that the reviews for 1958-59 and 1959-60 are in progress. As regards earlier years, the review is now in arrears to the extent of 60 cases in Sealdah Division, for which certain figures have had to be obtained from Pakistan authorities, and 5 cases in other Divisions. It is also stated that an up-to-date list of colliery sidings has since been compiled; the list of industrial sidings is under preparation. It is not clear how the reviews so far stated to have been completed for the earlier years were conducted without this list.

Interest and maintenance charges for sidings declared unremunerative upto 1953-54, for which bills have been preferred, are outstanding to the extent shown below :—

Division	Amount outstanding	period.
	Rs.	
Howrah	66,017	1946-47 to 1953-54
Asansol	20,548	Outstanding as on 31-8-1960
Dinapur	14,489	1945-46 to 1959-60
Sealdah	1,39,898	Outstanding as on 31-3-1960.

In addition, establishment charges recoverable in respect of sidings, amounting to Rs. 6.69 lakhs in Sealdah Division for the period 1947-48 to 1959-60, and Rs. 7.09 lakhs in Asansol Division upto the 31st August, 1960, are also outstanding. It has been stated that no difficulty is apprehended in recovering these amounts which are due from parties of standing, such as the Steel Works, West Bengal Government, Calcutta Port Commissioners' Railways etc.

On occasions when the attention of the Administration was drawn by Audit to the unsatisfactory position, assurances were given that the arrears would be cleared. The position was considered by the Administration at a departmental meeting held on the 31st May, 1960, and certain remedial methods were agreed upon. It is also proposed to have a further discussion after an up-to-date list of sidings is compiled. The action taken by the Administration is being watched.

North-East Frontier Railway

When the unsatisfactory position of recoveries of interest and maintenance charges for assisted sidings on this Railway was taken up by Audit in 1957, a Committee of officers was appointed to examine the question and it was agreed that no siding should be maintained without re-imbusement of interest and maintenance charges. Fresh agreements on a standard form were to be executed with all the siding owners and the revised agreements were to come into force with effect from the 1st April, 1958. The Administration has not yet finalised the standard form of agreement to be executed with the parties.

An amount of Rs. 1.26 lakhs was outstanding from different firms on the 1st March, 1960, inclusive of Rs. 64,000 which the Committee of officers reported as recoverable in March, 1957.

The Railway Administration have stated (February, 1961) that the amount outstanding has been brought down to Rs. 1.09 lakhs against which substantial recoveries are expected to be made shortly, and that "standard forms have almost been finalised and steps are being taken to get the agreements executed with the parties on the basis of the standard form".

North-Eastern Railway

On this Railway, siding registers were not being maintained properly in the Accounts Office. The registers did not show the correct position of recoveries as they included a large number of sidings which had been closed or were not in use, and the amounts shown outstanding against them were unrealistic. In a few cases, bills were not issued in respect of sidings in use. The action taken by the Administration to bring the registers up-to-date is being watched.

Northern Railway

The agreements governing the sidings in three Divisions which were transferred from the East Indian Railway to the Northern Railway in 1952 after regrouping, contained a provision for their termination after giving 6 months' notice, if, in the opinion of the Railway Administration, the traffic was inadequate to justify the retention of the sidings. Otherwise, the parties had to agree to pay the interest and maintenance charges fixed

by the Railway. The annual review due for 1946-47 was completed only in May, 1951 and indicated that 47 sidings were unremunerative. Bills for payment of interest and maintenance charges were sent to the firms concerned but no recovery could be effected in view of the protests received by the Administration that the deterioration in traffic was due to factors beyond their control.

The General Manager of the East Indian Railway agreed in March, 1952, to examine each case on its merits and asked the firms to honour the bills in the meanwhile. The firms did not, however, make payment and it was decided three years later in April, 1955, that the firms should submit facts and figures in support of their objections. Such data were received only from 3 firms upto November, 1955. However, during 1956-57, all the bills for the period prior to April, 1952, amounting to Rs. 1,43,474 were withdrawn by the Northern Railway, one of the grounds being that the claims could not be enforced under the terms of the respective agreements as the notices had not been issued by the East Indian Railway Administration in time.

As a result of reviews for the years 1952-53 to 1957-58, amounts due were realised from 29 out of 45 sidings declared as unremunerative. No recovery whatsoever has, however, been made from 9 firms since March, 1952. Ten other firms have not paid the bills for some years. The amount of bills issued for the period upto the 31st March, 1960 and outstanding on the 31st August, 1960, was Rs. 63,517. More vigorous action has recently been initiated and the results will be watched in audit.

Large amounts are outstanding towards the interest and maintenance charges of other sidings (including sidings of other Government Departments). The amount of bills due for the period upto the 31st March, 1960, and not recovered till the 31st August, 1960, is about Rs. 7 lakhs (Rs. 4 lakhs from other Government Departments and Rs. 3 lakhs from private bodies). These figures are under verification.

WORKS EXPENDITURE

28. *South-Eastern and Western Railways:—Overpayments in connection with execution of earthwork on projects.*

The Railway Corruption Enquiry Committee 1953-55 observed that the officers can favour the contractors by over-measurements or more favourable classification of excavations. Three cases of overpayments to contractors, estimated at about Rs. 19 lakhs in all, on certain construction projects as a result of the upward revision of the classification of soils by the District Engineers, were mentioned in para 22 of the Railway Audit Report, 1960. The officers concerned are under suspension and the allegations against them are being investigated by the Special Police Establishment.

Particulars of further cases of overpayment in connection with execution of earthwork, which have since come to notice, are given below.

South Eastern Railway.

(1) In one doubling project, the Vigilance Cell reviewed the earthwork classifications on small portions of two sections in June, 1959 and observed that "the classification given in the earth-work register did not bear any relation whatever to the actual nature of the soil existing", and that "it would not be unreasonable to surmise that overpayment to a considerable extent would be involved in respect of unchecked portions".

The Vigilance Cell further observed that it was not physically possible for the officer to give the final classification of 6 and 4 miles of earthwork and to secure the contractor's acceptance in one day as stated to have been done, that the lower categories of soil had been deleted altogether and the quantities had been greatly increased in the higher categories, and that soils which were not in existence in the classification as originally given by the District Engineer were mentioned under "reclassification". The excess payments were assessed on the two sections at Rs. 4.24 lakhs and Rs. 1.66 lakhs respectively.

In July, 1960, an officer of the rank of Engineer-in-chief reviewed the matter and assessed the overpayments at Rs. 2.27 lakhs and Rs. 1.07 lakhs respectively (inclusive of certain amounts overpaid for reasons other than misclassification of the soil) and observed that the assessment by the Vigilance Cell was "highly exaggerated and completely divorced from practical realities". The Administration have accepted these findings and the over-payments are stated to have since been recovered from the contractors. The District Engineer concerned is already under suspension in connection with one of the cases reported in the Audit Report, Railways, 1960.

The wide variations between the payments originally made, the subsequent assessment by the Vigilance Cell, and the revised figure finally adopted by the Chief Engineer, indicate an inherent defect in the procedure for classification and payment for earth work.

(2) In June, 1958 and February, 1959, it was pointed out by Audit that on some doubling districts the contractors were paid additional charges for the operations of 'excavating the earth and carrying it to, and spreading it on the bank', although these operations were included in the original earthwork rates. The recoveries due from the contractors on this account were estimated by the Administration to be about Rs. 3.95 lakhs out of which Rs. 1.40 lakhs were still outstanding on the 1st March, 1960. It has since been stated (February, 1961) that the whole amount has been recovered but that the erroneous payments were due to "the adoption of a certain interpretation of the schedule for which it is difficult to blame anyone." In this view, a question arises as to

the responsibility for the apparently defective wording of the schedule which was so interpreted as to result in a large overpayment to the contractors.

Western Railway.—

(3) On the basis of tenders invited in 1956, in connection with a doubling project, earthwork contracts of the value of Rs. 2.42 crores were awarded to 23 different contractors.

In March, 1957, October, 1957 and March, 1958, the Accounts Department pointed out that in certain on-account bills for earthwork, the initial classification had been up-graded by the engineers from soft rock to hard rock. It was also observed in March, 1958 that in some cases, the classification had been altered more than once, and that in respect of some works, there had been reclassification necessitating further payments, even though the contractors had already given 'no claim' certificates.

In May, 1958, the Vigilance Branch of the Railway also took up the case but reported that it was not possible to check the classification of the soil as payments were being made on the basis of lump sum measurements and that a check would be possible only when final detailed measurements were recorded.

While preparing the final bills in January, 1959, the Executive Engineer concerned assessed further payments of about Rs. 6 lakhs as due to the contractors in respect of 12 contracts, and overpayments amounting to Rs. 9 lakhs as recoverable in the case of 15 other contracts.

The Deputy Chief Engineer, who made a further assessment in March, 1959, recommended an additional recovery of Rs. 8 lakhs in the case of 21 contracts. But, in regard to two contracts (in which he had himself classified the soil as hard rock in the on-account bills in his capacity as Executive Engineer), he did not accept the down-grading of the classification as assessed by the Executive Engineer, but proposed an additional payment of Rs. 1.93 lakhs to the two contractors.

In view of the large differences in the assessments made by different officers, and also in view of the wide variations between the quantities of earthwork provided in the original estimates and the actual quantities, the Engineer-in-Chief, after inspecting the entire length of the cuttings, reassessed the classification of soil, and concluded, in September, 1959, that the earthwork had not been classified judiciously while making 'on-account' payments during the progress of the work. He computed a further recovery of Rs. 21.37 lakhs as due over and above the recovery of Rs. 3 lakhs initially assessed by the Executive Engineer. An additional recovery of Rs. 2.60 lakhs was found due for reasons other than the change in classification.

A sum of Rs. 18·96 lakhs has been recovered from the dues of different contractors including their security deposits. The Administration has stated that it has not so far been possible to recover the balance. Twelve contractors have sought arbitration, and it is stated that arbitration proceedings have started. The cases are also under investigation by the Special Police Establishment.

The Administration issued instructions only in November, 1960—further to general instructions issued by the Railway Board in September, 1960—emphasising the need for proper check and supervision in regard to the classification of soils in projects.

(4) In connection with the bridge works on a doubling project, coffer dams were stated to have been put up during 1957-58 at a cost of Rs. 4·77 lakhs at 39 bridges to enable their construction below water level.

Following an anonymous complaint received in October, 1958, alleging malpractices on the part of Railway Officers in putting up these coffer dams, the Administration appointed a Fact Finding Committee in April, 1959. The Committee which submitted its report in September, 1959, made the following observations:—

- (i) The construction of coffer dams was necessary only in the case of 5 bridges, and was avoidable in respect of the remaining 34 bridges.
- (ii) In the case of 10 bridges, it was highly improbable that any coffer dams were built at all.
- (iii) In respect of other bridges, the coffer dams were at many places out of all proportion to the requirements; in some instances, the cost of the coffer dams was as much as a quarter of the cost of the bridges themselves.
- (iv) It was doubtful whether any of the coffer dams was in accordance with the specifications laid down; the sub-standard constructions had been passed as conforming to the specifications without a reference to higher authorities.
- (v) The work of coffer dams had been carried out without sanction and without prior issue of any work orders; no sketches or drawings of any coffer dams were prepared, approved or kept on record at any level.

The Committee concluded that the coffer dams built at only 5 bridges at a cost of Rs. 1·60 lakhs, were unavoidable, and that the expenditure of Rs. 3·17 lakhs on the construction of coffer dams on the remaining 34 bridges, the very construction of 10 of which appeared to be fictitious, was avoidable.

The case was also investigated by the Special Police Establishment, who are reported to have transferred it to the Administration to take action as deemed fit. It is stated that disciplinary proceedings have since been instituted, but that it has not been possible to complete the enquiry owing to the prolonged absence due to sickness of the Deputy Chief Engineer concerned.

29. *Northern Railway—Overpayments due to failure to exercise technical checks on contractors' bills.*

Overpayments of contractors' bills to the extent of about Rs. 64,316 were detected during the audit inspection of some engineering offices in the Lucknow and Allahabad Divisions during the years 1956-57, 1957-58 and 1958-59. In the opinion of Audit, most of these overpayments were attributable to the failure to exercise checks prescribed in the Code to ensure that (i) materials issued and charged to works were not excessive, (ii) the quantities executed were according to the sanctioned plans and estimates, and (iii) the method of measurement was correct.

Out of the overpayments reported by Audit, a sum of about Rs. 44,161 has either been recovered or noted for recovery, but objections covering the balance of Rs. 20,155 have been under consideration for over two years.

The Administration have explained that instructions issued to these Divisions in June, 1956 to exercise the prescribed checks were not followed apparently for want of additional staff; the checks have since been introduced in Lucknow Division from November, 1958 and in Allahabad Division from September, 1959, and the delay in implementing the instructions issued in June, 1956, is being examined.

While accepting the overpayments of Rs. 64,316 detected by Audit, the Railway Administration have observed that pending the report of a Departmental Committee appointed in October, 1960 to enquire into the details, it cannot be stated that the overpayments were due to failure to exercise the checks referred to. The Administration has also stated that the review of past cases will be undertaken as soon as it is established that a substantial amount of the overpayments already detected was due to the omission to exercise the prescribed checks. This is with reference to a suggestion made by Audit in July, 1958 that a review of other paid vouchers relating to the past periods, outside the percentage which came under review by Audit, might be undertaken to see whether overpayments were involved in those bills also.

Responsibility for lapses, if any, has also not been fixed pending the receipt of the Committee's report.

30. *North Eastern Railway—Extra expenditure due to an incorrect evaluation of tenders.*

In response to a notice inviting tenders for the handling of coal in the Siliguri zone, during the half year commencing from the 1st October, 1957, three tenders were received. The handling work consisted of 10 different items of work. Contractor (A), whose offer was accepted, quoted more favourable rates than another contractor (B) only in respect of three items of work, namely—

	Rates quoted by contractor	Rates quoted by contractor
	A.	B.
1. Stacking and levelling of coal upto a lead of 100 yards	1 Naya Paisa	2 Naye Paisa
2. Loading coal on engine tenders from stack upto a lead of 100 Yds. by bucket and cranes.	25 Naye Paisa	37 Naye Paisa
3. Loading coal on engine tenders from stack upto a lead of 100 Yds. by grabs and cranes .	25 Naye Paisa	31 Naye Paisa

In regard to all the other items of work, the rates quoted by Contractor (A) were higher; in particular, for the item 'Loading coal on engine tenders from stacks upto a lead of 100 yds. by basket, he had quoted a rate of Rs. 3 per ton as against Re. 0.37 per ton quoted by Contractor (B). The prevailing rates for similar work in contiguous areas varied between Re. 0.25 to Re. 0.81 per ton.

The recommendation of the Tender Committee was that the rates quoted by contractor (A) were the lowest and the work was accordingly entrusted to him. In actual practice, however, basket loading had to be resorted to, instead of loading by crane, for a period of about 3 days on an average per month due to the breakdown of the crane. This resulted in an extra payment of Rs. 10,961 over a period of 9 months from October, 1957, as compared to what would have been payable to the other Contractor (B) for the same work.

The Railway Administration state that these payments were unavoidable as basket loading was necessitated by the disablement and break-down of coal cranes, which could not be foreseen. The work in the sheds is allotted according to the lowest quotation, taking into account all the itemised works together and not itemwise.

This contention is not acceptable. During the year preceding the contract, basket loading had to be resorted to every month for at least one or two days owing to the crane having been out of commission for

cleaning, repairs etc. If the Tender Committee had taken into account this fact, they would have realised that on the basis of resort to basket loading on the average for at least one day in a month, the offer of contractor (B) was the lowest; this omission and their failure to attach any importance to the abnormally high rate quoted by contractor (A) for basket loading, has resulted in the extra expenditure.

31. *Southern Railway—Delay in investigation of losses of permanent way material.*

Final action to fix responsibility in two cases of loss of permanent way material valued at Rs. 41,037 in all, which occurred more than 8 years ago, has not yet been taken by the Railway Administration. The details are as follows:—

- (i) 150 imported Canadian rails valued at Rs. 34,559 which were booked from two stations on the South Eastern Railway in December, 1951 for use on a relaying work, were not received at the destination. Although a Commercial Inspector, who investigated the case in December, 1955, reported that the wagons, though shown as loaded and entered in the Railway Receipts, were not actually booked by the forwarding stations, it has been stated that the Chief Engineer of the South Eastern Railway is investigating whether the rails were actually despatched or not. Responsibility for the loss has not yet been fixed.
- (ii) In another case, a consignment of fishplates was booked by a private firm in July, 1952, after loading in their siding for use in the same relaying work. The railway staff granted a 'said to contain' receipt as the loading was not witnessed by them. At destination, 1,148 fishplates valued at Rs. 6,477 were found short. The District Engineer, who had earlier withheld 10 per cent of the firm's bill pending enquiry into the shortage, passed it in April, 1954, and approached the Chief Engineer in July, 1956 for sanctioning the write off of the value of the shortage. A Committee of Assistant Officers conducted an enquiry in March, 1958 and reported in September, 1958, observing that it was a clear case of wrong booking by the firm, but that, at no point were the firm asked to verify their records to ascertain the correct quantity despatched by them.

The Committee also felt that the railway officials of both the Traffic and Engineering Departments had not carried out their duties properly at the various stages. Responsibility for the loss or for the passing of the final bill has, however,

not been fixed so far, although more than eight years have elapsed since the shortage was discovered.

TRAVEL AGENCIES AND CITY BOOKING AGENCIES

32. *Default in payment of sale proceeds of railway tickets by Travel Agents.*

Particulars of two cases of default by Travel Agents in regard to the remittances of sale proceeds of railway tickets have come to notice. The firms were authorised to sell (i) coupon tickets to overseas tourists and (ii) other tickets to residents in India, and the agreements executed by them required the monthly sale proceeds of ordinary tickets and coupon tickets to be remitted not later than the 7th and the 15th respectively of the following month.

The agreement with the first firm took effect from the 18th September, 1953. The firm delayed making remittances in June, 1955 and December, 1955 and the delays became chronic from July, 1956. Action to stop the sale of tickets was, however, taken only on the 1st March, 1959, by which date the outstandings from the firm amounted to Rs. 2.35 lakh against a security deposit of Rs. 5,000.

The agreement in the second case took effect from the 18th October, 1955. Delays in remittances commenced from November, 1957, but it was only on the 11th September, 1958 that further sale of tickets by the firms was stopped. By that date the outstandings amounted to Rs. 62,472 against a security deposit of Rs. 8,000.

Civil suits for the recovery of the dues from the two firms were filed in April, 1960 and September, 1960, that is about one year and two years respectively after the sale of tickets had been stopped. The question whether the cases could not be considered as involving misappropriation and criminal breach of trust is under examination. * In both these cases, the stock of tickets initially issued to the firms on an *ad hoc* basis for sale was excessive and out of all proportion to requirements; the stock was not reviewed subsequently and the excess withdrawn.

The circumstances in which the firms were appointed as Agents and which led to the heavy accumulations of dues by them are indicated below:—

Firm No. I.

Recognition.—The firm was granted recognition in April, 1953, by the Ministry of Transport as an approved Travel Agency. It was recognised that the past performance of the Managing Director would not justify the grant of recognition but on the basis that he was the only one functioning in Banaras, a key tourist centre, the firm was recognised for one

*It has since been stated that a criminal suit has been filed in the second case, and that similar action is being initiated in the first case also.

year in the first instance. Subsequently, after obtaining confirmation that the subscribed capital of the firm amounted to Rs. 1 lakh, the recognition previously accorded was confirmed in August, 1953, and it seems to have been assumed at this stage that the recognition was for an indefinite duration.

In August, 1954, the Ministry of Transport accorded recognition to a branch of the firm at another place for a period of six months in the first instance, subject to a review of its working after the expiry of this period. The Northern Railway Administration did not, however, mention this condition in the notification issued by them in August, 1954 to other railways, nor did they themselves review the position after six months. The firm was also supplied tickets for sale from this branch without a further agreement or obtaining additional security deposit. The Railway Administration is now examining the question of responsibility for these omissions.

Defaults in remittances by the firm and inadequate security.—The initial security deposit of Rs. 5,000 representing the estimated average value of one and half months' transactions, which was obtained from the firm in August, 1953, was to be revised after three months in terms of the agreements, if the average monthly transactions during the period exceeded the estimated amount. No action was, however, taken to review the monthly transactions and to obtain additional security deposit after the stipulated period of three months.

It was only in May, 1956, that the firm was asked to pay an additional sum of Rs. 25,000 on the basis of the sale proceeds (including the transactions of the branch) during the period August, 1955 to January, 1956. This figure was later reduced in April, 1957 to Rs. 20,000 after a delay of nearly 10 months, on the basis of the then average figures, but the fixation of security deposit itself was unrealistic at this stage, when the outstandings against the firm had mounted up to more than Rs. 1 lakh.

The firm was asked on the 2nd April, 1957, to pay up before the end of the month, the additional security together with all outstanding dues, which had risen to Rs. 1,00,150 by the end of February, 1957. Failing this, the agreement was to be terminated. Though the dues were not cleared within this period, and the additional security was never furnished, the firm was allowed to continue selling the tickets. (The firm was remitting off and on, small portions of the collections it had made through sale of tickets, and by February, 1959, the outstandings accumulated to Rs. 1.89 lakhs on the Northern Railway alone.)

It was only towards the later part of 1957 that the Northern Railway Administration stopped the further issue of tickets to the firm. This was done on two occasions, on the 4th September, 1957, and again on the 31st December, 1957. The stock already with the firm was not, however,

taken back on these occasions and as this was considerable, the firm was able to continue selling the tickets worth about Rs. 1,26,000 for nearly 8 months after December, 1957. This incidentally shows that the stock issued to the firm was out of all proportion to the actual requirements. It is noticed that blank paper tickets were supplied direct by the Printing Press and indents were not even vetted by the Accounts Office.

In September, 1958, the supply of tickets was recommenced on the execution of a fresh agreement by the firm to pay up the dues. The arrangements for paying the dues as provided in the agreement were not complied with strictly and in December, 1958, when the question of stopping the agency was raised, the firm showed the Administration cheques for Rs. 15,000 without, however, actually delivering them. For this reason the agency was not stopped. Subsequently, a cheque for Rs. 18,157 given by the firm for the dues of December, 1958 was dishonoured. The sale of tickets by the firm was finally stopped from the 1st March, 1959, and the stock of tickets with the firm was taken back by the Administration. It has since been noticed that there was a shortage of tickets of the value of Rs. 6,520 which is also recoverable from the firm.

The firm was also authorised by the Northern Railway to sell tickets on behalf of other railways. On the Eastern Railway a sum of Rs. 128 only is pending realisation, but the position on the North Eastern Railway was that no watch at all was kept by the Accounts Office over the receipt of the sales statements and monthly remittances from the firm. Only on receipt of a reference from the Northern Railway in November, 1958, it was noticed that the firm had been delaying payments by two to three months since April, 1956, and had altogether stopped making payments from February, 1957. After a check of all returns and accounts, the outstandings relating to this Railway have now been finally assessed as Rs. 46,191 and the Northern Railway has been advised to initiate action for recovery.

Explanations of the staff responsible for not watching the remittances from the firm were obtained, and an enquiry committee was constituted in December, 1959 to finalise the disciplinary action.

The Railway Administration have explained that not only routine official letters, but also demi-official letters, were addressed by the officers of the Accounts Department to the Senior Commercial Officer in August, 1956, October, 1956, November, 1956, and January, 1957, about the defaults of the firm. The question of responsibility for failure in the Commercial Department to take effective action is now under their examination. The Administration have further stated that the consideration that unless the firm was kept in business, it might not be possible to realise the arrears, impelled them to allow the firm to continue to sell Railway tickets.

The Railway Ministry have explained that the question of fixing responsibility at the lower levels, for not taking stock of the position in regard to the mounting outstandings from the beginning, is under examination. They have added that the extensions to the firm from time to time were, however, allowed at the highest levels in the Railway Administration, and the senior officers who granted these extensions did so 'in the full and *bona fide* belief that they were acting in the best public interests for the purpose of recovering the Railway's dues without involving the Railway in prolonged and costly litigation.' The results do not indicate that their efforts were successful.

Firm No. II.

Recognition.—In July, 1955, the Ministry of Transport conveyed to the firm their decision to include it in the list of recognised travel agencies for a period of one year from 1st September, 1955. It was specifically mentioned in this letter that the Government of India were not fully satisfied with the financial position of the firm. A hope was, however, expressed that the firm would take early steps to improve it. But in August, 1956, on the basis of an audited balance sheet as on the 30th November, 1954, the Ministry of Transport decided that the firm was financially sound, and that no further action was called for on this account. In the background of these developments, the Ministry of Railways decided in August, 1956, to continue the recognition "until further orders".

Defaults in remittances by the firm and inadequate security deposit.—A security deposit of Rs. 5,000 representing the estimated average value of one and a half months' transactions had been taken from the firm on the 5th October, 1955, subject to enhancement after three months, if the average monthly transactions during that period exceeded the estimated amount. No review was carried out after three months and it was only in May, 1957, that the amount of the deposit was fixed at Rs. 12,000 on the basis of the transactions during the six months ending with March, 1957. Though the additional security of Rs. 7,000 was demanded from the firm on the 16th May, 1957, the firm sent a cheque to the Chief Commercial Superintendent only on the 26th November, 1957. There was considerable delay in encashing this cheque and when it was presented to the Bank in February, 1958, it was not honoured. (It is also relevant to mention that the firm had issued four other cheques for varying amounts to other Railway Administrations during the period January, 1958 to July, 1958, which had also been similarly dishonoured.) Meanwhile, the firm was also delaying crediting to the Railway Administration the sale proceeds of tickets, nor did it take steps to give another cheque for Rs. 7,000 in place of the dishonoured cheque. This unsatisfactory position continued till the 30th April, 1958, when the firm gave a

cheque for Rs. 3,000 after the outstandings against it had already mounted to Rs. 15,790. The amount of the cheque was credited towards the security deposit in the first instance. The sale of tickets by the firm was stopped in September, 1958, when the accumulated outstanding dues had mounted to over Rs. 62,000, and the firm is reported to have ceased functioning in November, 1958.

The delay in stopping the sale of tickets by the firm till September, 1958 has been explained as being due to the misleading information given to the Inspectors deputed by the Administration to the firm's office. It would, however, appear that no attempt was made by the officers concerned to ascertain the correct position by checking up the figures of outstandings in consultation with the Accounts Office and the other Railway Administrations concerned, in spite of the past experience with the firm in regard to the dishonoured cheques and other defaults.

33. *South Eastern Railway.—Non-remittance of cash collections by a City Booking Agency contractor.*

A contractor entrusted with the working of a city booking agency did not remit the earnings from 4th March, 1954, to 2nd April, 1954, aggregating to Rs. 32,268. This was in violation of his agreement, which required him to deposit the cash collections daily in the Town Treasury and send the Treasury remittance note signed by the Treasury Officer, through the Station Master, to the Chief Cashier of the Railway for onward transmission to the Accounts Office.

The default went unnoticed for nearly a month, although the Accounts Office was expected to be aware of the position of daily remittances and the Treasury remittance notes were to be routed through the Station Master and the Chief Cashier. It is stated that a telegram was issued from the Cash Office on the 23rd March, 1954, asking for immediate remittance of the detained earnings, but this was not followed up. Early in April, 1954, when the contractor did not produce the records for inspection to the Accounts Inspector and again a few days later to the Traffic Inspector, enquiries about the position of his daily remittances were made and the city booking agency was closed from the 9th April, 1954. The contract was terminated from the 2nd August, 1954.

After setting off certain dues, a sum of Rs. 26,945 was found outstanding from the contractor. A prosecution was launched by the police and one of the partners of the contracting firm and their supervisor were convicted by the Court, but, while the appeal filed by the contractor against his conviction was still *sub-judice*, the case was compounded on the advice of the Public Prosecutor and in consultation with the Railway's Law Officer.

A settlement was then reached in July, 1957, binding the contractor to pay Rs. 4,000 immediately and the balance in five equal quarterly instalments, but the contractor defaulted after paying the first instalment of Rs. 4,000. A further sum of Rs. 6,500 was realised by encashing the National Savings Certificates pledged by the contractor as security, and a civil suit has been filed against him in March, 1960, for recovery of the balance of Rs. 16,445.

The Railway Administration have stated that failure in the Accounts Office to detect the non-remittance of daily earnings by the contractor was due to arrears in the posting of the cash registers not having been pulled up until the middle of April, 1954, and that the Station Master and the Cash Department were not primarily responsible in the matter. It had earlier been stated by the Administration that the disciplinary action against the Station Master was not processed as it was considered that this would prejudice the criminal case which was then going on against the contractor, and after the criminal case was compounded, this aspect was unfortunately not pursued. The Station Master is reported to have since retired and been finally settled up.

34. *Eastern and North Eastern Railways—Irregularities in the sale and accountal of tickets by a contractor working a city booking office.*

(1) A contractor who was entrusted with the working of a city booking office on the Eastern Railway in March, 1949, had been committing irregularities in the issue and accountal of tickets since October, 1954. The irregularities continued undetected upto the 8th April, 1957 and the defalcation of Government money during this period amounted to Rs. 47,003. A sum of Rs. 39,935 has since been adjusted from the security deposit and other dues of the contractor and the balance of Rs. 7,068 is still outstanding. The contract was terminated from the 31st May, 1957 on expiry of the period of its currency. The Administration have stated that it has been decided to file a civil suit for recovery of the outstanding amount from the contractor. The Special Police Establishment are also stated to have taken up this case for investigation.

The fraud came to light in the course of an inspection by a Travelling Inspector of Accounts on the 8th April, 1957. The Administration has stated that although the city booking office was regularly inspected in the past by the Inspectors of the Accounts and Commercial Departments, they cannot be held responsible for any slackness during inspection as the nature of the fraud was hardly susceptible of detection by them. It is, however, admitted that there was some slackness on the part of an employee in the Accounts Office in exercising the prescribed checks over the returns received from the city booking office; he has been chargesheeted and his pay reduced.

(2) In July, 1952, the contractor was permitted to sell tickets of the North Eastern Railway also, without however, settling the terms and conditions and without recovering any additional security deposit. It was only in September, 1953, that a draft agreement to cover the sale of North-Eastern Railway tickets was drawn up by the Eastern Railway and sent to North Eastern Railway for vetting, but it was not finalised till July, 1954, when the contractor was advised by the North Eastern Railway to discontinue the sale of tickets as he had withheld remittance of sale proceeds of that Railway's tickets. At this stage, the question of terminating his contract with the Eastern Railway also was considered, but no action was taken to issue a notice to the contractor terminating the agreement as advised by the Law Officer of the Railway.

After adjusting the contractor's dues, a net sum of Rs. 2,591 in respect of sale of North Eastern Railway tickets has remained unrealised for want of security deposit and an agreement to cover that Railway's transactions. It is stated that the North Eastern Railway Administration is considering legal action to recover this amount.

(3) Under the agreement with the former East Indian Railway, the contractor was entitled to commission for tickets sold by him over that Railway and not over other Railways. He was, however, continued to be paid commission in respect of traffic over 3 divisions which were transferred to the Northern Railway in 1952 after regrouping, as a fresh arrangement allowing payment of commission only for traffic within the jurisdiction of the Eastern Railway was not brought into effect until the 1st January, 1957. The additional payment for the period 1st July, 1953 to 31st December, 1956, amounted to Rs. 7,620; the amount in respect of the period prior to 1st July, 1953 could not be assessed for want of records.

EARNINGS

35. *North-Eastern Railway.—Non-recovery of demurrage charges due from a handling contractor.*

A contractor was entrusted with the transshipment and handling work at a ferryghat station, between 15th August, 1947 and 30th April, 1956. The contractor was responsible for all demurrage that might in the opinion of the General Manager have accrued by or through any unreasonable detention or delay on his part, but such charges had to be accepted by the contractor at the time the bills for handling were certified.

In May, 1955, the Assistant Traffic Superintendent concerned sent a note to the contractor pointing out unnecessary detention to wagons for want of labour, but without indicating the details of the detentions and the demurrage accrued on that account. A copy of this note was also sent to his senior officers suggesting penalisation of the contractor. But no action was taken after issuing this note either to ensure recovery of the

demurrage charges in the future or to assess these charges and get them accepted by the contractor when passing his bills.

A Senior Travelling Inspector of Accounts, who was asked to check the last bill of the contractor for April, 1956, with reference to the station records, reported in September, 1956, that demurrage amounting to Rs. 44,920 had accrued against the contractor during the period March, 1955 to June, 1955, but that the registers containing the particulars of the detention to wagons had not been got signed by the contractor in token of his acceptance of their accuracy.

After a year, in August, 1957, the Financial Adviser and Chief Accounts Officer in consultation with the Chief Commercial Superintendent, decided to have a thorough probe into the case. A joint inspection by the same Senior Travelling Inspector of Accounts and a Traffic Inspector, with which the contractor was also associated, confirmed on the 25th September, 1958, that a sum of Rs. 44,920 was payable by the contractor under the agreement for detentions caused by inadequate supply of labour between March, 1955 and June, 1955.

The Legal Adviser to whom the question of recovery of the demurrage charges from the contractor was referred in July, 1959, observed that in view of the uncertainty of the agreement and the attitude of the officer in submitting the contractor's bills it would be very difficult to make out a case against the contractor.

The recovery of the amount of Rs. 44,920 was finally waived by the Administration in April, 1960.

After the case was taken up by Audit on the 10th August, 1960, the Administration again referred the matter to the Legal Adviser on the 3rd October, 1960 submitting, at this stage, that in the absence of any remarks on the bills, the Assistant Traffic Superintendent should be presumed to have satisfied himself that there was no unreasonable detention to wagons for which the contractor could be held liable. The Legal Adviser agreed with the view that the Railway would not be able to establish a case that demurrage had accrued, but observed that it was clearly a very strong piece of evidence in favour of the contractor that not only the Assistant Traffic Superintendent but all the Departments of the Railway, including the Accounts, failed to notice the unreasonable detention of wagons till several years after the expiry of the contract.

That the Administration themselves considered the matter as fairly serious is evident from the fact that apart from the Accounts investigation in 1956, there was a joint inspection by the Accounts and Commercial Departments during August, 1957–September, 1958 and prolonged consideration thereafter till the amount was written off in April, 1960. The position appears to be that the Railway could not sustain a claim against the contractor mainly because of the failure in getting the demurrage

charges accepted by him from time to time, as required under the agreement.

36. *South Eastern Railway—Loss of revenue in the absence of proper weighing facilities.*

The weigh-bridge at a station from which there was a heavy traffic in manganese ore, was condemned in 1952 and has not been replaced so far.

The District Traffic Superintendent reported that considerable leakage of revenue was taking place due to over-loading and that the staff who were expected to put a loading mark on each wagon to adjust the cubical contents within the permissible weight had seldom done so. He added that an excess weight of 100 tons was found in a train load of manganese ore weighed on the 15th April, 1953 and observed that on this basis the amount of anticipated loss of revenue would be about Rs. 1.31 lakhs a year.

A suggestion was made by Audit, in June, 1954, that if test weighing of all consignments at the destination was not practicable, reweighments should be made as frequently as possible and that the station staff at the loading points should be penalised in cases where consistent over-loading was detected.

Although the Administration stated in August, 1954 and again in January, 1956, that suitable action had been taken to eliminate the defects, the position did not improve, and on the few occasions on which test weighments were made during the years 1957 to 1960, over-loading was noticed in a majority of cases, as shown below:—

Year	No. of occasions of test weighments	No. of wagons weighed	No of wagons in which excess weight was detected
1957.	3	41	40
1958 .	10	130	82
1959.	31	323	219
1960.	37	349	286

A report sent in July, 1958 by the District Mechanical Engineer, showed that the excess loading amounted to as much as 6 to 7 tons per wagon in some cases. He also recommended that strong action should be taken against the staff responsible for the over-loading, particularly as the over-loading was likely to result in serious accident.

No action has so far been taken against the staff responsible for overloading. Although the weigh-bridge was condemned in 1952 and provision for its replacement was made four years later in the works programme for 1956-57, the new weigh-bridge has not yet been installed. The result of the test weighments mentioned above indicate that the leakage of revenue must have been considerable.

37. *South Eastern Railway—Arrears in the realisation of fees etc. by Station Committees.*

On the ex-Bengal Nagpur Railway (now forming part of the South Eastern Railway), Station Committees composed of elected and nominated Railway Officers and staff were set up to look after the sanitary arrangements, trees, gardens, etc., in the Railway lands at important stations. They were also entrusted with the realisation of conservancy cess from the residents, fee for grazing rights, rents of shops built by the Railway etc.

With effect from the 1st April, 1950, the receipts and expenditure of the Station Committees were incorporated in the Railway Revenue Accounts.

Heavy arrears in the recovery of dues by some Station Committees were pointed out by Audit almost every year between 1950-1959.

The Railway Administration appear to have made efforts to remedy this. Even then, however, it was noticed in 1959 that some of the Station Committees had not submitted the prescribed returns for long periods. It was assessed on the basis of the information available in the Accounts Office upto December, 1960 that the total outstandings amounted to Rs. 3.96 lakhs.

38. *South Eastern Railway.—Outstandings against firms enjoying Credit Note facilities.*

In cases where established firms are allowed the facility of payment of Railway dues by credit notes, a security deposit adequate to cover the average transactions over a prescribed period, (usually 15 days) is obtained and it is laid down that the amount of unrealised credit notes outstanding against a firm should not at any time exceed the security deposit.

In the following two cases, the outstandings were allowed to accumulate to an extent considerably in excess of the security deposit taken from the firms.

(i) A firm of clearing agents was allowed credit note facilities at a station in February, 1957, on furnishing a security deposit of Rs. 2000. The monthly transactions of the firm for February, 1957, amounted to

Rs. 19,572. In April, 1957, the Administration demanded additional security of Rs. 7,800 as provided in the agreement but the demand was not complied with by the firm. The credit note facility was, however, not withdrawn; on the other hand, in July, 1958, the facility was extended to them at another station also on furnishing a security deposit of Rs.300.

Payments against credit note bills were not being made by the firm as expeditiously as required under the agreement, and the amount outstanding rose from Rs. 11,396 in January, 1958 to Rs. 23,912 in September, 1958 and Rs. 77,518 in August, 1959, when the credit facility was withdrawn.

In August, 1959, the Railway Administration, as a test case, detained the goods covered by the Railway Receipts granted to one of the firms served by the clearing agents. The firm thereupon filed a mandamus petition in the High Court for the release of their goods. It is stated that, as a result of the court's decision pronounced in December, 1960, action is being taken to recover proportionate dues.

(2) Another clearing agency firm which had been allowed credit note facility with effect from the 29th June, 1957, defaulted in the payment of Railway dues from January, 1958, and the outstanding rose from Rs. 16,000 at the end of January, 1958, to Rs. 22,780 in September, 1958, Rs. 31,839 in April, 1959 and Rs. 53,827 in August, 1959, as against a security deposit of Rs. 5000.

In August, 1959, the Railway Administration initiated action to recover the dues from certain other consignments, the Railway Receipts for which had been unconditionally endorsed in favour of the clearing agents. Thereupon some parties who claimed to be the real owners of the goods, filed a legal suit and the case is *sub-judice*.

39. Central Railway—Write off of wharfage charges.

A sum of Rs. 34,445, representing wharfage and demurrage charges outstanding from a consignee in respect of 15 wagons of charcoal received at a station between October, 1954 and August, 1955, was finally written off in March, 1960. The station staff had allowed delivery of the goods without recovering the accrued wharfage and demurrage charges on the plea that the merchant would be able to obtain remission of these charges from the Chief Commercial Superintendent.

It has been ascertained in this connection that in regard to certain other consignments of the same merchant received at the station during the period of 13 months from August, 1954 to August, 1955, a total sum of Rs. 22,417 accrued as wharfage in respect of 52 wagons. Out of this amount, a sum of Rs. 18,985 had been waived under the authority of the officers of the Commercial Department, the grounds for the waiver, on

each occasion, being that the wharfage accrued was out of proportion to the value of the goods and that charcoal had been pilfered while lying exposed in the goods shed.

The Railway Administration maintain that the continued grant of remission of large amounts to a single consignee over a period of a year was justified on merits. The same merchant was able to get irregular waiver of an even larger amount from the station staff without formal application to the Commercial Department.

The Goods Clerk responsible was removed from service and the pay of the station master was reduced by Rs. 18 for one year. The punishment imposed on the station master was considered inadequate by the Financial Adviser and Chief Accounts Officer but the matter was dropped by him on the assurance of the Chief Commercial Superintendent that his observations would be borne in mind in dealing with future cases.

No action has been taken against the officers of the Commercial Department who failed to notice the irregularities in the account and collection of wharfage charges at this station as earlier reported by the Travelling Inspector of Accounts in November, 1954, and September 1955, the reason given being that the Inspector did not bring the recurring irregularities to the notice of the higher authorities in the form of a special letter.

40. Heavy station outstandings.

A review of the old outstandings at stations showed that on the following Railways the amount outstanding for more than one year/two years constituted an appreciable proportion of the total:—

Figures in lakhs				
Railway	Period	Total outstand- ings.	Outstand- ings more than one year old	Outstand- ings more than two years old
Eastern	May, 1959	180·30	56·49	44·54
Northern.	August, 1959	107·69	26·90	15·36
South Eastern	July, 1959	182·87	78·77	29·02
North Eastern	Nov., 1959	63·31	43·65	26·93
North-East Frontier	Nov., 1959	47·75	25·80	16·88

The old accumulations mainly represent freight outstandings and debits raised against stations pending recovery from the staff, and give an indication of the effectiveness of the efforts made by the Railway

Administrations to initiate timely enquiries and follow the prescribed procedure for their clearance.

Taking all the Railways together, the Railway Board have stated that the total outstandings on the 31st May, 1960 amounted to Rs. 9.15 crores as against Rs. 9.46 crores on the 31st May, 1959. Expressed as a percentage of the total traffic earnings, the reduction was from 2.48 per cent to 2.22 per cent; the outstandings more than one year old, however, increased from 2.13 crores to 2.74 crores. It has been stated that the drive which has been initiated in the last year or so for liquidation of these heavy outstandings, will be continued. Unless, however, this drive is greatly intensified, there is no prospect of any marked improvement.

On the North Eastern and North-East Frontier Railways, it is expected that large amounts may have to be written off as the Administration have been finding it very difficult to clear the old outstandings for want of records; in some cases the employees from whom recoveries were due have already retired or have migrated to Pakistan.

41. *Other cases of irregularities committed by station staff.*

A few other important cases of irregularities committed by station staff are summarised below:

PARTICULARS	REMARKS
(1) <i>Central Railway.</i>	
86 stations on this Railway realised charges for hire and haulage of cranes during the period September, 1954 to December, 1956 at rates which were in force prior to September, 1954. This resulted in short recoveries amounting in all to Rs. 27,398.	The fact that as many as 86 stations continued to recover charges at incorrect rates for a period of over two years, and the fact that even out of the 683 returns received in time from the stations, as many as 297 were checked only in 1958 and debits raised in July-August, 1959; indicates failure both at local inspections and at headquarters.
Out of 930 cranga returns due for the period in question, only 683 returns were received in the Accounts Office in the normal course. It has now been stated that the remaining 247 returns were not received from the stations initially.	Two clerks of the Accounts Office were warned in August, 1958, and 21 others in September, 1960 for failure to call for the returns promptly and carry out the prescribed checks.
Out of the 683 returns available for check, 386 returns were checked in time and debits raised against the stations. (The check of the remaining 297 returns was taken up only in 1958.)	
When further incorrect recoveries were pointed out by Audit between September, 1956 and May, 1957, the position was reviewed by the Accounts Department over the entire railway and debits were raised against the stations concerned for Rs. 18,633 during July-August 1959 by waiving the time limit for raising debits, where necessary.	

for Rs 8,765 between October, 1956 to June, 1957 and

A sum of only Rs. 10,525 had been realised upto the 31st March '60 and a sum of Rs. 16,008 has been or is likely to be written off ; the balance of Rs. 865 is stated to be under recovery.

It is stated that steps have been since taken to ensure prompt receipt of returns from stations and for their prompt check in the Accounts Office.

(2) *North Eastern Railway.*

A Head Booking Clerk misappropriated a sum of Rs. 1,75,200 over a period of over six years from March, 1953 to August, 1959 by short accountal of the station earnings.

All the Inspectors of Accounts who had inspected the accounts of the station during the six years the fraud was committed are stated to have retired and their claims finally settled before the fraud was detected.

Suspicion was first aroused in November, 1958 when short accountals of Rs. 7,000 and Rs. 8,000 respectively were noticed by the Accounts Office during the check of monthly returns of a station for April and June, 1958. After a preliminary check of the returns, a fraud was suspected in August, 1959 when detailed investigation by an experienced Inspector of Accounts was ordered.

It is stated that the second station was not due for check by an Inspector during the period May to August, 1959 during which the fraud was committed.

The case is still under investigation by the Police. The Head Booking Clerk, who was arrested, was subsequently released on bail for Rs. 20,000.

The Inspector's report submitted in January, 1960 indicated that the booking clerk had embezzled a sum of Rs. 1,56,200 between March, 1953 and August, 1958 at one station and Rs. 19,000 between May, 1959 and August, 1959 at another station where he had worked.

Apart from the Head Booking Clerk, whose case is under police investigation, it is stated that "the disciplinary action has been initiated and enquiries completed against most of the staff concerned, including the staff of the Accounts Department who checked the returns of the stations".

The misappropriation was committed mainly—

The case indicates continued failure at headquarters and in local inspections for over six years.

- (i) by undercasting of totals in station cash books and remitting less amounts ;
- (ii) by destroying or altering the acknowledgement foils of remittance notes for the cash actually remitted ; the monthly balance sheets of the station submitted to the Accounts Office in time showed the actual cash remittances but the connected station returns submitted long after showed correct station earnings.

There was a failure in the Accounts Office to detect the discrepancies earlier.

(3) *Eastern Railway.*

In two goods sheds of the Railway, wharfage amounting to over Rs. 60,000 was either irregularly foregone or not recovered by the staff.

Although the malpractices were detected at the two goods sheds in 1955 and 1957 respectively, there has been considerable delay not only in finalising departmental action against the staff but in determining whether there were malpractices justifying criminal prosecution.

On receipt of anonymous complaints of malpractices at Howrah goods shed a complete check of unconnected wagon load consignments, and a percentage check on other transactions, covering the period April, 1955 to November, 1955, brought to light 76 cases of non-recovery of wharfage amounting to Rs. 15,119.

Similar malpractices were detected at another goods shed at Chitpur during periodical inspection by an Accounts Inspector in June, 1957, and further investigations brought to light 379 cases of non-realisation of wharfage amounting to Rs. 48,776 during the period October, 1956 to June, 1957.

Suitable remedial measures are reported to have been taken by the Administration after the irregularities came to notice. It has also been stated that "in order to prevent irregular waiving of wharfage on goods, the papers are now required to be put up to Gazetted Officers for issue of orders on the merits of each case."

In the first case, a fact-finding committee appointed in April, 1956 was disbanded in August, 1957 and further investigations were conducted by a Disciplinary Action Enquiry Committee appointed in its place in October, 1957.

In the second case, a fact-finding committee submitted its report in April, 1958 and a Disciplinary Action Enquiry Committee submitted its report in December, 1958. Nevertheless, in January, 1960, the Administration gave a reply which indicated that the recommendations of the Committee were still under examination and that a clear and complete picture of the *modus operandi* of frauds and irregularities would emerge only after the finalisation of disciplinary action.

The latest position (February, 1961) is that in the first case disciplinary action has been completed except against one individual, while in the other, action against 12 employees is still pending.

The Administration has reported only now that fraud has been established in 15 out of 74 cases finalised in Howrah Goods shed but that the launching of criminal proceedings has been considered and dropped as not being advisable.

COMPENSATION CLAIMS

42. Central Railway—Compensation for loss of oil from tank wagons in a station yard.

A sum of Rs. 12,706 was paid as compensation in 1958-59 and 1959-60 for the loss of oil from three tank wagons booked from Bombay to up-country stations on different dates in 1957. While the wagons were berthed in the yard of a station enroute, they were tampered with and their contents leaked out. The circumstances under which the leakage from the wagons and the consequent loss occurred are still under investigation.

The case was not reported to the police, the reason, it is stated, being that it was considered locally that there was no *prima facie* evidence of theft.

Action for fixing staff responsibility had been initiated in July, 1957 in one case, and in August, 1959 in the other two cases. It has now been stated by the Administration that the enquiries made in all the three cases were inadequate and they are being re-investigated by a Committee

of Divisional Officers appointed in December, 1960, with a view to fixing responsibility not only for the lapses of staff in dealing with the wagons but also for breach of rules.

There was a delay of two years in initiating action for fixing responsibility in two of the cases. Further, the original investigations were, admittedly, not carried out satisfactorily.

PLANT AND MACHINERY

43. *North Eastern Railway—Purchase of defective plant and machinery.*

(1) 50 Narrow Gauge bogies costing Rs. 36,000 were procured during 1952-53 for use in connection with the Sleeper Treating Plant at Clutterbuckganj, and when an attempt was made to operate them by locomotives, it was found that they would not work properly for the following reasons:—

- (a) Less width of tyres of the wheels.
- (b) Correct clearances for the narrow gauge turn outs as per the schedule of dimensions were not provided.
- (c) Length of trollies being only 5' 6", they could not carry B.G. sleepers 9' long and move freely.

Whenever the engines tried to run, the loaded trollies got de-railed at crossing points. Shunting operation by engines was, therefore, abandoned and the Administration appointed a contractor to provide manual labour to hand-shunt the trollies. An expenditure of about Rs. 26,000 is being incurred every year on manual operation from the 1st October, 1956. The Administration admit that these bogies were procured some nine years ago without examining their suitability for shunting by Narrow Gauge locomotives, but no responsibility has so far been fixed for the purchase of the unsuitable plant and machinery.

Two surplus narrow gauge engines (original cost Rs. 80,000) transferred from the former Tejpur-Balipara Railway for operating these bogies, have been lying idle since November, 1955, after having been repaired at a cost of Rs. 10,400.

(2) An adzing and boring machine, which was obtained in 1955 at a cost of Rs. 62,000, was found to be unsuitable for boring M.G. sleepers. After consultation with the manufacturers, the Administration decided that the work of boring holes in sleepers should be done by manual labour to the extent the machine could not do the work. The machine is thus utilised only for adzing work. The Administration has stated that enquiries are being made to ascertain how another machine purchased at the same time for another Railway is being used successfully

for both adzing and boring. It is estimated that an additional expenditure of about Rs. 20,000 per year is being incurred on manual labour at Clutterbuckganj for boring work.

44. *North-Eastern Railway.—Claim against a Contractor for the supply of defective air-conditioning plant.*

An air-conditioning plant, purchased at a cost of Rs. 44,520, was put into commission in April, 1955. After a few days, trial it was noticed that the plant was not working satisfactorily. The firm refused to accept any responsibility on the ground that the defects actually lay in the auxiliary equipment and in the cooling tower, which according to the agreement, had been erected by the Railway.

In June, 1956, the General Manager of the Railway appointed the Deputy Financial Adviser and Chief Accounts Officer as an arbitrator to settle the dispute, and claimed a sum of Rs. 85,401 towards the cost of the plant, cost of alternative arrangements, damages etc. The arbitration could not be proceeded with as the contractor filed a suit on the 1st September, 1956 challenging the basis of arbitration. This was dismissed in January, 1957, but was restored in September, 1958 on an application by the firm. The suit was finally dismissed in December, 1959. The General Manager has appointed a new arbitrator on the 2nd July, 1960.

The Administration explain that when the suit was pending in the court, the arbitrator did not hold the proceedings in view of the institution of the suit. The Legal Adviser to the Railway Administration had, however, observed in August, 1958 that "there has never been anything which could have prevented the arbitrator from starting the arbitration proceedings. No court has issued any orders to him not to proceed with the arbitration. He could have proceeded then and he could proceed now also". It would thus appear that there has been undue delay in finalising the case which could have been avoided.

45. *Delay in installation and/or putting into commission of Plant and Machinery on certain Railways.*

Instances of delay in bringing into use items of expensive plant and machinery were reported in para 42 of the Railway Audit Report, 1960. Other instances which have come to notice are mentioned below.

1. NORTH EASTERN RAILWAY.

Two 55 ton Weigh Bridges costing Rs. 97,600 were received in January, 1956. One of them was sent for installation at a coal dump

in July, 1956. It was, however, kept without erection, pending determination of the exact location for its installation under the remodelling plan of the coal dump.

When the machines were inspected by the suppliers in July, 1960, at the request of the Administration, it was found that certain parts were either broken, damaged or missing, and that they would have to be replaced. It is stated that it has not yet been possible to ascertain the cost of replacement from the firm.

The installation of the second weigh bridge was also delayed as the foundation drawing required for the purpose was sent by the Chief Mechanical Engineer only in September, 1959, that is after more than 3 years. This drawing was, however, found defective and the suppliers were approached in July, 1960, for a foundation drawing. The foundation work has not yet been taken up (February, 1961).

2. NORTH-EAST FRONTIER RAILWAY.

PARTICULARS	REMARKS
Three 50 K. W. A. Blackstone Generating sets-costing Rs. 1,47,501.	These sets purchased in April, 1951, for use in a power house, could not be installed on receipt, pending completion of the power house building.
	Two were installed only in September, 1957 and November, 1957 respectively, that is, more than six years after receipt.
	The remaining set was transferred to another power house in February, 1956, but its installation is still awaiting the dismantling of the existing steam engine, and the remodelling of the Power House, in connection with which, according to the Administration, unexpected delays have arisen.

3. SOUTH EASTERN RAILWAY.

A locomotive balancing plant for weighing and balancing of heavy engines, valued at Rs. 2,68,675, (inclusive of erection charges amounting to Rs. 10,460), was indented for in February, 1946 and received in January, 1951; the plant has, however, not yet been erected and brought into use.

Payment of erection charges and 10 per cent of the cost of the plant to the supplier has been held over pending installation of the plant to the satisfaction of the Railway.

The original site selected for its installation had to be changed on account of extension of the erection shop and remodelling of the yard, and the new site plan was finalised only in June, 1957, that is, six years after arrival of the plant in India.

The engineering portion of the work upto ground level was completed in July, 1958 at a cost of Rs. 9,514. The installation of the plant has, however, been held up, as certain parts valued at Rs. 17,000 had, in the meantime, been damaged in February, 1956 by a fire in the workshop. Sanction for the purchase of new parts was accorded in September, 1958, and orders were placed in October, 1959, for shipment from the United Kingdom in approximately 40 weeks from the date of receipt of import license. The license was made available to the firm only in May, 1960.

PAY AND ALLOWANCES

46. *Eastern Railway.—Drawal of travelling allowance on false T.A. journals by the Railway Protection Police Staff.*

Extensive irregularities in the drawal of travelling allowances by the Railway Protection Police staff of Sealdah Division have been under investigation since 1954. An Enquiry Committee appointed by the Railway Administration in June, 1954, submitted two interim reports in May and August, 1955, and assessed that out of Rs. 45,330 paid as travelling allowances between October, 1953 and April, 1954, a sum of Rs. 31,072 had been drawn irregularly by 613 persons including inspectors, sub-inspectors, head constables, and constables, partly by falsification of facts relating to the journeys and partly in contravention of the rules. The records from January, 1953 to September, 1953 are still under examination.

The precise amount irregularly drawn has still not been assessed, as the records for certain months are in police custody, and some cases are still in courts. For the same reason, it is stated that the Committee has not been able to submit its final report. A sum of Rs. 44,631 has, however, been ordered to be recovered, out of which Rs. 32,212 are still awaiting recovery.

According to the Committee, the Command Certificates issued by a sub-inspector for class IV staff had not been prepared properly, and the persons in charge of the party did not fill in all the columns. The Committee also observed that at no stage was any check exercised on the travelling allowance journals by the sub-inspectors and inspectors who were enjoined to scrutinise them before attestation and submission for counter-signature by the Assistant Commandant.

The enquiry into the widespread irregularity in the Railway Protection Force which occurred in 1953-54, is still incomplete and the extent of overpayment has not yet been assessed finally. While disciplinary action ranging from censure to reduction in the time scale and rank has been taken against 513 employees, four of whom are undergoing trial in courts, as many as 100 persons resigned, died or were discharged before action could be taken. Disciplinary action against the Assistant Commandant is proposed to be considered only if any specific responsibility is fixed on him on receipt of the final report of the Committee. Information regarding action taken against other supervisory officers is awaited.

47. *Northern & Western Railways—Overpayment of running allowances.—*

In paragraph 33 of the Audit Report, Railways, 1960, mention was made of overpayments amounting to about Rs. 2,33,000 resulting from

irregular payment of running allowance on the Northern Railway to staff performing duties on 'mixed' trains at rates applicable to slow moving trains. The regularisation of these overpayments by recovery or write-off is still awaited.

Similar overpayments occurred on four Divisions of the Western Railway also during varying periods between August, 1949 and May, 1959. The estimated amounts are indicated below :—

Name of District/Division	Approximate Amount.	Period.
1. Ex-pratapnagar District	Rs. 66,816 per annum	August, 1949 to September, 1958.
2. Kotah Division	Rs. 10,794	1951-1955.
3. Rajkot Division	Rs. 8,560	August, 1949 to September, 1958.
4. Jaipur Division	Rs. 15,442 } Rs. 1,890 }	January, 1953 to September, 1958. Oct. 1958 to 22nd May, 1959.

The actual amount overpaid has not yet been assessed and regularised.

48. *North-East Frontier and North Eastern Railways—Delay in enforcing recoveries or taking action on objections raised by Audit and Accounts.*

(i) *North-East Frontier Railway.*

A special compensatory allowance termed "Operational Allowance" was sanctioned by the Government for the period from the 1st January, 1957 to 30th June, 1957, (later extended upto the 28th February, 1958) to Railway staff serving in Naga Hills District and also in adjoining border areas as determined by the Government of Assam for the grant of similar allowance to their staff. An expenditure of about Rs. 23,000 was incurred by the Administration upto the 28th February, 1958 by way of irregular payment of the operational allowance (a) to staff living in border areas where the Government of Assam did not pay a similar allowance to their own staff and (b) to running staff posted outside the border areas but entering the area in trains worked by them.

No action was taken by the Railway Administration to withhold the payments until the expiry of the duration of the sanction on the 1st March, 1958, although Audit had drawn attention to the conditions attached to the grant of the allowance in May, 1957, and the Railway Board themselves had issued orders in November, 1957, in which the payment of the allowance was specifically restricted to the Naga Hills District. The

recovery of the amount overpaid (Rs. 23,000) was waived by the Ministry of Railways on the ground that the payments had been authorised on the "personal interpretation given by the then General Manager in the exigencies of maintaining the railway operation having regard to the emergent situation then prevailing in Assam in 1957 and 1958".

It is not, however, clear how the General Manager can on his own responsibility ignore audit objections based on specific orders of Government without immediately explaining the position to higher authorities.

(ii) *North-Eastern Railway*

Cases of incorrect payment of daily allowance to the hamals employed in the small-quick transit services in Gonda and Sonopore Districts were brought to the notice of the Railway Administration in January, 1958. While the irregular procedure resulting in incorrect payments was set right in the two Districts from December, 1957, and January 1958, respectively, the exact amount of overpayment already made has not yet been calculated by the Administration. Audit has estimated the overpayment as Rs. 20,580 for the period March, 1948 to November, 1957 in respect of Gonda District, and Rs. 3,666 for the period January, 1954 to November, 1957 in respect of Sonopore District.

The case is already several years old and is still awaiting regularisation.

49. *Northern Railway—Delay in investigation of irregular payments of overtime allowances.*

Irregular payments of overtime allowances to the extent of Rs. 26,916 made to the Loco staff at Tundla, Allahabad and Kanpur during the period January, 1950 to December, 1953 remained under enquiry by successive Departmental Committees during September, 1954 to September, 1958.

An enquiry committee of Junior Scale Officers, first appointed in September, 1954, submitted a report after eight months, in May, 1955 in respect of Tundla Shed only.

The Administration then appointed, in April, 1956, a committee consisting of senior scale officers for the completion of the rest of the enquiries in respect of Allahabad and Kanpur Sheds. This committee submitted its reports in respect of the two sheds in May, 1956 and February, 1957.

The Administration then found that the first committee which had submitted its report in respect of Tundla Shed in May, 1955, had not defined the responsibility for the lapses on individuals by name, but had fixed responsibility by categories of staff only. Another committee was

therefore appointed about five months later, in October, 1957, to fix individual responsibility of the staff. This committee submitted its report in September, 1958, in about eleven months after its appointment.

It is felt that more satisfactory administrative arrangements should have been made for an expeditious investigation of irregular payments which occurred as early as 1950-53. Out of 22 persons involved in the irregularities, disciplinary action is still pending against three persons, two of whom were promoted to gazetted rank in September, 1956 and December, 1957, respectively.

OTHER TOPICS OF INTEREST

50. *Delay in recovery of amounts due from State Governments, Public Bodies etc.*

In the following cases, heavy amounts due from State Governments, public bodies etc., have remained outstanding for a number of years.

(1) *Eastern Railway*.—Establishment charges pertaining to Railway staff engaged on a private siding owned by the Government of West Bengal, which were claimed by the Railway from time to time since 1949, have not yet been adjusted for want of sanction of the State Government. The case was discussed with the State Government in August, 1952, and it was expected that the dues would be paid up. No payment has, however, been made so far. The amount outstanding for the period 15th August, 1947 to end of March, 1960 is Rs. 3.87 lakhs.

In addition, it was reported by a Committee of officers in September, 1960, that the land on which the West Bengal Government have their godowns near the siding belonged to the Railway, and that the amount to be claimed from the State Government on account of rent and municipal taxes in respect of the land for the period 15th February, 1945 to 31st March, 1960 would amount to Rs. 14.75 lakhs on the basis of a flat rate which was proposed to be offered to the State Government in 1951.

The total amount due to the Railway is thus about Rs. 18 lakhs. The Administration explain that there had been no lack of effort in pursuing the matter even after 1952 when the State Government had promised to expedite payments, and that the matter will be now taken up with the State Government at the highest level.

(2) *Central Railway—Haulage charges due from Bombay Municipality.*

Owing to non-execution of a fresh agreement with the Bombay Municipality from the 1st January, 1952, the haulage charges for town refuse from Tardeo to Deonar, are being recovered at the rate laid down in the old agreement which expired in December, 1951, namely, Rs. 9-11-0 per wagon for the first 25 wagons and Rs. 5-12-0 per wagon thereafter. In the absence of an agreement, the Municipality has not agreed to an

increase in rates, although the operating costs per wagon went up to Rs. 15-2-0 in 1953-54, Rs. 17-13-0 in 1958-59 and Rs. 19-45 in 1959-60. The exact amount due on the basis of the costs from time to time after 1953-54 was not assessed, but on the basis of the costs in 1953-54, the arrears due from the Municipality upto end of June, 1959 were estimated to be about Rs. 8 lakhs.

It has since been reported that the draft agreement, received from the Solicitors in December, 1956, was finalised by the Administration, and sent to the Municipality for execution in January, 1961.

The Administration, while admitting that there has been some delay in finalising the agreement, have now stated that the arrears due from the Municipality, as correctly computed on the basis of the revised haulage charges from 1st April 1953, work out to Rs. 3 lakhs, for which there is no apprehension of non-recovery. The results are awaited.

(3) *Central Railway—Conservancy charges due from State Governments.*

A total sum of Rs. 5.50 lakhs as on the 31st March, 1960 is outstanding against five State Governments on account of conservancy services in quarters allotted to Railway Police staff. The arrears more than 3 years old amount to Rs. 5 lakhs and in the case of one of the States, the outstandings date back to 1941 and onwards. In some cases, provisional bills have been preferred only in 1959 and 1960, and in others, bills have not yet been preferred. The delay is attributed to non-acceptance of the rates of charge by the State Governments. The Railway Administration explain that there have been unavoidable delays due to revisions from time to time in the charges to be billed on account of the revision in the emoluments of staff at different times since 1947, and also due to reorganisation of States from 1st November, 1956, etc.

(4) *Southern Railway—Charges due from a State Government for maintenance of level crossings, and roadways, deckings etc. over Railway bridges.*

Due to delay in preferring bills, non-maintenance of upto date records for watching the recoveries, and failure to obtain acceptance for the revision in rates, the outstandings against a State Government since the year 1950-51, accumulated to Rs. 2.10 lakhs by the end of March, 1960.

The question of recovery of the difference between the lump sum recovered and the amounts due on the basis of actual expenditure incurred was taken up for consideration in December, 1957, and bills preferred in March, 1960. A sum of Rs. 7.354 is stated to have been recovered upto November, 1960. The delay in preferring the bills has been explained as "due to the upset caused by divisionalisation etc."

OTHER CASES OF LOSSES

51. *Losses of cash and stores.*

A few cases of losses of cash and stores, which present special features are indicated below.

Northern Railway :

Stores valued Rs. 2,86,976 were lost in a fire in a Stores Depot on the 13th May, 1958.

The loss is heavy and was caused by the non-observance of the normal precautions. It was written off in February, 1961.

The Departmental Enquiry Committee which investigated the matter, reported on the 23rd May, 1958 that the fire was caused by the falling of a burning wick of a sealing lamp on the packing straw and oil-soaked cotton waste lying on the ground. The Committee held the Khalasi responsible for carelessly handling the sealing lamp, the stores-van clerk for having entrusted the work of sealing the wagon to the Khalasi, and the sainik for having failed to switch on the electric alarm signal when he realised that the fire could not be controlled.

It was decided in January, 1960 to stop the increments of the Khalasi and the stores van clerk for a period of two years with cumulative effect, and of the sainik for one year without cumulative effect.

North Eastern Railway :

A shortage of copper wire, valued at Rs. 67,250 was detected in an electrical depot in the course of stock verification in April, 1957.

A Departmental Committee to investigate the case was set up in June, 1957, but it commenced working in July, 1958 ; the delay, it is stated, was due to "administrative pre-occupations connected with the bifurcation of the former North Eastern Railway".

In its report submitted in September 1958, the Committee observed that no responsibility could be fixed on any individual as the exact time and manner in which the thefts occurred could not be ascertained.

In December, 1958, the General Manager observed that the enquiry had been delayed and was not thorough ; he initiated disciplinary action against three gazetted officers and five subordinates.

The case was also investigated by the Special Police Establishment who submitted their report in September, 1959, remitting the case for departmental action.

A Departmental Enquiry Committee was constituted in December, 1959, and disciplinary action was finalised in January, 1961, by the award of punishment ranging from censure to reduction by one stage in the time scale to five persons. The delay has been explained as due to the transfer to other Railways of some of the officers charged with failure.

Eastern Railway :

(i) (a) Mild steel rounds valued at Rs. 16,475 were drawn from a Stores Depot on four different occasions between September and November, 1957 by some unauthorised persons who produced forged requisitions. The loss has not yet been written off.

The fraud came to light in August-September, 1958 and the Departmental Enquiry Committee which investigated the case drew attention to a number of lapses on the part of the staff concerned, including delays in the submission and check of prescribed returns.

(b) From another stores depot, mild steel sheets valued at Rs. 5,597 were drawn on the 6th June and 7th July, 1958 against forged requisitions. The loss has not yet been written off.

The fraud came to light towards the end of July, 1958, and enquiries showed that fictitious requisitions bearing forged signatures of the indenting officers were produced at the depot, and materials were delivered to persons who claimed to be special messengers of the indenting department and brought letters of authority with forged signatures of the indenting officers. A ward keeper was found to be an accomplice in the removal of stores, and a ledger card was found to have been replaced by a forged sheet to cover up the fraud.

Disciplinary action in the above two cases has not been finalised, as the matter is stated to be under police investigation.

Procedure orders have been issued by the Administration to prevent a recurrence

(ii) Clothing stores valued at Rs. 23,781 were misappropriated by a Stores clerk during the period February, 1954 to February, 1956. The loss has not yet been written off.

The fraud came to light in April, 1956, on receipt of an anonymous report.

The fraud was rendered possible on account of failure of the supervisory staff to exercise proper control over the work of the stores clerk in regard to accountal and disposal of stores and the passing of supplier's bills.

The head of the office who retired on the 15th September, 1956 has since been reprimanded.

The stores clerk was dismissed on 8th June 1957 and criminal prosecution is also in progress. Two members of the supervisory staff have been censured.

(iii) A case of shortage of stores in a construction stores depot, which came to notice during the period 1948 to 1952, was finally settled after seven years in August, 1959 by writing off the net loss of Rs. 22,997.

The following special features of the case bring out the failure to investigate the shortage promptly and the undue delay in taking action against the employee:

The loss comprised—

- (i) shortage noticed during the stock verification,
- (ii) value of stores received short, in respect of which claims were not preferred against the commercial department within the prescribed time limit,
- (iii) shortages in dead stock and returned stores, and
- (iv) short issues against issue-notes.

(i) The depot stores-keeper responsible for the shortage was reappointed for six months after retirement on the 1st July, 1951, for making over the stores under his charge properly after verification by an Inspector of Stores Accounts.

(ii) Even before his final retirement on the 1st January, 1952, no action could be taken against him because of delay in verifying the detailed explanations, item by item, and ascertaining the actual loss. His final settlement was therefore held up, pending receipt and acceptance of his explanation for the discrepancies brought out during stock verification.

(iii) Legal advice on the question of taking legal action against him was obtained in November, 1954 and again in February, 1955, that is, after 3 years from the date of his final retirement.

The legal advice was that the probability of success in a criminal case was not very encouraging unless detailed investigation disclosed further incriminating materials.

(iv) The case was reported to the Railway Board in January, 1957, that is, five years after the employee had finally retired.

(iv) A sum of Rs. 10,000 was found short in cash balance in the Headquarters Cash and Pay Office on the 14th August, 1957.

The loss has not yet been written off.

(v) A formal notice conveying the *provisional* decision to forfeit the employee's provident fund bonus and security deposit was issued to him in December, 1957; his reply was received in April 1958, and orders were passed in April, 1959, that is after one more year, forfeiting his security deposit and 50 percent of the special contribution to Provident Fund. The net loss was formally written off in August, 1959.

A Departmental Fact Finding Committee observed in September, 1957, that the prescribed rules and orders regarding the handling and checking of cash were not being followed in the Cash and Pay Office, and the staff had been allowed to evolve a practice of their own, based on mutual trust.

Instructions were issued in March, 1960 to ensure observance of the prescribed rules and procedure.

Disciplinary action has been taken against the Treasury Sarkar and a sub-head of the Cash and Pay Office, but as regards the Assistant Chief Cashier, the Administration has not accepted the Enquiry Committee's finding, that he had been "discharging his duties and responsibilities in utter disregard of the rules and prescribed procedure by taking practically no interest and initiative in the affairs of the Cash and Pay Department". It was decided not to impose any punishment on him on the ground that he was "overburdened with work and had to remain very busy throughout the day."

Southern Railway

Stores valued at Rs. 17,591 were drawn from a stores depot by a stores chaser of a workshop between September, 1958 and January, 1959, on indents purported to have been signed by an officer of the workshop, but the materials so drawn were not sent to the workshop. The loss has not yet been written off.

The Vigilance Branch who received a complaint in January, 1959 and submitted a report in June, 1959, pointed out certain lapses, namely (a) acceptance of the debits for stores by the Works Manager without verifying the receipt of the material, and (b) failure to compare the bill copy of the issue notes with the indentors' copy.

Departmental action has been taken against 14 persons including the stores chaser who was dismissed from service in May, 1960. The case was also reported to the Special Police Establishment in April, 1960.

Western Railway

A loss of Rs. 16,012 was sustained in January, 1958 on account of fire in a road van carrying 26 cylinders of dissolved acetylene gas and 25 drums of paint meant for departmental use.

The Departmental Committee which enquired into the matter could not definitely establish the cause of the fire and fix responsibility but their report disclosed—

- (i) that the Department despatching the articles did not issue any forwarding order to the station staff from which it could be possible to ascertain that the van was carrying dangerous goods ;
- (ii) that a hurricane lamp was carried in the van carrying dangerous goods in violation of Rules 75 and 77 of the Red Tariff ; and
- (iii) that all the hydrants available at the station were of non-standard type whereas only standard types of fire hoses were available which could not be fitted in.

It is reported that suitable remedial measures have been taken as recommended by the Committee.

52. A summary of the cases of losses mentioned below the Appropriation Accounts of the grants concerned is given in the Annexure to this report.

New Delhi,

Dated the 13th March, 1961

22nd Phalguna 1882

G. SWAMINATHAN,

Director of Railway Audit.

Countersigned

New Delhi,

Dated the 13th March, 1961

22nd Phalguna 1882

A. K. ROY,

Comptroller & Auditor General of India.

ANNEXURE

(See para 52 of the Report)

LOSSES

(Figures in units).

Number and name of the grant	Total number of losses or irregularities	Total amount of losses etc. under each grant	Brief subject
1	2	3	4
		Rs.	
2—Revenue-Miscellaneous Expenditure.	1	75	
4— Revenue Working Expenses—Administration.	38	39,961	Mainly due to misappropriation of cash by pay clerks (Rs. 30,658 on North-Eastern Railway and Rs. 7,441 on Southern Railway).
5—Revenue - Working Expenses—Repairs and Maintenance.	43,297	51,34,718	Losses due to accidents (Rs. 22.85 lakhs in 145 cases above Rs. 2,000 each). Fire, floods and storms (Rs. 10.78 lakhs in 27 cases above Rs. 2,000 each). Losses aggregating Rs. 17.04 lakhs in respect of items below Rs. 2,000 each, due to fire, accidents, thefts, over-payments etc.
6 Revenue - Working Expenses—Operating Staff.	13	8,182	Mainly due to loss by fire (Rs. 2,000 in one case) and writes off of irrecoverable amounts of pay and allowances etc. below Rs. 2,000/- each.
7—Revenue - Working Expenses—Operation (Fuel).	11	2,70,021	Mainly due to write off in 1959-60 of loss arising from accident to a vessel carrying coal from Calcutta to Cochin in March, 1955 (Rs. 2.69 lakhs).

1	2	3	4
8-Revenue-Working Expenses-Operation other than staff and fuel.	6,301	3,36,973	<p>Losses due to thefts and frauds (1.45 lakhs in 15 cases above Rs. 2,000 each).</p> <p>Losses totalling Rs. 1.47 lakhs in respect of items below Rs. 2,000 each due to thefts, fire, shortages and over-payments etc.</p>
9-Revenue-Working Expenses-Miscellaneous Expenses.	4,533	1,30,357	<p>Includes :—</p> <p>(i) a case of loss of Rs. 64,113 due to fraud in grainshops the write off of which was sanctioned in June, 1953 (The adjustment of this loss in the Profit and Loss account of the grainshops was made only in 1959-60).</p> <p>(ii) two cases of shortage and fraud in grainshops (Rs. 10,772).</p> <p>(iii) irrecoverable amount due from a firm (Rs. 8,893 in one case).</p> <p>(iv) Rs. 43,000 consisting of items below Rs. 2,000 each relating to thefts, damages, overpayments to staff etc.</p>
10-Revenue-Working Expenses-Labour Welfare.	222	10,389	<p>Mostly minor items of losses by fire, thefts and write off of irrecoverable amounts from staff etc.</p>
13-Open Line Works-Revenue-Labour Welfare.	8	164	
14-Open Line Works-Revenue-Other than Labour Welfare	4	2,525	
15-Construction of New Lines.	338	93,476	<p>Includes Rs. 31,271 representing writes off of over-payments to staff; Rs. 8,825 due to short receipt of materials ; also minor items of losses totalling Rs. 42,957 due to fire, storms shortages, damages in transit, etc.</p>

1	2	3	4
16-Open Line Works— Additions.	388	1,95,032	Includes Rs. 42,381 due to theft in one case; Rs. 70,825 representing irrecoverable amounts from firms in four cases; writes off of over-payments to staff of Rs. 13,699 due to incorrect interpretation of orders ; Rs. 65,017 in respect of minor items below Rs. 2,000 each.
17-Open Line Works—Replacements.	3,473	70,189	Loss of Rs. 8,946 in three cases of theft, apart from Rs.28,000 by theft in minor cases involving less than Rs.2,000 each ; Loss of Rs. 14,028 in three cases due to fire; loss of Rs. 6,487 in one case due to supply of inferior quality of sleepers.
18-Open Line Works-Development Fund.	95	2,24,648	Includes a case of loss of Rs. 2.17 lakhs due to floods in the Purna River on the Central Railway.
TOTAL	58,722	65,16,710	

1870

1870

1870

1870

1870

1870

1870