





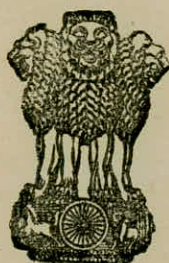
CENTRAL GOVERNMENT

RAILWAY AUDIT REPORT

1950



**Report on the Audit of the Accounts of
the Railways in India, including
the Appropriation Accounts
for 1948-49**



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PRINTED IN INDIA BY THE MANAGER
GOVERNMENT OF INDIA PRESS SIMLA 1951

THE UNIVERSITY OF CHICAGO

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(i)

PREFATORY REMARKS

The Audit Report on the accounts of the Railways in India including the Appropriation Accounts is prepared in accordance with paragraph 13(1)(i) and (iii) of the Government of India (Audit and Accounts) Order, 1936, as adapted under the India (Provisional Constitution) Order, 1947, read with Article 149 of the Constitution of India, and Article 151 (1) of the Constitution of India. It embodies the report of the Auditor of Indian Accounts in the United Kingdom relating to transactions in the United Kingdom affecting Railways. It includes also the comments it is deemed necessary to make upon the examination of the accounts of receipts and of stores and stock made under paragraph 13(2) of the Order in Council already mentioned. It is submitted by the Comptroller and Auditor General of India to the President to be laid before Parliament.

2. The Appropriation Accounts themselves are accompanied by a Review of the Accounts prepared by the Chairman, Railway Board.

3. The Accounts have been scrutinised in detail by the Railway Accounting Authorities and test-checked by the staff working under the Director of Railway Audit. Certificates have been recorded both by the Chairman, Railway Board and by the Comptroller and Auditor General below the Grand Summary of the Appropriation Accounts. The certificate of the Comptroller and Auditor General is subject to the comments in this report.

4. The Balance Sheets and Profit and Loss Accounts of Railways appended to the Appropriation Accounts of Railways in India have been certified by the Director of Railway Audit and the certificates of audit on the Balance Sheets of individual railways and Railway Collieries, signed by the Audit Officers of the railways concerned and the Controller of Coal Accounts respectively.

5. In this report, irregularities discovered alike by the internal check authorities, *viz.*, the Railway Accounts Department and by the Audit Department have been included without distinction, this being in accordance with the recommendations of the Public Accounts Committee for 1930-31.

(ii)

6. Comments have been confined, as far as possible, to audit points of outstanding interest or importance. In order that only agreed statements of facts and completed cases may be included in the Report, a convention has been established between the Comptroller and Auditor General and the Ministry of Railways whereby cases relating to any previous year which have become ripe for inclusion since the writing of the last Report are included in the Report of the first convenient year.

7. The prefatory remarks given in the Appropriation Accounts and the Audit Report relating to the Central (Civil) Government regarding the purposes which the Appropriation Accounts and the Audit Report are designed to serve apply *mutatis mutandis* to the Appropriation Accounts of Railways in India and the Railway Audit Report.

8. The cases of financial irregularity, apparently defective administration, etc., which are brought to notice in the Report represent only a small percentage of the total financial transactions. The comments on such cases must not be understood as conveying any general reflection on the administration of public expenditure. Attention is, however, invited to paragraph 34 of the Report.

CHAPTER I

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

(In this chapter, unless otherwise stated, the figures are in thousands of rupees).

INTRODUCTORY

In accordance with the arrangements which have now been in force for some years, the Appropriation Accounts and connected documents with the Chairman, Railway Board's Review thereof are designed to present a complete picture of the financial transactions of the railways in India for the purpose of scrutiny by the Public Accounts Committee of the Parliament. They are compiled from the material supplied by the different railways after check by the respective Accounts and Audit Offices; and include as far as may be necessary or practicable, the combined results of the check of the transactions by both the internal check and audit staffs. The remarks in this chapter are intended mainly to elucidate or supplement the details already included in these publications. References are given in the succeeding paragraphs, where necessary, to the relevant paragraphs of the Chairman, Railway Board's Review and the relevant pages of the Appropriation Accounts and connected documents.

2. The budget for the year 1948-49 was the first of a complete year after the partition of the country, and was framed in the unsettled conditions that prevailed in the country immediately after partition in which it was difficult to estimate the future course of receipts and expenditure with any degree of accuracy. There was also no comparable basis, with the previous post-partition budget of 1947-48 which was only for 7½ months. In the budget estimates, the gross traffic receipts were placed at Rs. 1,90 crores, while the working expenses, including appropriation to Depreciation Reserve Fund and payment to worked lines were placed at Rs. 1,59.86 crores. As against this, the actual gross traffic receipts came to Rs. 2,13.11 crores and the working expenses to Rs. 1,73.33 crores. After taking into account both interest charges and net miscellaneous receipts, there was a surplus of Rs. 19.98 crores, out of which Rs. 7.34 crores was paid to the General Revenues and the balance was transferred to the Depreciation Reserve Fund (Rs. 11.80 crores) and to the Railway Betterment Fund (Rs. 0.84 crores) on an *ad-hoc* basis with the

approval of the Government of India. It will be seen that both receipts and expenditure exceeded the anticipations. The working expenses were higher due largely to increased expenditure under repairs and maintenance, freight and handling charges on fuel, loss on grainshops and dearness allowance. This increase in working expenses would have been even higher but for the saving of about Rs. 1.14 crores which occurred under the various revenue grants due to non-receipt of debits from the supplying Departments. In the Capital section of the budget, the saving on this account amounted to about Rs. 8.35 crores. The rise in the traffic receipts was mainly under goods and parcel earnings due to the general revision of the railway rates freight structure during the course of year.

GENERAL REVIEW OF THE RESULTS OF AUDIT

3. *Review of total demand placed before the Legislature.*—Eighteen demands for grants aggregating 2,19,41,23 were presented to the Constituent Assembly (Legislative) which passed them without any cut. An appropriation of 22,52,81 was also made to meet the charged expenditure of Railways.

4. *Supplementary grants and appropriations during the year.*—During the year, 13 supplementary demands for grants aggregating 18,98,07 were presented for the vote of the Constituent Assembly (Legislative) which were also passed without any cut. The number and magnitude of the supplementary grants and their proportion to the original grants during the year were as under :—

Year	No. of original demands	No. of supplementary demands	Amount of original grants	Amount of supplementary grants	Percentage of supplementary to original grants
1	2	3	4	5	6
1948-49	18	13	2,19,41,23	18,98,07	8.65

The number of supplementary demands is high.

GENERAL RESULTS OF APPROPRIATION AUDIT

5. (i) The following statement compares the total grants and appropriations for the year with the corresponding disbursements :—

Particulars 1	(Figures in Units)		
	Charged 2	Voted 3	Total 4
1. Original grants and appropriations			
(a) Voted by the Legislature	2,19,41,23,000	2,19,41,23,000
(b) Appropriation to meet charged expenditure of railways.	22,52,81,000	..	22,52,81,000
2. Supplementary grants and appropriations			
(a) Supplementary grants	18,98,07,000	18,98,07,000
(b) Supplementary appropriations to meet charged expenditure of railways.
3. Net aggregate grant or appropriation	22,52,81,000	2,38,39,30,000	2,60,92,11,000
4. Aggregate disbursements	22,35,50,643	2,41,17,42,719	2,63,52,93,362
5. Less (—) or more (+) than granted	—17,30,357	+2,78,12,719	+2,60,82,362
6. Percentage of 5 to 3	—·77	1·16	1·00

(ii) *Savings on voted grants.*—Savings occurred in ten out of eighteen voted grants. The following statement shows the grants on which a high percentage of savings occurred.

No. and name of grant 1	(Figures in Units)					
	Original grant 2	Supplementary grant 3	Final grant 4	Expenditure 5	Savings 6	Percentage of savings 7
3—Revenue—Miscellaneous Expenditure.	42,00,000	13,05,000	55,05,000	47,94,021	7,10,979	12·92
14—Appropriation to Reserve.	4,50,00,000	..	4,50,00,000	..	4,50,00,000	*100
14A—Withdrawal from Reserve.	..	5,11,000	5,11,000	4,47,502	63,498	12·43
17—Open Line Works—Replacements	30,65,80,000	..	30,65,80,000	23,49,79,343	7,16,00,657	23·35
18—Capital Outlay on Vizagapatam Port.	19,30,000	..	19,30,000	11,21,995	8,08,005	41·87

* Due to the decision taken during the year to allocate to Depreciation Reserve Fund (instead of Railway Reserve Fund) the balance of surplus left after making contribution to the General Revenues and Betterment Fund. Funds were, however, surrendered in the final estimates.

(iii) *Excesses over voted grants and charged appropriations.*— Seven cases of excess over voted grants are detailed in paragraph 50 of the Chairman, Railway Board's Review. The more important ones are given below :—

No. and name of Grant	(Figures in Units)					
	Original grant	Supplementary grant	Final grant	Expenditure	Excess	Percentage of excess
1	2	3	4	5	6	7
8-Revenue—Working Expenses—Operation other than staff and fuel.	7,93,87,000	..	7,93,87,000	8,78,44,316	84,57,316	10.65
9-Revenue—Working Expenses—Miscellaneous Expenses.	32,30,37,000	63,22,000	32,93,59,000	37,39,18,643	4,45,59,643	13.53
11-Revenue—Appropriation to Depreciation Fund.	11,18,41,000	7,75,24,000	18,93,65,000	23,09,61,643	4,15,96,643	21.97
16-Open Line Works—Additions.	19,12,00,000	1,000	19,12,01,000	25,63,42,835	6,51,41,835	34.07

Excesses over final grants generally occur because additional funds demanded by railways at the time of fixing the final grants cannot be found by the Railway Board except by re-appropriation if possible. Supplementary grants are obtained on the basis of the figures in the Revised Estimates and it is not ordinarily possible to obtain further supplementary grants after that stage. It is, therefore, necessary that the Revised Estimates should be as accurate as possible, especially in cases where additional funds are required, so that adequate supplementary grants can be obtained; otherwise, excesses over grants necessitating *ex-post-facto* approval of the legislature will occur.

CONTROL OVER EXPENDITURE

6. (a) *General Remarks.*—The figures below have been compiled in the form usually presented to the Public Accounts Committee. The accounts for the year show a net excess (over the total grant) of about Rs. 8,29 lakhs or 4.14 per cent under Revenue expenditure (exclusive of appropriation to the Railway Reserve Fund and Betterment Fund). Under Capital, Depreciation Reserve Fund and Betterment Fund, there was a saving of about Rs. 1,17 lakhs or 2.12 per cent.

Year	(In lakhs of Rupees)		
	Total grant and appropriation	Saving (—) or Excess (+)	Percentage of Col. 3 to 2.
1	2	3	4
<i>Expenditure charged to Revenue</i>			
1948-49	2,00,24	+8,29	4.14
<i>Expenditure charged to Capital, Depreciation Reserve and Betterment Funds.</i>			
1948-49	55,29	—1,17	2.12

(b) *Unnecessary or excessive supplementary grants or appropriations.*—There was only one case in which supplementary grant obtained during the year proved to be wholly unnecessary, viz., that under grant No. 6—Revenue—Working Expenses—Operating Staff. The following are the other more important cases where supplementary grants or appropriations proved excessive :—

No. and name of grant	Supplementary grant	Final savings
1	2	3
3—Revenue—Miscellaneous Expenditure	13,05	7,11
5—Revenue—Working Expenses—Repairs and maintenance.	4,42,96	1,12,56
15—Construction of New Lines	1,99,78	44,67

(c) *Inadequate and injudicious surrenders.*—(i) In the following cases, surrenders made at the time of the final grant were inadequate :—

No. and name of grant	Amount surrendered	Final savings
1	2	3
3—Revenue—Miscellaneous Expenditure	61	7,11
5—Revenue—Working Expenses—Repairs and Maintenance.	99,07	1,12,56
15—Capital—Construction of New Lines	4,02	44,67
17—Capital—Open Line Works—Replacements	3,24,91	7,16,01
18—Capital Outlay on Vizagapatam Port	5,43	8,08

(ii) In the following cases, surrenders made at the time of the final grant were injudicious :—

No. and name of grant	Amount surrendered	Final excess
1	2	3
4—Revenue—Administration	8,83	5,15
10—Revenue—Payments to Indian States and Companies	3,64	1,96

COMMENTS ON INDIVIDUAL GRANTS

Grant No. 3—Revenue—Miscellaneous Expenditure.

7. A supplementary grant of Rs. 13.05 lakhs was obtained under this grant, on the basis of revised estimates. This included Rs. 3.26 lakhs provided on two accounts (1) provision of 2,13 for the Transfer Officer and his Establishment which was inadvertently omitted in the original estimates under this grant, and (2) provision of 1,13 for payment to Messrs. Hindustan Aircraft Ltd., for the first experimental coach which was not made in the budget estimates due to the relevant papers having been lost.

Grant No. 4—Revenue—Ordinary Working Expenses—Administration

8. (i) An additional provision of Rs. 22.96 lakhs (Rs. 9.50 lakhs obtained through the supplementary grant and Rs. 13.46 lakhs by re-appropriation) was made in the final estimates under the head "Other General Departments and Miscellaneous Expenses" on

account of increased expenditure on the Railway Protection and 'Order' Police on most of the Railways; this proved to be excessive by Rs. 13.64 lakhs. The East Indian Railway made an additional provision of Rs. 12.67 lakhs (as against the original provision of Rs. 32.24 lakhs) in the final estimates on the same account; this turned out to be unnecessary as there was a saving of Rs. 14.94 lakhs on the final grant due mainly to non-adjustment of charges on this account. Out of this saving, a saving of Rs. 5.47 lakhs was attributable to the delay in carrying out necessary adjustment of the debits raised by a Provincial (now State) Government. The Railway Administration failed to link the debits with the relevant vouchers before the close of the accounts of the year. Another saving of Rs. 3.69 lakhs was due to an excessive provision having been made at the instance of Railway Board but not surrendered by the Administration before the close of the year.

(ii) On the East Indian Railway, the system of budgeting for 'Contingent Office Expenses' under the various sub-heads of the grant requires improvement. The figures in the table below show that the actual expenditure (Rs. 27.69 lakhs) was far in excess of the budget estimate (Rs. 18.07 lakhs) and also of the final provision (Rs. 21.07 lakhs) made at the close of the year on this account. It was stated by the Administration that the final estimate was framed by the several departments on the basis of the actuals of the previous months and that no accurate forecast could be made of the expenditure under this head :—

Department	Original provision	Provision made in the final estimates	Actual expenditure	Difference Col. 4—3
1	2	3	4	5
Engineering	2,73	3,61	4,38	77
Locomotive	2,52	3,49	4,06	57
Carriage & Wagon . .	1,12	1,25	1,50	25
Traffic	3,70	4,82	7,21	2,39
Electric	50	51	72	21
General	1,80	1,61	2,04	43
Cash and Pay	31	33	50	17
Stores	2,20	2,24	2,95	71
Medical	75	77	1,43	66
Watch and Ward . . .	2,44	2,44	2,90	46
Total	18,07	21,07	27,69	6,62

Again on the Assam Railway, the provision made for the same item of expenditure was not satisfactory. That Railway not only failed to make adequate provision for the forms and stationery etc. indented for on the Printing Superintendent, East Indian Railway and received before the close of the year, but also omitted to provide in the final estimates the share of pay and allowances of the Printing Superintendent and his staff which under the orders, had to be included in the cost of stationery and forms supplied to Assam Railway. Both these factors accounted for an excess of Rs. 2.46 lakhs over the final provision. It has been explained by the Administration that the failure to make adequate provision in the final estimates was due to the debits not having been advised in time by the East Indian Railway. Since the Assam Railway was aware of the extent of the demands for stationery, forms etc. placed on the East Indian Railway, a more careful budgeting should have been possible.

(iii) On the East Indian Railway, the special scheme for the prevention of ticketless travel was introduced on some of the sections from January, 1948, but necessary provision (Rs. 1.69 lakhs) therefor was not made in the final estimates under the head "Other General Departments and Miscellaneous Expenses".

Grant No. 5—Revenue—Working Expenses—Repairs and Maintenance

9. (i) On the East Indian Railway, the supplementary grant of Rs. 68.82 lakhs proved to be inadequate to the extent of Rs. 49.20 lakhs; but no additional provision was obtained to cover this excess. On the Eastern Punjab Railway, the supplementary grant of Rs. 66.66 lakhs allotted to that railway, as also the additional funds of Rs. 17.23 lakhs obtained by re-appropriation turned out to be excessive to the extent of Rs. 82.94 lakhs.

(ii) Out of the supplementary grant of Rs. 45.92 lakhs obtained by the Madras and Southern Mahratta Railway, a sum of Rs. 12.30 lakhs was surrendered by it in the final estimates. This proved to be injudicious since eventually there was an excess of Rs. 10.41 lakhs on that railway. A part of this excess, *viz.*, Rs. 3.37 lakhs could have been avoided if necessary action had been taken by that railway to make a provision in the final grant fixed towards the close of the year for expenditure on the intensive patrol of track, of which the administration was aware at that time and the patrol was employed in the first instance on 3rd March, 1949 and was actually intensified by the 10th March, 1949.

(iii) On the Bombay, Baroda and Central India Railway, out of the total saving of Rs. 10.82 lakhs under the head "Maintenance of Way and Works", the major part of the saving, *viz.*, Rs. 7.19 lakhs was due to want of power and ballast wagons (1.29) and also to full supply of materials not having been received from the Stores Department to the extent anticipated in the final estimates (5.90). A closer review of the position made by the 20th March, 1949, as required under the code rules, should have enabled the administration to surrender a part of this saving in the final grant fixed towards the

close of the year. The administration states that this could not be done as there was no reason to anticipate the power position becoming so acute as it actually turned out to be and that there was reasonable possibility of the materials being received in time. This could have been verified at least by a reference to the Department concerned.

(iv) On the Bengal Nagpur Railway, a sum of Rs. 16.13 lakhs was surrendered in the final estimates as being not required owing to difficulty in procuring materials, labour, etc., for certain works under the head "Maintenance of Way and Works". In spite of this surrender, there was a further saving to the extent of Rs. 10.59 lakhs on the final grant for the same reason.

(v) On the East Indian Railway, out of the total provision of Rs. 32.98 lakhs made in the original estimates for expenditure on wages, etc., to the temporary gangmen, a sum of Rs. 3.68 lakhs was surrendered in the final estimates. The actual expenditure was, however, less than the modified provision by Rs. 3.47 lakhs. The total amount provided on this account in the original budget thus proved to be excessive by more than 21 per cent.

(vi) On the Eastern Punjab Railway, a saving of Rs. 11 lakhs out of Rs. 35.64 lakhs under the head 'Maintenance of Locomotives' was explained as due to less repairs carried out to engines than anticipated at the time of making final estimates. A large part of this saving could have been avoided if a closer review had been made at the time of making final estimates of the position in regard to the capacity of other railways to carry out repairs to engines of that railway. It was perhaps too much to assume that repair work involving this heavy expenditure particularly under the system of sending engines to North Western Railway for repairs would be done by Pakistan during the remaining short period of two or three weeks of the year. The fact that the system of sending engines for repairs to the North Western Railway was discontinued sometime in the second week of March, 1949 indicates that it was possible for the administration to intimate this important modification to the Railway Board, as required under the code rules, for being taken into account in the fixation of the final grant fixed towards the end of the year.

(vii) On the East Indian Railway, out of the total excess of Rs. 8.05 lakhs over the final grant under the head "Maintenance of Locomotives", the excess of Rs. 5.31 lakhs was explained as due to repairs done in shops for which the debits were received at the fag end of the year and adjusted in the accounts of the year but provision for which was not made in the final estimate. The administration state that the incidence of debits could not be settled in time to admit of their inclusion in the final estimate due to lack of requisite information. This indicates lack of co-ordination between the different departments of the railway.

(viii) On the Assam Railway, a provision of Rs. 15.02 lakhs was made in the budget estimates under the head "Maintenance of Way

and Works" for the cost of temporary quarters for permanent staff. In the revised estimate, the allocation of the cost of these works was revised from Revenue to Capital and Betterment Fund and the funds to this extent provided in the original estimate were surrendered in the final estimates. The work in question was undertaken by that railway administration without the prior approval of the competent authority, *viz.*, the Railway Board and the decision to change the allocation was also taken by the administration without consulting that authority. The Railway Board, when subsequently approached in October, 1948, observed that the work should not have been undertaken without their prior approval and decided that the standard of construction adopted for these quarters did not justify a change in classification. The railway administration, on reconsideration, also agreed that the quarters should be treated as temporary and charged to Revenue ; but necessary readjustment of the expenditure was made only in the accounts for 1949-50, as the decision of the Railway Board was communicated to the railway administration after March, 1949.

(ix) On the East Indian Railway, the provision made in the final estimates for the arrear charges under the implementation of Central Pay Commission's recommendations under the head "Maintenance of Electrical Services" proved to be inadequate by Rs. 8.86 lakhs. The administration state that in the absence of any separate records maintained for the purpose, the provision on this account in the final estimates under this head could not be more accurately gauged and was made on *ad hoc* basis. Since the actual expenditure to the end of February, 1949, was available to the administration at the time of making final estimates, a closer estimating could have been possible.

(x) On the Oudh Tirhut Railway, a provision of Rs. 4 lakhs made in the final estimates under the head "Maintenance of Carriage and Wagon Stock" for expenditure on the conversion of coaching stock according to new classification introduced during the course of the year proved to be unnecessary to the extent of Rs. 3.78 lakhs (*i.e.*, practically the entire amount) due to the non-availability of vehicles. A closer review of the position made in early March, 1949 would have enabled the administration to surrender the funds to this extent in the final grant fixed towards the close of the year.

(xi) The following instances disclosing inadequate co-ordination between the Bengal Nagpur Railway and other Government Departments and between Bengal Nagpur Railway and East Indian Railway in regard to payment to each other were noticed under this grant :—

(a) On the Bengal Nagpur Railway, the original provision for payment of rent and of maintenance charges of wires and instruments etc. to the Government Telegraph Department under the head "Maintenance of Electrical Services" was made, in accordance with the past practice, on the basis of actual payments made on this account in the previous year. This turned out to be inadequate and additional funds to the extent of 80 were provided in the final estimate. The actual expenditure

still came to be more than anticipated in the final estimates causing thereby an uncovered excess of 1,28. The Administration is making arrangements to obtain prior estimates for such expenditure from the Posts and Telegraphs Department for budgeting purposes in future.

- (b) On the Bengal Nagpur Railway, a provision of 1,90 under the head "Maintenance of Electrical Services" was made in the final estimates for C.D.M. switches for Inter class coaches required in connection with the conversion of 1st and 2nd class coaches to suit the new classification introduced during the course of the year. The actual expenditure came, however, to be more by 1,50 due to receipt of more debits from the Industry and Supply Ministry than provided for in the final estimates.

Grant No. 6—Revenue—Working Expenses—Operating Staff

10. (i) Under the head "Dearness Allowance", the additional provision of Rs. 38.45 lakhs made in the final estimates on account of enhanced dearness allowance payable to staff sanctioned during the course of the year, of which Rs. 15 lakhs was obtained through the supplementary grant and the balance was found by re-appropriation, turned out to be inadequate to the extent of Rs. 24.75 lakhs. A closer review of the position made in early March, 1949 would possibly have resulted in a more accurate estimating.

(ii) On the South Indian Railway, a provision of Rs. 2.83 lakhs under the head "Power" was made by the Railway Board in the original estimates towards payment of arrears of pay and overtime, etc. to the running staff under the Central Pay Commission's scales of pay. This was not considered adequate by the Administration who provided an additional amount of Rs. 1.43 lakhs on that account in the final estimates. The entire provision (Rs. 4.26 lakhs) remained unutilised due to the question of fixation of pay, etc., not having been finalised during the year. If the progress in fixation of pay was very slow, the provision made on this account could have been surrendered at least in the final grant fixed towards the close of the year. On the Eastern Punjab Railway, a provision of Rs. 7.46 lakhs made in the original estimates under the same head on account of expenditure due to implementation of Central Pay Commission's recommendations and revision of pay scales of running staff and mileage allowance payable to them even though reduced to Rs. 5.33 lakhs in the final estimates, remained unutilised to the extent of Rs. 3.14 lakhs. Such a substantial provision in the final grant was not justified in view of the fact that the cadre of the running staff had not been fixed and the service records of some of the staff had not been received from Pakistan by the time of submission of the final estimates in early March, 1949. On the East Indian Railway also, the additional provision of Rs. 17.03 lakhs under the same head made on the same account in the final grant fixed towards the close of the year proved excessive to the extent of Rs. 3.67 lakhs.

Grant No. 7—Revenue—Working Expenses—Operation (Fuel)

11. (i) The uncovered excess of Rs. 51.66 lakhs under this grant would have been even higher but for the saving of Rs. 9.92 lakhs on the Bombay, Baroda and Central India Railway due to non-adjustment of the freight charges under this head owing to late receipt of freight bills from the Director, Railway Clearing Accounts Office, for which no special steps were taken by the administration to obtain the bills before the close of the accounts of the year. In making the provision for increased expenditure under this item, the Assam Railway made some arithmetical errors in calculations but for which an excess of Rs. 4.40 lakhs could have been avoided. On the Great Indian Peninsula Railway, a provisional debit of Rs. 12 lakhs for the difference between the freight at public and concessional rates charged on loco coal during the year was adjusted under this head in the first instance in the accounts of the year. Later on, when the actual difference between these two rates became available, it was again adjusted in the accounts of the year. In making this adjustment, the administration omitted to write back the provisional adjustment already made in the accounts thereby causing an excess over the final grant to this extent. The excess of Rs. 6.44 lakhs under this item on the Oudh Tirhut Railway was due to the provision not having been made in the final estimates through an oversight.

(ii) On the Eastern Punjab Railway, the additional funds of Rs. 5.60 lakhs obtained by re-appropriation in the final grant under the head "Freight and handling charges on Fuel" proved to be inadequate by Rs. 3.38 lakhs. This excess which was explained as chiefly due to more receipt of coal than anticipated could have been avoided to some extent if the administration, in consultation with the Fuel Distributor, had taken into account, at the time of framing the final grant, the coal already received by the latter in February, 1949 and in the early part of March, 1949. On the South Indian Railway, the excess of Rs. 7.21 lakhs under the same head has also been explained as chiefly due to larger quantity of coal received by sea-cum-rail route during the year than anticipated in the final grant. Additional provision of Rs. 6.80 lakhs to cover the freight and handling charges on larger supply of coal was telegraphically applied for by the Administration on the 25th March, 1949, but the additional funds could not be sanctioned by the Railway Board due to the telegraphic request not having been received by them.

Grant No. 8—Revenue—Working Expenses—Operation other than Staff and Fuel

12. (i) On the Oudh Tirhut Railway, the excess of Rs. 1 lakh under the head "Compensation for goods lost or damaged" was due to the sale proceeds of lost property having been credited to earnings and not taken as reduction of expenditure as erroneously provided for in the final estimates. The Bengal Nagpur Railway made a credit provision of Rs. 4 lakhs in the final estimates on account of charges debitable to this head in respect of adjustment of claims under the convention mode of settlement; but the entire provision made therefor remained unutilised consequent on the non-receipt of apportionment advices from the Director, Railway Clearing Accounts

Office responsible for the apportionment of such payments under the convention amongst the party Railways. In making this provision, the Director, Railway Clearing Accounts Office was not consulted. If this had been done, this large excess could have been avoided. Similarly there was a saving of Rs. 3.86 lakhs on this account on the South Indian Railway. On that railway not only the provision made in the budget estimates, but also the additional amount of Rs. 1 lakh provided in the final estimates turned out to be entirely unnecessary for the same reason.

(ii) On the Eastern Punjab Railway, out of the provision of Rs. 6 lakhs made under the same head in the original estimates, a sum of Rs. 1.50 lakhs was surrendered in the final estimates as it related to the claims for the pre-partition period. Since the decision that payments on account of the pre-partition claims should be debited to the pre-partition accounts, was known to the administration before the submission of the original estimates in December, 1947, it was not correct to have made such a provision.

(iii) On the Eastern Punjab Railway, a little more than half of the excess of Rs. 2.53 lakhs under the head "Clothing and Stores" could have been avoided if necessary provision for the cost of materials, which had already been received during the course of the year, had been made in the final estimates. Similarly on the Oudh Tirhut Railway, the excess of Rs. 3.08 lakhs under the same head explained as due to adjustment of some of the debit schedules pertaining to the past year could have been foreseen and funds provided in the final estimates.

(iv) Of the excess of Rs. 21.46 lakhs over the final provision made on the East Indian Railway under the head "Clothing and Stores", Rs. 8.19 lakhs was due to curtailment of final demand by the Railway Board. This cut could not, however, be implemented by the administration, as the orders for the curtailment of the final grant were received on the 29th March, 1949, when it was too late to keep down expenditure. Out of the remaining excess, Rs. 3.53 lakhs was due to the debits for supply of uniforms on arrear requisitions of the past three years having been adjusted in the accounts of the year, provision for which should have been made in the final grant. Another excess of Rs. 5.89 lakhs under this head was due to an omission to make a provision to this extent in the final estimates for emergent expenditure already incurred on the supply of materials for the reserve stock.

(v) The East Indian Railway was responsible for an excess of Rs. 12.31 lakhs under the head "Handling, Collection and Delivery of Goods, etc.," out of a total excess of Rs. 13.87 lakhs under this head. This was mainly due to (i) the adjustment of Rs. 6.54 lakhs, in the accounts of the year, of the handling charges relating to the months of February, 1949 and earlier months of the year, which could have been foreseen and provided for in the final estimates, and (ii) to more payment of terminal charges (Rs. 2.04 lakhs) to Calcutta Port Commissioners which could also have been foreseen.

Grant No. 9—Revenue—Working Expenses—Miscellaneous Expenses

13. (i) The final budgeting under the head "loss on grainshops", which accounts for the bulk of the expenditure under this grant, was very wide of the mark. In spite of a supplementary grant of Rs. 54.62 lakhs obtained under this head and of the additional funds to the extent of Rs. 100.93 lakhs provided by re-appropriation, there occurred an excess of Rs. 2,62.91 lakhs on the final provision due chiefly to greater increase in purchase rate of commodities than anticipated at the time of making the final estimates. This excess was shared by all the railways except the South Indian Railway, where there was comparatively a small saving of about Rs. 3.28 lakhs on the final grant. Comparatively heavier excesses occurred on the East Indian (Rs. 70.74 lakhs) and Bengal Nagpur (Rs. 65.42 lakhs) Railways. An excess of Rs. 6.36 lakhs on the East Indian Railway was due to under-estimation of revaluation loss. On the Bengal Nagpur Railway, the entire excess of Rs. 65.42 lakhs was chiefly due to the provision for the direct loss having been erroneously calculated for 9 months instead of for 12 months of the year (cf item 43 Annexure B to the Chairman, Railway Board's Review).

(ii) Under the head "Gratuities and Special Contribution to Provident Fund", the final saving of Rs. 21.89 lakhs mainly occurred on the Great Indian Peninsula (8,14), East Indian (4,74), Madras and Southern Mahratta (3,58) and Bengal Nagpur (2,57) Railways. On the East Indian, Madras and Southern Mahratta and Bengal Nagpur Railways, the total savings under this head were explained as due to non-payment of the gratuity to certain staff before the close of the year consequent on the delay in certifying their pay, etc. A substantial part of this saving could have been surrendered in the final grant if timely steps had been taken by the administrations concerned to review, in early March, 1949, the possibility of such large payments being made before the close of the year.

(iii) On the Bengal Nagpur Railway, the final provision of Rs. 31.02 lakhs made under the head "Contribution to Provident Fund" turned out to be excessive by Rs. 5.69 lakhs. This was partly due to the failure to provide in the final estimates the write back adjustment in the accounts of the year of the amount of Provident Fund Bonus debited in excess in the year 1947-48 (4,80) and partly due to an omission to provide in the final estimates the credit adjustment made in the course of the year, of the amount of contribution to Provident Fund allowed to the staff employed on survey works in the past years and incorrectly debited to this head but set right in the accounts of the year.

(iv) On the East Indian Railway, the saving of Rs. 4.17 lakhs occurred under the head "Other Expenses" due to non-payment of arrear taxes to Calcutta Corporation and Bengal Municipalities. Although the administration was aware in early March, 1949, that the payment of arrear taxes would not be made before the close of the year, no action was taken by it to surrender the provision made on this account in the final grant fixed towards the close of the year.

(v) The 'Suspense' head showed large variations. The net expenditure under this head was Rs. 1,62.90 lakhs against the budget estimate of *minus* Rs. 35.54 lakhs and final modified grant of *minus* Rs. 39.84 lakhs. Of the uncovered excess of Rs. 2,02.74 lakhs, Rs. 1,16.08 lakhs, *i.e.*, a little more than half, was on the East Indian Railway. This was due to large amounts aggregating Rs. 1.10 crores having been kept under 'Miscellaneous Advances' for want of full particulars of charges or of allocation. This very large balance due to this cause renders the accounts incorrect as the figures booked under final heads are under-stated to this extent. The other railway on which large increase in the suspense balances occurred was the Madras and Southern Mahratta Railway. That railway anticipated an increase of Rs. 8 lakhs over that at the end of the previous year, but actually the increase came to Rs. 75.65 lakhs due mainly to excessive credit provision having been made under 'Demands Payable' (Rs. 45.97 lakhs) in the final grant and to the adjustment under the head 'Miscellaneous Advances' of the cost of certain stores supplied by the Ministry of Industry and Supply (Rs. 29.38 lakhs) and not adjusted by the administration to the final heads of accounts for want of acceptance which had not been received from the various departments of that railway. Out of the total uncovered excess of Rs. 28.41 lakhs under this head on the Bengal Nagpur Railway, Rs. 11.61 lakhs was under the head 'Miscellaneous Advances' due to non-clearance of cost of stores for the same reason, *viz.*, non-receipt of acceptance of debits in time by the consuming departments of that railway.

Grant No. 15—Capital—Construction of New Lines

14. (i) Out of the provision of Rs. 1 crore made in the original budget estimate for the construction of Burwadih-Chirimiri (Bijuri) Railway, the East Indian Railway surrendered Rs. 27.50 lakhs, *i.e.*, about 27 per cent. in the final estimates. In spite of this surrender, there was a further saving to the extent of Rs. 3.33 lakhs on the final modified grant.

(ii) On the Assam Rail Link Project, as against the net original grant of Rs. 2.25 crores, a supplementary grant of Rs. 1.75 crores was obtained for additional expenditure during the year. Out of this, Rs. 12 lakhs were surrendered in the final estimates. In spite of this surrender, there was a further saving of Rs. 34.80 lakhs on the final modified grant of Rs. 3.88 crores. The work on this Project was started in December, 1947 in anticipation of sanction to the Abstract Estimate which was submitted only in early April, 1948 for sanction of the competent authority, *viz.*, the Railway Board who sanctioned the same, after some modifications, in December, 1948. The Construction (detailed) Estimate, was sent to the Railway Board in March, 1950. The entire expenditure on this Project to end of March, 1949 was, therefore, placed under objection for want of detailed Estimates (*c.f.* Annexure 'A' to the detailed Appropriation Accounts for 1948-49). In the absence of the detailed estimates, the distribution of the original or the final grant could not be made over individual works, as required under the rules. The control over the expenditure

against the detailed estimate, as required under the rules, was not possible during the year. The original grant of Rs. 2.25 crores allotted by the Railway Board for this Project was distributed over the sub-heads and detailed heads of Accounts towards the end of the year, i.e., in January, 1949, and, accordingly the control of expenditure over the various detailed heads of Accounts could not be exercised throughout the year. (See also paragraph 19 of this Report.)

Grant No. 16—Open Line Works—Additions

15. (i) At the time of preparation of the revised estimates, it was anticipated that even after allowing for the proposed expenditure on new works not included in the budget, e.g. locomotive building project at Chittaranjan (Rs. 2 crores), doubling of Anandi—Barejadi Section of Bombay, Baroda and Central India Railway (20 lakhs), doubling of Delhi-Muttra Section (12 lakhs), purchase of the Darjeeling Himalayan Railway main line (Rs. 55 lakhs) and the Matheran (Hill) Light Railway (4 lakhs) and under Collieries (54 lakhs), the actual expenditure under this grant would show a reduction of about 3 lakhs on the budget grant of Rs. 19.12 crores. Accordingly a token supplementary grant of 1 was obtained only to get the approval of the Legislature to these new items of expenditure not contemplated in the budget. The actual expenditure under this grant, however, exceeded the budget by Rs. 6.51 crores, i.e., about 34 per cent. Out of this, an excess of Rs. 4.11 crores occurred on the East Indian Railway due mainly to increase under the head 'Manufacture Suspense' (Rs. 2.67 crores) and due to less issue of stores to certain works (Rs. 1.94 crores) and receipt of larger debits for materials towards the close of the year (1.36 crores) under the head 'Stores Suspense'.

(ii) The net provision under 'Stores Suspense' is the resultant of increases or decreases in stores balances anticipated at the end of the year over those at the end of the previous year. In the final estimates, all the railways, with the exception of Bombay, Baroda and Central India, East Indian, and Oudh Tirhut Railways provided for an increase in balances aggregating Rs. 2.19 crores. The Bombay, Baroda and Central India, East Indian, and Oudh Tirhut Railways, however, anticipated decreases in their balances to the extent of Rs. 1.35 crores. As against the net final grant of Rs. 83.94 lakhs, the actuals were Rs. 7.66 crores, the chief excesses occurring on East Indian (Rs. 3.04 crores), Great Indian Peninsula (Rs. 1.31 crores) and Bombay, Baroda and Central India (Rs. 1.08 crores) Railways. On the Bengal Nagpur Railway, however, there was a saving due to clearance of certain charges erroneously debited to this head during the previous year (12,07).

(iii) On the East Indian Railway, out of the total excess of Rs. 3.04 crores over the total final provision of *minus* Rs. 49.34 lakhs under the head "Stores Suspense", a part excess of about Rs. 1.37 crores was due to receipt of debits, without any previous intimation from the Ministry of Industry and Supply and the Bengal Nagpur Railway for supplies made by them. These debits were also

not cleared during the year for want of necessary particulars, which were not available to the administration before the close of the accounts of the year. Another part excess of Rs. 60.37 lakhs on that railway under the same head represented the value of grain stores ordered in the latter part of March, 1949, against the requirement for 1949-50, and actually supplied in 1948-49. A stricter control on the issue of purchase orders for supply of grain stores, particularly those issued in the last month of the year, and in a year during which the grant was already exceeded would have avoided this avoidable excess.

(iv) On the Madras and Southern Mahratta Railway, as against the original provision of about Rs. 1.97 crores and final provision of about Rs. 1.33 crores for general purposes stores, the actual expenditure was about Rs. 1.60 crores. The excess of about Rs. 27 lakhs over the final provision made on this account was explained as due to heavy receipts of stores during February and March, 1949. If the approximate value of stores actually received during February, 1949 and early in March, 1949 had been taken into consideration while making the final estimates, a large part of this excess could have been avoided.

(v) On the South Indian Railway, the large variations between the budget provision (Rs. 2.14 lakhs), final provision (Rs. 20.59 lakhs) and the actuals (Rs. 60.11 lakhs) under the same head were mainly due to want of adequate control over the progress of expenditure with reference to allotments. The administration explain that the control registers were not maintained during the year due to inadequate staff.

(vi) The budgeting under the head 'Manufacture Suspense' was also very wide of the mark. As against the original provision of *minus* Rs. 17.42 lakhs under this head, the final provision fixed towards the close of the year was Rs. 42.68 lakhs. The actual expenditure, however, came to Rs. 5.76 crores, *i.e.*, about Rs. 5.33 crores more than the final provision made at the close of the year. A large part (Rs. 4.04 crores) of this excess occurred on the East Indian Railway. On that railway, of the many reasons given for the heavy variation under this head, the most important factors that contributed to this excess were (i) receipt of debits (Rs. 92.04 lakhs) from the Ministry of Industry and Supply for Railway Board's Programme without particulars, (ii) payments made to Messrs. Telcos for raw materials (Rs. 25.73 lakhs), (iii) non-clearance of debit for H.P.S. Boilers due to late receipt or non-receipt of connected information (Rs. 11.49 lakhs) and (iv) debits for advance payment of Canadian Rails (Rs. 87.78 lakhs). Thus the excess on that railway was primarily caused by the other Government Departments raising debits without necessary particulars without which the railway administration was unable to link up the debits. On the same railway, although the payment made to Messrs. Telcos for raw materials for wagon building programme (Rs. 25.73 lakhs) was authorised by the Railway Board in January, 1947 and one of the bills dated the 14th December, 1948, for Rs. 19.49 lakhs, *i.e.*, covering the major portion of the excess expenditure involved, was received by the administration for payment early in March, 1949, no budget provision was made for this item of expenditure even in the final estimates.

(vii) On the Bengal Nagpur Railway, the credit provision of Rs. 14.76 lakhs made in the final estimates under "Manufacture Suspense" mainly for clearance of all outstanding debits against foreign railways including the ex-Bengal Assam and North Western Railways could not materialise for want of the acceptance of debits by those railways in time; this indicates a lack of necessary co-ordination between different railways. Debits against the Pakistan railways totalled only Rs. 5 lakhs.

(viii) Out of the final saving of Rs. 1,29.14 ^{lakhs} ~~crores~~ under the head 'Other Structural and Engineering Works', the saving of Rs. 62.69 lakhs on the East Indian Railway was the heaviest. A large part of this saving, viz., Rs. 32 lakhs was explained as mainly due to set-back in the fabrication of steel works by a construction company. This setback was due to an accident in the Company's workshops which occurred in February, 1949, but was brought to the notice of the administration, after close of the year. This company is located in Calcutta and proper liaison with the fabricators should have enabled the administration to surrender funds in the final grant which was fixed towards the close of the year. Savings of Rs. 6.58 lakhs and Rs. 6.48 lakhs on the East Indian and Bengal Nagpur Railways respectively under the same head were due to non-receipt or non-availability of materials and contractors' inability to maintain the progress of work as anticipated. The amounts could have been surrendered when the final estimates were made in early March, 1949.

(ix) The Bengal Nagpur Railway retained a provision of Rs. 19.30 lakhs under the head "investment on Road Services" in the final grant fixed towards the close of the year, but this amount proved unnecessary as the Provincial (now States) Governments did not finalise the schemes. This position should have been known at the time of fixing the final grant.

(x) A provision of Rs. 2.23.44 lakhs, as against the initial allotment of Rs. 3,76.98 lakhs sanctioned in January, 1949, was made in the final estimates for the Locomotive Manufacturing Works Chittaranjan Project under the heads 'Machinery' (Rs. 57.06 lakhs), 'Other Structural Works' (Rs. 1,29.40 lakhs) and 'Stores Suspense' (Rs. 36.98 lakhs). As against this, the actual expenditure on this project was Rs. 1,88.68 lakhs. In the absence of detailed estimate, the entire expenditure on this project was held under objection during the year. A proper control over the progress of expenditure on this project was also not exercised during the year due to non-distribution of the allotment over individual works comprising this project, as required under the code rules. The control over expenditure was also rendered ineffective to some extent during the course of the year due to non-reconciliation of the Executive Works Registers with those in the Accounts Office. These defects continued to be noticed even in the year 1949-50, except that the original grant was distributed in that year under the sub-heads and detailed heads of accounts in September, 1949 and the modified original grant in December, 1949. (See also paragraph 19 of this Report).

Grant No. 17—Open Line Works—Replacements

16. (i) A provision of Rs. 8.81 crores under the head 'Rolling Stock' was made by the East Indian Railway on the Railway Board's advice of the 25th March, 1949 for advance payment for the purchase of locomotives. Out of this provision, the debit of Rs. 3.15 crores only could be adjusted in the final heads of accounts, and an *ad-hoc* adjustment to the extent of Rs. 5.17 crores was carried out in the supplementary accounts of the year under instructions contained in the Railway Board's wireless message of the 23rd August, 1949, thereby reducing the saving on this account to about Rs. 49 lakhs. But for this, the saving of Rs. 2.07 crores, on the final provision of Rs. 11.40 crores made by that railway under this head, would have been much larger. The entire amount, *viz.*, Rs. 5.17 crores was subsequently written back from this head and debited to the correct head 'Miscellaneous Advance (Capital)' in the accounts of the next year. The amount has since been cleared from this head by transferring the same to the railways to which it was debitible under the orders.

(ii) Although the net final excess under the head 'Track Renewals' was comparatively small (Rs. 4.73 lakhs), there were large compensating variations on the railways, the most important of which was an excess of Rs. 20.51 lakhs on the East Indian Railway and a saving of Rs. 14.92 lakhs on the Bengal Nagpur Railway. On the former railway, an additional provision of 66 on account of speedier progress of work was made in the final estimates but the actual expenditure exceeded the provision made by Rs. 9.96 lakhs. The administration state that the provision in the final estimates was based on the trend of actuals upto February, 1949 but the excess was caused due to the larger debits having been received from the Indian Stores Department at the time of closing the accounts than anticipated in the final grant. On the same railway, there was also another excess expenditure of Rs. 17.26 lakhs over and above the additional provision of Rs. 33.24 lakhs made under this head in the final estimates on account of more cost of Canadian Rails. The administration state that at the time of making final estimates, the cost of the Canadian Rails was not known and that the provision made in the final estimates was based on the usual cost per ton which proved to be much lower than the rate at which the debit was raised later on. As the first 4 lots of one lakh tons of rails with necessary fastenings had already been received in India and bulk debits to the extent of Rs. 1.29 lakhs passed on by the Ministry of Industry and Supply before the close of the year, the provision for the debits could have been made on the more reliable data available from these debits. There was another item of excess of Rs. 1.91 lakhs on that railway explained as due to more receipt of debits for materials. As the materials were already received, before the close of the year, the provision for the excess expenditure could have been made, in consultation with the department concerned.

(iii) On the Bengal Nagpur Railway, the large lapse of funds (Rs. 14.92 lakhs) under the same head was mainly due to the expenditure to the extent of Rs. 18.34 lakhs not having been incurred

on account of non-receipt of sanction to the estimates and non-availability of materials within the year. These factors were known to the administration at the time of making the final estimates. In spite of this, the funds to this extent were not surrendered in the final grant fixed towards the close of the year.

(iv) Out of the total provision of Rs. 25.38 lakhs in the final estimates made by the Madras and Southern Mahratta Railway under the head 'Carriages', the actual expenditure under this head was only Rs. 15.14 lakhs. The saving of Rs. 10.24 lakhs was chiefly due to non-receipt of underframes expected to be received before the close of the year. The administration state that the suppliers were advised on the 15th March, 1949, to expedite the despatch of the underframes. The provision made in the final estimates should have relation to what the suppliers guarantee to deliver and not only to what they are requested to deliver.

(v) A total credit provision of Rs. 2.40 lakhs was made by the same railway in the original grant in respect of credits for released materials from two relaying works. This was reduced to 41 in the final estimates due to anticipated less progress for want of materials. Actually the credits realised on these two works came to be Rs. 2.20 lakhs. The administration state that at the time of making the final estimates, it was anticipated that the credits for released materials returned to stores in February, 1949 and March, 1949, would be afforded only in the accounts of the next year but actually these credits were afforded in the accounts of the year. Since the released materials were mostly taken to account in January, 1949 and February, 1949, there was no possibility of the credit therefor being postponed to the next year. The administration was, therefore, not justified in reducing the credit provision in the final estimates.

CHAPTER II

LOSSES, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES AND OTHER TOPICS OF INTEREST

(i) Engineering Works

17. *Barwadih Sarnadih Construction.*—This line forms part of a projected railway from Barwadih to Chirimiri (Bijuri), the final location survey for which was partly carried out during 1923-25. The actual construction was, however, taken up for consideration much later, as part of the Railway construction plan for the post-war period. The General Manager, East Indian Railway reported to the Railway Board in 1947 that additional facilities were essential for transport of coal from the east to west side of India and that this project would be financially justified in view of the anticipated extensive development of coal fields in the area. To avoid the loss of a working season, the construction of the Barwadih-Sarnadih Section of the Project was recommended for sanction without waiting for the results of the usual Traffic and Engineering Survey reports for the whole project. An abstract estimate for Rs. 1.71 lakhs was accordingly sanctioned by the Railway Board in April, 1947 for this section. During 1946-47, Engineering and Traffic Surveys were carried out between Barwadih and Bijuri and while examining the project reports, the Financial Adviser and Chief Accounts Officer observed in October, 1947, that the project was not likely to be remunerative and that the Administration's estimate of cost had been under-stated, while the traffic prospects had been over-estimated by assuming the working expenses at a low figure. These observations were, however, not communicated to the Railway Board at the time. Between December, 1947 and February, 1948, sectional contracts for the Barwadih-Sarnadih Construction to the value of Rs. 1.29 lakhs were accepted by the Railway Board, the value of these contracts being above the sanctioning powers of the General Manager. At this stage it should have been apparent to the Railway Board that the estimate for this section would be greatly exceeded. In April, 1948, the Railway Administration reported to the Railway Board that as a result of heavy increase in cost of labour and materials and on the basis of the contracts placed, the cost of the Barwadih-Sarnadih line would go up to Rs. 3.25 lakhs as against Rs. 1.71 lakhs estimated in the Abstract Estimate of January, 1947. The Railway Board expressed their great concern at this high figure of cost and ordered certain reductions in standards to bring the cost down. In March, 1949, however, the Administration expressed the opinion that this line would improve through traffic and open out vast coal fields and mineral produce and should be constructed even if the prescribed return is not obtained. In October, 1949, an officer of the Railway Board visited the spot and came to the conclusion that the coal obtainable in the area served by the Barwadih-Sarnadih line was of such inferior quality as not to attract capital and that

there was still some margin left on the existing sections of the railway to deal with prospective additional coal traffic. The ways and means position of Government was also difficult and it was eventually decided to freeze the work at the stage when the net financial expenditure would be the least, allowing however, for inescapable commitments. Subsequently, it was decided to stop the work immediately. At this stage, it was stated that "the prospects of resuming this work are somewhat remote". An approximate expenditure of Rs. 1,46 lakhs was incurred to end of 1949-50 and Rs. 5 lakhs more has been provided during 1950-51.

The Railway Board have stated that it was only the difficult ways and means position that led to the closing down of the construction, that the line was and is still regarded as a work of national importance to be resumed when funds become available, and that the entire line as projected, would pass through areas rich in coal resources. In this connection, it may be mentioned that the Administration suggested that if it was the intention to resume the work after some time, certain inescapable items of work for which commitments had been made should be completed as such a course, though it would have meant an immediate expenditure of Rs. 18 lakhs, would have led to an ultimate saving of about Rs. 19 lakhs. The Railway Board, however, ordered the immediate stoppage of the work. A further expenditure of Rs. 18 lakhs would not have seriously cut into the ways and means position and would have been justified if it was the intention to resume the work in the near future, but the Railway Board have stated that it was anticipated that by the time the work was resumed, the cost of labour and materials would go down and the estimated additional expenditure of about Rs. 19 lakhs would not actually be required.

In the meantime, a certain amount of infructuous expenditure has become inevitable in view of the commitments entered into. The annual dividend payable to General Revenues on the Capital expenditure incurred up to the end of 1949-50 would amount to about Rs. 6 lakhs, for which there is no corresponding return. Some expenditure on maintenance of embankments and cuttings so far constructed is also inevitable. The turn of events seems to suggest that there was no adequate basis for the urgency which was the reason for the starting of the project without proper estimate and with but inadequate appreciation of the financial results.

18. *Overhead expenses of the Development Branch of Engineering Department on the Bengal-Nagpur, Great Indian Peninsula and South Indian Railways.*

(A) *Bengal-Nagpur Railway.*—The general planning and collection of data for the post-war rehabilitation and development works was carried out by a special District Engineer, Planning, under the supervision of the Open Line Chief Engineer, from August, 1945 to September, 1947. A total number of 80 works were planned for execution during 1947-48 and posts of 1 Deputy Chief Engineer, 4 Senior Scale Officers and 6 Assistant Engineers together with suitable ministerial and other staff were sanctioned and filled up in or about May, 1947 to form the Development Branch of the

Engineering Department and to take immediate charge of the execution of the development works. Not more than 42 works, however, had been taken in hand by March, 1948 and only 9 more up to December, 1948. The programme was subsequently curtailed early in 1948-49 due to a change in the policy of the Government regarding the post-war schemes. The delay in the progress of works taken up was attributed to (1) dislocation of works due to riots and partition, (2) paucity of technical staff, (3) dearth of materials such as, coal, bricks, steel, asbestos sheets and (4) shortage of qualified engineers. The total works outlay during the period May, 1947 to December, 1948 did not amount to more than Rs. 18.76 lakhs, as against the sanctioned allotment of about a crore each in the years 1947-48 and 1948-49. The overheads far exceeded the originally estimated 10 per cent of the net works expenditure and came to Rs. 5.93 lakhs which worked out to 46 per cent of the net works outlay. The full compliment of staff, gazetted and non-gazetted, for the execution of the complete development programme was entertained in or about May, 1947, i.e. at the very commencement of the scheme, and was not correspondingly reduced even when it was apparent that works planned for 1947-48, viz., the first year's programme, could not be taken up during that year.

The overhead charges originally intended to be charged proportionately to the works to be dealt with by the Development Branch were transferred *in toto* to Revenue, amongst other reasons, due to the fact that they were found to be out of proportion to the expenditure on the few works that were actually carried out. The Administration holds that the more precise reasons for the high ratio of overhead charges on the outlay was the ambitious post-war development scheme as drawn up by Government, and the subsequent curtailment of the same, since it necessarily implied the incurrence of expenditure on staff for preparing schemes, plans and estimates, which was unavoidably high in relation to the total outlay actually incurred on the works. Besides, the Administration hold that such technically trained men cannot be had on tap in the market.

It may, however, be mentioned that as stated above, general planning had already been carried out by the Special Officer appointed for the purpose from August, 1945 to December, 1947, and a scheme comprising 80 works planned for execution. The work of detailed planning and preparation of estimates is a normal and integral part of the execution of works and the appointment of the staff in this case could have been regulated with reference to the actual works taken up for execution from time to time so as to keep down the overhead charges to the minimum.

(B) *Great Indian Peninsula Railway*.—On this railway, six Executive Engineers and fifteen Assistant Executive Engineers were sanctioned and employed for one year on the basis of an estimated outlay of Rs. 1.07 lakhs during the year 1947-48 on Construction Works; but the actual expenditure incurred in the year amounted to Rs. 14.69 lakhs only. Of this, Rs. 5.14 lakhs was on establishment and contingencies, etc. In respect of an Open Line Development work, progress of which was slowed down between October, 1949

and June, 1950, on account of financial stringency, the full complement of staff continued to be employed for the whole period. It should have been possible to reduce the staff in proportion to the reduction of work at all stages.

(C) *South Indian Railway*.—A five year plan of post-war rehabilitation and development works at an estimated cost of Rs. 20 crores was drawn up in October, 1945 involving the employment of a Senior Scale Gazetted Officer from 18th October, 1944 and other office staff from the 15th August, 1945. The gazetted post was upgraded to that of a Deputy Chief Engineer from November, 1946. In March, 1948, the five year plan was given up and the post of Deputy Chief Engineer was not operated thereafter. The office staff was, however, retained till December, 1949, with certain reductions from January, 1949. The total expenditure on establishment since October, 1944 was Rs. 5.11 lakhs. Most of the works for which heavy preliminary expenditure had been incurred were not taken up for execution during the post-war years. The Railway Administration holds the view that the preliminary work will do away with the need for fresh expenditure on the same account if the works are taken up at a later date.

19. *Review of expenditure on large scale Projects*.—Under the rules, works should not be commenced nor any liability incurred in respect thereof until detailed working estimates of cost have been sanctioned. As soon as it becomes apparent, during the course of Construction, that expenditure is likely to exceed the estimate, a revised estimate should be prepared and submitted for the sanction of the competent authority. In order to furnish the Railway Board at the earliest possible stage, with a reliable estimate of probable variations from the details of the estimates sanctioned by them, it has been prescribed in the rules that a periodical Financial Review showing the progress of expenditure, actual and anticipated, should be submitted to the Railway Board by the Railway Administrations. The orders of the competent authority should in such cases be invariably obtained on the probable excesses before additional expenditure is incurred, so that the authority controlling the project may consider what steps, if any, should be taken to keep the expenditure within reasonable limits. To assist the Executive in this respect, maintenance of liability register has been prescribed and the Accounts Office is expected to check the progress of expenditure against the physical progress of the work so as to bring to notice as early as possible any likelihood of the estimate being exceeded. It is also a special responsibility of Audit to ensure that the necessity of providing and revising financial forecasts is not overlooked, that expenditure proceeds against detailed working estimates sanctioned from time to time and identifiable with the Project estimate and also to bring to the notice of the controlling authority substantial departures from the sanctioned estimate.

There appears to be a tendency of late to start works without detailed estimates and to postpone the preparation of the detailed estimates indefinitely. Certain large Projects were executed after partition with scant regard to the requirements of the rules as detailed above with the result that neither internal check authorities

Not the Audit Department could function effectively in the manner indicated above. To mention only two such large Projects, the Locomotive Manufacturing Works at Chittaranjan costing above Rs. 14 crores and the Assam Rail Link Project costing about Rs. 9 crores were started early in 1948 without detailed estimates. This was obviously unavoidable as both the projects were 'Top priority' works starting of which could not be held up till all the formalities prescribed by the rules were followed; but detailed estimates in respect of these Projects which should have been got ready expeditiously were not sanctioned even up to September, 1950, by which time the Projects were practically completed. Detailed estimates are the very basis on which all the internal financial checks and expenditure control are based and in their absence financial control is practically non-existent. It is not yet possible to say what exactly has been the effect of this absence of financial control as the accounts of these Projects have not yet been closed. It has already come to notice that certain important items of works involving substantial sums were omitted from the Locomotive Manufacturing Works Project without correspondingly reducing the sanctioned abstract estimate.

Brief comments on this aspect appear in paragraphs 14(ii) and 15(x) in Chapter I of this Report.

(ii) Stores

20. *East Indian and Bengal-Nagpur Railways—Extra payment on the overloaded weigh bridge coal.*—The overloaded weigh bridge coal i.e., the coal taken off each loaded wagon at the Railway Weighbridge to adjust the weight of wagons according to the permissible axle load, is stacked at the Railway Weighbridge stations and later taken over by the Railway Administration at a rate fixed for such coal by the Ministry of Industry and Supply (now Ministry of Works, Production and Supply). This rate of the overloaded weighbridge coal is lower than the rate for the lowest grade of market coal (steam). The rate for overloaded coal was fixed at Rs. 12/8/- per ton on the 3rd September, 1947 when the rate for the lowest grade of market coal (steam) was Rs. 13/13/- per ton.

The rate for the lowest grade of market coal (steam) was reduced from Rs. 13/13/- per ton to Rs. 11/9/- per ton by the Ministry in April, 1949, but the necessary reduction in the rate for overloaded weighbridge coal was not effected. This omission having been taken up by Audit in March, 1950, the Ministry reduced the rate from Rs. 12/8/- per ton to Rs. 11 per ton in May 1950. Had the revision in the rate for the overloaded weighbridge coal been taken up simultaneously with the revision in the rate for the lowest grade of market coal (steam) in April, 1949, substantial extra payments would have been avoided. On the East Indian Railway, this extra amount in respect of the bills for May, 1949 to October, 1949 alone amounted to Rs. 35,548/- approximately and further payments are likely to be made at the old rate for the bills pertaining to the months of November, 1949 to April, 1950. The extra payment on the Bengal-Nagpur Railway from April, 1949 to April, 1950 for the same reason amounted to about Rs. 20,679/-.

The Railway Administrations concerned contend that they were not called upon to take action in a matter in which the initiative was supposed to be with the Ministry of Industry and Supply and the Railway Board 'entirely agree with this point of view'.

It is primarily the responsibility of the Administration to watch its financial interests with due vigilance whoever might be the authority responsible for sanctioning the revision of rates.

(iii) Pay and Allowances

21. *Eastern Punjab Railway—Loss sustained by the Railway due to employment of excessive staff in the Locomotive Sheds.*—The staff employed in the locomotive sheds in one division was found to be excessive to the needs of the actual work involved in certain categories. The excess was particularly noticeable in the case of work of "loading coal into locomotives". It appears the extra staff was employed at the time of need and emergency, but the same continued even after the need had disappeared. The usual statistics of coal handling furnished by the subordinate offices were not made use of properly in exercising check over the staff position. Even the departmental job analysis undertaken by the division, in pursuance of the drive for economy, failed to bring this excess to light.

This situation was brought to the notice of the Railway Administration by Audit in July, 1949 as a result of which 46 coal coolies were retrenched—9 in October, 1949, 12 in November, 1949 and 25 in January, 1950. 13 men in other categories were also brought under reduction. This has resulted in a saving of Rs. 53,000/- per annum to the Railway. But in the meantime an expenditure of about Rs. 1,23,000/- had already been incurred since the partition. If a proper examination of the case had been done as soon as the matter was pointed out in July, 1949, a further saving of Rs. 17,000/- would have accrued to the Railway.

The Administration has explained that the usual statistics of coal handling could not be relied upon due to the following reasons :—

- (i) Disorganisation of the entire system of train working as a result of partition.
- (ii) Attention of Executive being entirely devoted to the work of running trains.
- (iii) Dislocation of work in sheds.
- (iv) Disturbed economic conditions and low efficiency.
- (v) Accelerated promotions of staff.

These reasons would, however, apply only to the earlier period after the partition and not throughout.

Excessive employment of staff in another division also was brought to the notice of the Administration by Audit in November, 1949. As a result, 68 men in all including fitters, coolies and firemen were surrendered upto May, 1950 with a consequent saving of about Rs. 55,000/- per annum. An avoidable expenditure of Rs. 93,000/- approximately had been incurred in the meantime.

22. *Eastern Punjab Railway—Loss sustained by the Railway due to non-utilisation in suitable vacancies of staff declared surplus in Grainshops.*—Staff became surplus in Grainshops consequent on the curtailment of grainshop facilities. It was decided by the Railway Administration, in pursuance of the policy laid down by the Railway Board, that the staff so rendered surplus should be absorbed in suitable vacancies instead of being discharged, and their absorption should be given preference over employment of retired hands and outsiders. It was, however, noticed that while the surplus grainshop staff was available, fresh recruitment continued to be made and retired hands were employed in contravention of the orders referred to above. On this being pointed out by Audit, the surplus staff was absorbed. In the meantime, an avoidable expenditure of about Rs. 25,155/- had, however, been incurred. The Administration have explained that the absorption of surplus staff was lost sight of due to excessive accumulation of arrears of work caused by partition and the additional work following on the Adjudicator's Award.

23. *East Indian Railway—Irregular fixation of time rates under Rowan Bonus System in the Kanchrapara Workshops.*—It was the practice in the Kanchrapara Workshops to fix the "time allowed", for purpose of working out "profit" under the Bonus System, by adding 50 per cent to the "record time" (i.e. best possible time). The Code Rules introduced in 1940, however, prescribed a maximum allowance of 33-1/3 per cent only over the "record time". The practice in Kanchrapara Workshops, therefore, contravened the provisions of the code, and when in 1946 the Bengal Assam Railway Administration brought this deviation to the notice of the Railway Board for their approval, the Railway Board agreed to the continuance of the old practice till such time as the revision of scales of pay was brought into effect.

The Railway Board's orders for the introduction of the prescribed scales of pay with retrospective effect from the 1st January, 1947/the 16th August, 1947, were received in the Kanchrapara Workshop Office sometime in November, 1947 and, in view of the previous decision of the Railway Board mentioned in sub-para. 1 above, the Railway Administration should have revised the piece work rates with effect from those dates. The omission was pointed out by Audit in June, 1948 and the Chief Mechanical Engineer, in September, 1948, ordered that the code procedure must be introduced from the 1st October, 1948. Due to practical difficulties involved in revising over 10,050 rate cards and in view of the acute labour situation, the revised piece work rates could only be introduced from the 1st January, 1949. On the representation of the Railway Administration in April, 1950, the Railway Board approved of the continuance of the old procedure up to 31st December, 1948.

The excess payment involved for the period from the 1st January, 1947/the 16th August, 1947 to 31st December, 1948 was about Rs. 18,600/-. Had the staff concerned been warned, in view of Railway Board's previous orders, that the rates were liable to be

revised with effect from the date from which Pay Commission's scales became effective, it should have been possible to give effect to the new rates from the 1st January, 1947/the 16th August, 1947. Even after the Railway Board's orders were received in November, 1947, prompt action for the revision of the rate was not taken. Had the revised rate been given effect to at least from February, 1948, an excess payment of Rs. 9,700/- could have been avoided.

24. *East Indian Railway—Excess additional pension allowed to an officer.*—Under the rules relating to the grant of special additional pension admissible to officers holding certain specified posts, no deficiency in the service qualifying for such pension can be condoned. In the case of a certain officer who retired on premature retirement terms, a deficiency of 3 months and 18 days in service qualifying for special additional pension on the higher scale was condoned by Government as a special case. On enquiry, it has transpired that the deficiency in qualifying service was condoned by Government as the officer was specifically told that he would be entitled to special additional pension if he continued to serve up to a specified date, though the calculations were subsequently found to be wrong. The amount of special additional pension sanctioned in excess was Rs. 500/- per annum.

25. *Bengal-Nagpur Railway—Fraudulent encashment of a cheque issued in favour of a retired employee in payment of his Provident Fund dues.*—A registered cover containing a crossed cheque for Rs. 4,523/14/- sent in March, 1947 to a retired employee in payment of his Provident Fund dues was received empty by the addressee. The cheque had been extracted and fraudulently encashed in the name of the retired employee through a Bank after opening a properly introduced account. A civil suit filed by the employee for the recovery of his dues was compromised by the Railway, on the advice of their solicitors, on payment of the Provident Fund dues and the Court and Pleader's fees amounting in all to Rs. 4,962/-.

The solicitors who were consulted regarding the Bank's liability for the fraudulent encashment of the above cheque were of the opinion that it would be difficult to substantiate any claim against the Bank under the circumstances of the case.

The culprit who had encashed the cheque was apprehended by the Police and on pleading guilty was sentenced to 2 years' rigorous imprisonment. The circumstances in which the cheque got into unauthorised hands are not known.

The following steps have been taken by the Railway Administration to prevent recurrence of such cases :—

- (i) Full names and designations of payees are to be recorded on cheques.
- (ii) Specific request in writing is to be invariably obtained from the payees for the despatch of cheques to their postal addresses by registered post, as required under the rules (in this particular case, this procedure was not followed).

(iii) Covers containing cheques are to be properly sealed in 5 places in the presence of the Pay Clerk to prevent abstraction of contents.

(iv) A record is to be maintained of the Cash Guards who handle such covers.

(iv) Grainshops

26. *Oudh Tirhut Railway—Loss due to non-revision of sale price of potatoes in a Railway Grainshop.*—According to the policy followed in regard to cheap supply of commodities other than foodgrains prior to 1st January, 1949, potatoes were to be issued to staff at rates varying according to the cost price. In an old district of the late Bengal Assam Railway—since transferred to Assam Railway—it was, however, noticed that potatoes had been sold to staff at the concessional rate of 5 annas instead of at 6 annas chargeable under the orders in force during the period 15th August, 1947 to July, 1948. The amount of loss due to less recoveries has been estimated at about Rs. 31,000/-, which is being written off with the sanction of competent authority. In view of the findings of the Enquiry Committee that no definite responsibility can be fixed on any individual at this distant date and that the loss occurred due to oversight, on account of too frequent changes in staff and confusion caused by partition, no action is being taken against any individual officer concerned with this case.

27. *Bengal Nagpur Railway—Loss due to heavy shortages in stock in a mobile van.*—During the check of accounts of a mobile van service unit, heavy shortages in stock amounting to about Rs. 12,000/- inclusive of overhead charges were discovered and the entire staff concerned consisting of the Manager, the Cash Clerk, four Salesmen and six Coolies were suspended. Rs. 563/- were recovered from the security deposits of two Salesmen and Rs. 329/- are being recovered in instalments from another salesman.

A Departmental Enquiry Committee was set up, which held that the shortages were due to—

(a) physical shortages in stock to the extent of Rs. 6,345; and

(b) excess quota, double issues, etc., to the extent of Rs. 4,759.

They fixed the responsibility for the losses jointly on the Sales Manager, Cash Clerk, one Sales Clerk and three Coolies. The Sectional Supervisor was also held guilty of negligence of duty as he had failed to carry out the detailed check of the unit during the period in which shortages occurred.

The findings were accepted by the Administration and action detailed below was taken against the staff at fault :—

Supervisor	...	Returned to his parent Department with a note for slack supervision recorded in his service book.
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Manager	}	Discharged from Railway Service.
Cash Clerk		
One Salesman		
Three Coolies		

(v) Earnings

28. *East Indian and Bengal Nagpur Railways—Remission of outstanding demurrage charges.*—In one Division on the East Indian Railway, an investigation in July, 1947 by the Executive authorities into the causes of heavy detention of wagons at the exchange yards of three sidings belonging to certain big concerns, revealed that no accurate records of detention of wagons at these yards were being maintained by the railway staff and that practically no demurrage was being levied against the firms. Measures were then taken to put the railway records on a sound footing. The sums due for detentions prior to July, 1947 were calculated on the information regarding taking over and making over of wagons kept by the staff of the firms themselves, as during that period the railway staff did not maintain independent records. The demurrage charges from January, 1945 to March, 1949 amounted to Rs. 34,78,492/-. This amount did not incorporate any charge from December, 1946 to January, 1947 and March, 1947 to May, 1947, for one siding and from July, 1945 to September, 1946 for the second siding and from April, 1945 to August, 1945 and October, 1945 to May, 1947 for the third siding. The firms refused payment on the following grounds :—

- (a) Uneven flow of inward traffic.
- (b) Unreliable forecast of incoming traffic, in particular the fact that coal and coke wagons were not separated.
- (c) Lack of co-ordination in the allotment of coal and coke wagons over East Indian and Bengal Nagpur Railways.
- (d) Routing of coal via Bengal Nagpur Railway.
- (e) Labour trouble.
- (f) Reconstruction programme in hand.
- (g) Shortage of wagons in internal traffic.

The East Indian Railway authorities contended that the objection raised by the firms had been met time and again both during personal discussions and in correspondence with the firms and it had been made quite clear to them that their internal difficulties could not be taken as extenuating circumstances for waiving the demurrage charges. The East Indian Railway Administration demanded an early liquidation of the dues but the firms refused payment. It was decided in May, 1949 that out of the total outstanding demurrages of about Rs. 35 lakhs to end of March, 1949, Rs. 12 lakhs should be deducted from the firms' accumulated dues aggregating Rs. 32 lakhs, and the balance recovered at the rate of Rs. 5 lakhs a month from the supply bills of the firms thereafter. In terms of this decision, a total sum of Rs. 31.98 lakhs was deducted from the firms' supply bills up to September, 1949, but the firms refused to give a regular acquittance for these deductions. In partial modification of their previous decision, a remission of 33-1/3 per cent. of the total dues up to 31st March, 1949, or Rs. 11.60 lakhs was sanctioned by the Railway Board in October, 1949, but in December, 1949, the percentage of remission was raised to 50 per cent, involving the write-off of Rs. 17.39 lakhs. Necessary adjustments have since been made by the Chief Accounts Officer, East Indian Railway with the firms concerned.

In the case of the same group of firms, the Bengal Nagpur Railway Administration claimed arrear demurrage charges amounting to Rs. 5,30,769/- outstanding for the period from July, 1946 to March, 1949. The remission of the charges was claimed on grounds of labour trouble and insufficiency of the free time allowed. The claims were likewise settled by the Railway Board at 50 per cent of the total dues.

On the Bengal Nagpur Railway, there was a similar accumulation of claims for demurrage charges against another concern on account of wagons detained by them. The claims for the period April, 1946 to September, 1947 aggregated Rs. 4,55,910/-. The waiver of the claims was urged by the firm principally on the grounds of their own internal difficulties such as labour troubles, alleged failure on the part of Bengal Nagpur Railway to keep strictly to time schedules, alleged occasional bunching of trains, supply of wagons in excess of unloading capacity and difficulties caused by wagon priority controls. The Bengal Nagpur Railway Administration, however, held that the firm was seeking to make every occurrence incidental to operational movements and wagon control, which had not exactly suited its convenience, an excuse for non-payment and attributed the firm's difficulties to its own inadequate internal arrangements. These claims were finally compromised at Rs. 1,50,000/- under instructions from the Railway Board in October, 1947. There was a further accumulation of claims against the same firm from October, 1947 to December, 1948 amounting to Rs. 3,33,720/- to which the firm objected on the ground that the free time allowance of 27 hours on ordinary wagons was insufficient. A compromise was finally arrived at in May, 1949 according to which the claims were settled at Rs. 1,66,860/- being 50 per cent of the outstandings and this compromise was approved by the Railway Board.

In June, 1949, the Railway Board impressed on the Bengal Nagpur Railway Administration, the necessity for prompt settlement of demurrage bills as delays in settlement of the claims would inevitably lead to a situation in which it would be difficult, if not impossible, to investigate complaints about the basis of assessment of the charges, apart from the obvious difficulties of realising embarrassingly large amounts. The Board further desired that the Bengal Nagpur and East Indian Railway Administrations should jointly examine the introduction of uniform demurrage rules and submit their recommendations to the Railway Board. The matter is under consideration of the Administrations.

29. *Changes in the classification of passenger accommodation.*— With effect from 1st January, 1949, it was decided to provide only three classes of passenger accommodation instead of four. In order to bring this change into effect, it was decided that 50 per cent of second class compartments should be up-graded to Upper Class and the remaining 50 per cent down-graded to Inter-Class. The cost of such conversion is stated to have involved an expenditure of Rs. 23,85,425/-, though the figures are very approximate. On a review of the question, it was again decided on the advice of the Central

Advisory Council for Railways to introduce a new Class II—Special with effect from 1st December, 1949 with a standard of amenities approximating the original second class accommodation. This change is stated to have cost the Government about Rs. 5,71,770/-. On a further review, it was decided that from 1st July, 1950 onwards, railways should revert to the original four class accommodation. This change over, however, is stated to have involved little appreciable additional expenditure. It is not possible to make any reliable estimate of the effect on earnings of these changes in passenger classification.

30. *South Indian Railway—Overpayment of terminal charges to the Madras Port Trust.*—Transport of coal for use on this Railway by the sea route via Madras Harbour which was suspended during the early years of the war was resumed in August, 1943. A terminal charge of 3.75 pies per maund (which was increased to 4½ pies from December, 1947) was payable to the Madras Port Trust on such coal. Payments for these terminal charges were made monthly by the Railway on the basis of the total manifest quantity of coal landed at the Port. It was noticed by Audit in November, 1948 that in respect of coal booked to the Broad Gauge Sections of the South Indian Railway via Madras and Southern Mahratta Railway, the Port Trust were again paid these terminal charges on the basis of the invoices issued by the Madras and Southern Mahratta Railway. This irregular payment was discontinued from 1st April, 1949. During the period August, 1943 to March, 1949, however, a sum of about Rs. 57,500/- was overpaid to the Madras Port Trust. Efforts are being made by the Administration to recover this amount from the Madras Port Trust.

31. *Bengal Nagpur Railway—Commission realised on terminal tax.*—Out of the 5 per cent commission realised by the railway on the terminal tax collected on behalf of the local authorities, 3 per cent was being distributed among the station staff since 1922 as remuneration for the collection of the tax. The work of collection of the tax was, however, a part of the normal duties of the staff and the distribution of commission was objected to in audit in June, 1949. The Administration discontinued the payment to the staff with effect from the 1st April, 1950 thereby increasing the earnings of the railway by about Rs. 8,000/- per annum.

(vi) Rents and Buildings

32. *East Indian Railway—Hiring of a portion of the Esplanade Mansions, Calcutta for the Public Relations and Publicity Offices.*—In 1946, the General Managers of the Calcutta Area Railways submitted a scheme to the Railway Board for a Public Relations and Publicity Organisation for the three railways. The Public Relations, Publicity and Booking Offices of the three railways were to be housed under one roof at some central place in Calcutta. For this purpose, a portion of the Esplanade Mansions which was leased to the Government of India and was vacated by the Director General, Munitions Productions, was taken over by the East Indian Railway

Administration on the 1st June, 1946, with the approval of the Railway Board, on a five years' lease with the option to renew it for another five years.

Extensive structural alterations were considered necessary to make the premises fit for the purpose for which they were required and the same were undertaken, with the informal approval of the Railway Board, at an estimated cost of Rs. 1,60,000/- under the following heads :—

	Rs.
(1) Alterations to the floor, roof external openings, lavatories	73,000
(2) Providing new counters	22,000
(3) Re-decoration	6,000
(4) Partition walls, platforms, etc.	13,000
(5) Furniture	6,000
(6) Electrical Works	20,000
(7) Contingencies	7,000
(8) Establishment	2,000
(9) Architect's fee	11,000
Total	1,60,000

Out of this amount, Rs. 92,379/- was in respect of Public Relations Officer's office and the rest for the Joint Booking Office of the East Indian and Bengal Nagpur Railways. The formal sanction of the Railway Board was applied for on the 8th February, 1947 and communicated in November, 1947. The additions and alterations were completed by the 31st March, 1949 and the Public Relations Office was actually shifted to the new premises in April, 1949. Thus the premises remained vacant from the 1st June, 1946 to the 31st March, 1949, i.e. for more than half the period of the lease of five years.

The reasons for the delay in completing the additions and alterations have been stated by the Administration as follows :—

“ Possession of the building was obtained long before the nature of the alterations to be made was decided upon. This step, it is understood, was necessary as there was a demand for the building from many business concerns. The task of calling for tenders and commencing work was entrusted to the Chief Engineer only on the 17th January, 1947, some 7½ months after possession of the building was taken over. The architects received tenders on the 26th March, 1947 and the contractors were finally instructed to proceed with the work on the 21st April, 1947. Conditions in Calcutta had not settled down after the Great Killing and the work progressed slowly. Before appreciable progress could be made, all works were stopped by the General Manager on the 16th July, 1947, in connection with the proposed partition of India. On the 22nd August, 1947 the General

Manager decided that the work should be proceeded with. Negotiations with the contractors took till the 25th September, 1947 for agreement to recommence work as per conditions of the original contract. No work could, however, be done for some months after this settlement as the Public Relations Officer wanted considerable alterations to the scheme originally prepared by the architects. The revised plan for engineering work was finally confirmed on the 6th January, 1948. Thus during the first 19 months after possession of the building was taken over, no engineering work of any magnitude could be undertaken. Subsequent to January, 1948, some delay was experienced due to plans for the electrical portion not having been finalised. On or about the 4th March, 1948, the Public Relations Officer suggested certain changes in the electrical lay-out and the architects produced their final plan for this portion of the work on the 22nd May, 1948. As the work now required was very different from what was contemplated when a contract was placed by the Chief Electrical Engineer early in 1947, the Chief Electrical Engineer terminated the contract and suggested that the electrical work should be undertaken by the architects. Eventually it was agreed that the Chief Electrical Engineer should carry out the electrical portion of the work; and the same was completed on or about the 15th September, 1948. The work in connection with electric lights and fans and installation of telephones was, however, not completed till the 31st March, 1949".

According to the Chief Engineer, it was a new experience to carry out works on the Railway in collaboration with an outside firm of architects, who had to be consulted at every step.

Audit Comments.—(a) The following sums have been paid as rent from the 1st June, 1946 to the 31st March, 1949 :—

(i) From the 1st June, 1946 to the 30th June, 1948— 2 years 1 month @ Rs. 1,300 p.m.	Rs. 32,500
(ii) From the 1st July, 1948 to the 31st March, 1949—9 months @ Rs. 2,000 p.m.	Rs. 18,000
Total	Rs. 50,500

Additional expenditure amounting to Rs. 8,500/- was incurred @ Rs. 250 per mensem on Watch and Ward staff employed to guard the building i.e. a total of Rs. 59,000/-. A considerable portion of this was infructuous expenditure to the extent of undue delay in carrying out alterations.

(b) No lease has yet been finally executed although the premises were occupied nearly 4 years ago and the Railway Administration have spent a considerable amount on structural alterations therein, and the period of the proposed lease is due to expire shortly.

(vii) Other topics of interest

33. *Petty frauds and Misappropriations.*—Each railway administration is required, under the rules, to bring to the notice of the Railway Board all cases of defalcation or loss of cash of more than Rs. 1,000/- in each case as soon as they are discovered as well as those below that limit when they present unusual features or reveal serious defects in procedure. A copy of these reports is also made available to Audit at the same time. The review conducted in Audit of such reports from time to time revealed that defalcations, misappropriations and thefts of station earnings, aggregating about Rs. 3.21 lakhs had occurred during the post-partition period of 1947-48 to the middle of 1950. The table below gives the figures for each railway.

Railway	Total Number of cases	Amount involved	No. of cases under investigation
		Rs.	
Assam	7	7,996	4
Bengal Nagpur	17	55,044	4
Bombay, Baroda and Central India	1	1,284	1
Great Indian Peninsula	2	4,062	1
East Indian	30	1,02,294	15
Eastern Punjab	11	72,789	7
Madras and Southern Mahratta	3	6,924	..
Oudh Tirhut	15	70,567	14
Total	86	3,20,960	46

Of these, final orders have not been passed by the various railway administrations on 46 cases. Practically in very few cases were the Police able to apprehend the culprits. The reports of the departmental enquiry committees which were set up by the Railway Administrations concerned to investigate these cases, however, indicate that the majority of theft cases, which number 56, were the result of either the negligence of the station staff or of the non-observance of the prescribed rules and orders laid down for the handling and custody of cash at stations or in the cash offices. The *modus operandi* adopted in almost all the cases of frauds or misappropriation of Government money was the same, *viz.* the falsification of initial station records as *e.g.* consignments delivered but shown as outstanding in station books, freight and wharfage on "Inwards to Pay" consignments collected but not accounted for, payments of claims on packages shown as "damaged" although received in good condition, non-accountal of printed and blank card

tickets on the dates of issue, or issue of tickets out of series, non-realisation of wharfage and demurrage charges due on consignments, by concealing the facts of heavy detention to wagons, under-casting the totals of the cash books and making good the cash later, cash collected but not remitted on due dates etc. A few of the cases in which investigation has been completed, are mentioned below :—

(A) *Defalcation of cash in Oudh Tirhut Railway Cash Office.*—On the 15th August, 1948, a sum of Rs. 5,96,000/- was taken out from the Cash Office Strong Room for distribution to the District and Assistant Pay Clerks for making payments to staff. From the Strong Room, the cash was taken to another room in the cash office where a sum of Rs. 2,57,663/- was handed over in two instalments to a District Pay Clerk and his clear acknowledgment taken for the full amount. While distributing this amount to his assistants, the District Pay Clerk discovered a shortage of Rs. 10,000/- in his cash. As soon as the shortage was reported by him, precautions were immediately taken to secure all out-lets from the cash office and the police were called in. A search for the missing cash was made but no clue could, however, be found. The police after necessary cross examination took into custody the District Pay Clerk, two of his Assistants and one other Assistant Pay Clerk. Subsequently a detailed examination of the accounts of the District and the Assistant Pay Clerks was undertaken as a result of which it was found that there had been a heavy defalcation amounting approximately to Rs. 49,000/- on account of amounts handed over to the District Pay Clerk for payment to Co-operative Credit Societies and to staff, etc., but which had not been paid to the parties concerned. The District Pay Clerk and the three Assistant Pay Clerks mentioned above were prosecuted for the defalcation of Rs. 10,000/-. The court discharged two of the Assistant Pay Clerks before the framing of the charges, acquitted the third Assistant Pay Clerk, and convicted the District Pay Clerk. The District Pay Clerk was, however, acquitted on appeal by a higher court. He died soon thereafter in January, 1950 and the case regarding the defalcation of Rs. 49,000/- against him was, therefore, dropped by the court.

The question of fixing of responsibility of the other staff concerned which was deferred till January, 1950, on the advice of the Legal Adviser of the Administration, is receiving active attention of the Administration. The embezzlement of Rs. 49,000/- appears to have been facilitated, as effective measures were not taken to see that the District Pay Clerk rendered his accounts in time. If payments to the Co-operative Credit Societies had been made by cheque instead of in cash, a large part of the loss could have been avoided.

(B) *Eastern Punjab Railway—Loss of cash at a station.*—The earnings of a station for the 2nd and 3rd February, 1949, amounting to Rs. 12,056/- in cash and Rs. 1,443/- in vouchers, which had been sealed in 3 cash bags, were reported by the Station Master on the 4th February, 1949, to have been stolen from the station safe. The matter was reported to the Police but they failed to trace the culprits

and filed the case as untraced. A departmental enquiry was held, and it was found that the loss was due to the failure on the part of the staff to follow strictly the prescribed rules and orders in connection with the safe custody and remittance of earnings, particularly in the following important directions :—

- (i) Cash was handed over in sealed bags without actual count, as required by the rules. Had cash been actually counted and individual numbers of all Government currency notes (except Rupee 1 notes) prepared, as prescribed under the rules, it would have been perhaps possible to trace the loss.
- (ii) The keys of the cash safe were handed over to the booking or goods clerks for depositing cash in the safe and the relieving Assistant Station Masters did not very often physically verify the existence of the cash in the safe.
- (iii) Under the rules, the earnings of a day are required to be remitted by the station to the local Treasury the next day except on Sundays and closed holidays when the earnings of the previous day are to be sent to the Chief Cashier and Pay Master at Delhi. The earnings of the 2nd February, 1949, which had, therefore, to be remitted to the Treasury on the 3rd February, 1949 (a closed day) were not sent to Delhi on that date but were retained at the station for being remitted to the Treasury on the next working day under the orders issued by the Assistant Transportation Officer. These orders were in fact meant for another station but were wrongly addressed to that station.

The Enquiry Committee held one Assistant Station Master primarily responsible for the loss and came to the conclusion that the Station Master, two other Assistant Station Masters and Sub-Inspector, Watch and Ward were negligent in the discharge of their duties. The disciplinary action so far taken is as under :—

- (a) The Assistant Station Master held to be primarily responsible has been reduced permanently as a signaller and subsequently discharged as he did not report for duty.
- (b) The Station Master has been severely warned.
- (c) The increment of one Assistant Station Master has been temporarily withheld for six months and that of the other for one year.
- (d) The Sub-Inspector, Watch and Ward has been discharged from service.
- (e) The Clerk responsible for wrongly addressing the letter has been discharged from service in another case.

Copies of the lost vouchers were obtained from the Military Authorities. The loss of cash amounting to Rs. 12,056/- has been written off.

A survey of the existing arrangements for custody and handling of cash was also made and the arrangements for the safety of cash at the station and in transit have been tightened. Necessary instructions regarding the counting of cash by the railway officials at the time of making over and taking over of cash bags by means of scales and weights have been issued. Arrangements for the issue of scales and weights to station staff are in hand.

(C) *Eastern Punjab Railway—Theft of five cash bags at a Station.*—Five cash bags of a station were reported to have been stolen from the station cash safe on the night of the 18th/19th October, 1949. The total loss involved amounted to Rs. 54,718/-, Rs. 34,037/- in cash and the balance in cheques and vouchers.

The police authorities to whom the matter was reported, intimated their inability to trace the culprits. A departmental enquiry was held and it was found that the theft was facilitated on account of the negligence of the staff in so far as the keys of the strong room and the cash safe were kept mixed up with other keys in a bunch which was freely accessible even to Class IV Staff and the arrangements for guarding the strong room were not adequate. The Station Master, two Assistant Station Masters, the Inspector, Watch and Ward, the Call Boy and the Watchman were found to be negligent in the discharge of their duties. It was also found that adequate arrangements had not been made for the safe custody and handling of cash, etc. The following punishments were awarded to the staff held responsible :—

- (i) A warning was recorded in the confidential report of the Station Master.
- (ii) One Assistant Station Master was permanently reverted to his substantive post of Guard grade II.
- (iii) A censure was recorded in the Service Card and confidential file of the other Assistant Station Master.
- (iv) The privileges of passes and ticket orders of the Inspector, Watch and Ward were stopped for two years.
- (v) The Watchman and the Call Boy were discharged.

Out of the loss represented by cheques, treasury receipts and other vouchers, copies of the lost documents have been obtained to the value of Rs. 20,231/- and for the balance of Rs. 450/- the matter is still under correspondence. The loss of Rs. 34,037/- in cash is a total loss which has not yet been written off.

Instructions have been issued to tighten arrangements for the safe custody and handling of cash.

(D) *Bengal Nagpur Railway—Shortage of cash in transit.*—Shortages of cash in transit varying from Rs. 200/- to Rs. 2,219/- aggregating Rs. 7,783/- in eight cases, were discovered in quick succession from April, 1947 to December, 1947 during the check of sealed cash bags containing station earnings with the accompanying cash remittance notes.

The departmental enquiry committees which investigated the thefts could come to no definite finding, and could not fix the responsibility for the thefts except that a particular guard who worked the trains on which the thefts had taken place was suspected. The Guard has since been removed from service.

The following remedial measures have been taken to prevent occurrence of such thefts in future :—

- (1) Despatch of cash safes by one of the trains from which thefts took place has been discontinued.
- (2) The safes are loaded in a separate compartment of the Brake Van and are in charge of Cash Guards on the Section of the line on which night journey is performed.
- (3) Tin shackles and lead seals are used on the cash safes instead of twine and ordinary seals.
- (4) Safes are changed from one section to another instead of the same safes running permanently on one section.
- (5) Arrangements have been made to replace the locks of the cash safes from which thefts were committed.

(E) *Bengal Nagpur Railway—Loss of Cash in a City Booking Office.*—It was alleged by the Head Coaching Clerk of a particular City Booking Office, that while he was away from the room for a few minutes, the earnings of the previous day amounting to Rs. 13,620/- which were being counted for the preparation of the Daily Cash Remittance Note were removed from the room.

The matter was investigated by the Police, and though the evidence disclosed negligence on the part of the Head Coaching Clerk, it was not sufficient for his prosecution on a charge of embezzlement. A Departmental Enquiry subsequently confirmed the charge of negligence of duty, and the Head Coaching Clerk was removed from service. The payment of his Special Contribution to the Provident Fund amounting to Rs. 2,685/- and the balance of the Provident Fund Bonus with interest accrued thereon amounting to Rs. 4,204/- were also withheld against the loss under the orders of the Railway Board.

34. *Efficiency of Internal check.*—Para. 37 of the Railway Audit Report, 1949 (Post-partition period) referred to the general state of arrears in reconciliation, stock verification and inspections and certain shortcomings in the arrangements for internal check. The review for the year ended December, 1949 disclosed that the arrears in the reconciliation of the subsidiary registers with the General Books/Departmental Registers increased on the Oudh Tirhut, Bombay, Baroda and Central India and East Indian Railways, while stock verification, either Departmental or Accounts in case of Oudh Tirhut, Bengal Nagpur, Bombay, Baroda and Central India and Assam Railways and Inspections on the Bengal Nagpur, Bombay, Baroda and Central India, East Indian and Assam Railways continued to be behind schedule. Internal check of Station Accounts in respect of the period from November, 1948 to March, 1949 was relaxed in certain respects on the Bengal Nagpur Railway with a

view to clear the accumulation of arrears. The state of work relating to Provident Fund Accounts was not quite satisfactory on the Oudh Tirhut, South Indian, and Great Indian Peninsula Railways. The reconciliation of the balances with the General Books after July, 1947 on the Oudh Tirhut Railway was still to be done at the end of December, 1949. Inordinate delays in the settlement of Provident Fund Accounts in one office of the East Indian Railway were also noticed.

Abnormal delays were noticed in the verification of completion reports by the Great Indian Peninsula and Bombay, Baroda and Central India Railways, while in the case of Assam Railway, delays in the preparation of detailed estimates were common and no completion report in respect of any completed work was finalised since the inception of the Railway. In one Division of the East Indian Railway detailed estimates had not been prepared till the works were in the concluding stage and there were several cases of abnormal delay in the preparation of completion reports on that railway. The works registers were not properly maintained in many cases on the East Indian and Bombay, Baroda and Central India Railways, while arrangements for the control of works expenditure against allotment/estimates were not quite satisfactory on the Bombay, Baroda and Central India Railway.

The position of outstanding balance sheets and other coaching and goods returns tended to deteriorate on the Madras and Southern Mahratta Railway. In the case of the Railway Clearing Accounts Office, there was deterioration as regards Invoices and Way bills not accounted for by foreign railways, Discrepancy Memo issued to or received from foreign railways and the number of returns kept pending for over three months. On the Oudh Tirhut Railway, there was an increase in the number and amount of missing returns pertaining to Coaching traffic from 4,517 involving Rs. 2,89,592 at the end of December, 1948, to 5,435 involving Rs. 1,12,05,790 at the end of December, 1949, while the register of missing returns had also not been kept up to date. On the East Indian Railway, the station outstandings continued to increase. The amount at the end of March, 1949 was Rs. 1,11,68,000 as compared to Rs. 49,80,000 and Rs. 78,57,000 on the 31st March, 1947 and the 31st March, 1948, respectively. There was also an unreconciled balance of Rs. 1,01,38,400 pertaining to the Accounts Office Balance Sheet. The station outstandings on the Assam Railway continued to be heavy and there were cases of non-recovery of even admitted debits.

Several items of irregular balances under Miscellaneous Advances—Capital came to notice in the Stores Accounts Section of the Oudh Tirhut Railway. The condition of the Priced Ledgers was unsatisfactory in many offices on the East Indian Railway, while

in the Suspense Registers maintained in the Stores Accounts Branch of the Railway there was a progressive increase in irregular Balances as indicated below :—

	On 30th September, 1947	On 31st March, 1948	On 30th September, 1948
Purchases	Rs. 1,52,91,539	Rs. 2,59,58,211	Rs. 3,62,82,497
Sales	71,171	5,53,290	6,00,780

The credit balance under the suspense head Stock Adjustment Account of the Eastern Punjab Railway representing materials received without proper vouchers and accounted for through Depot Stock Sheets was Rs. 60 lakhs at the end of March, 1949. The irregular practice of compiling the Coal Account—Current on the basis of billed quantity instead of actual receipt continued on the Assam Railway leaving loopholes for losses during transit remaining undetected. On the Bombay, Baroda and Central India Railway, the balances under coal account have not been proved and the reconciliation with General Books not done for some years past.

SIMLA,

The 21st May, 1951.

P. H. S. RAO,
Director of Railway Audit.

Countersigned.

New Delhi
SIMLA,

The 28th May, 1951.

V. NARAHARI RAO,
Comptroller and Auditor General of India

