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CENTRAL GOVERNMENT

AUDIT REPORT

RAILWAYS

1962

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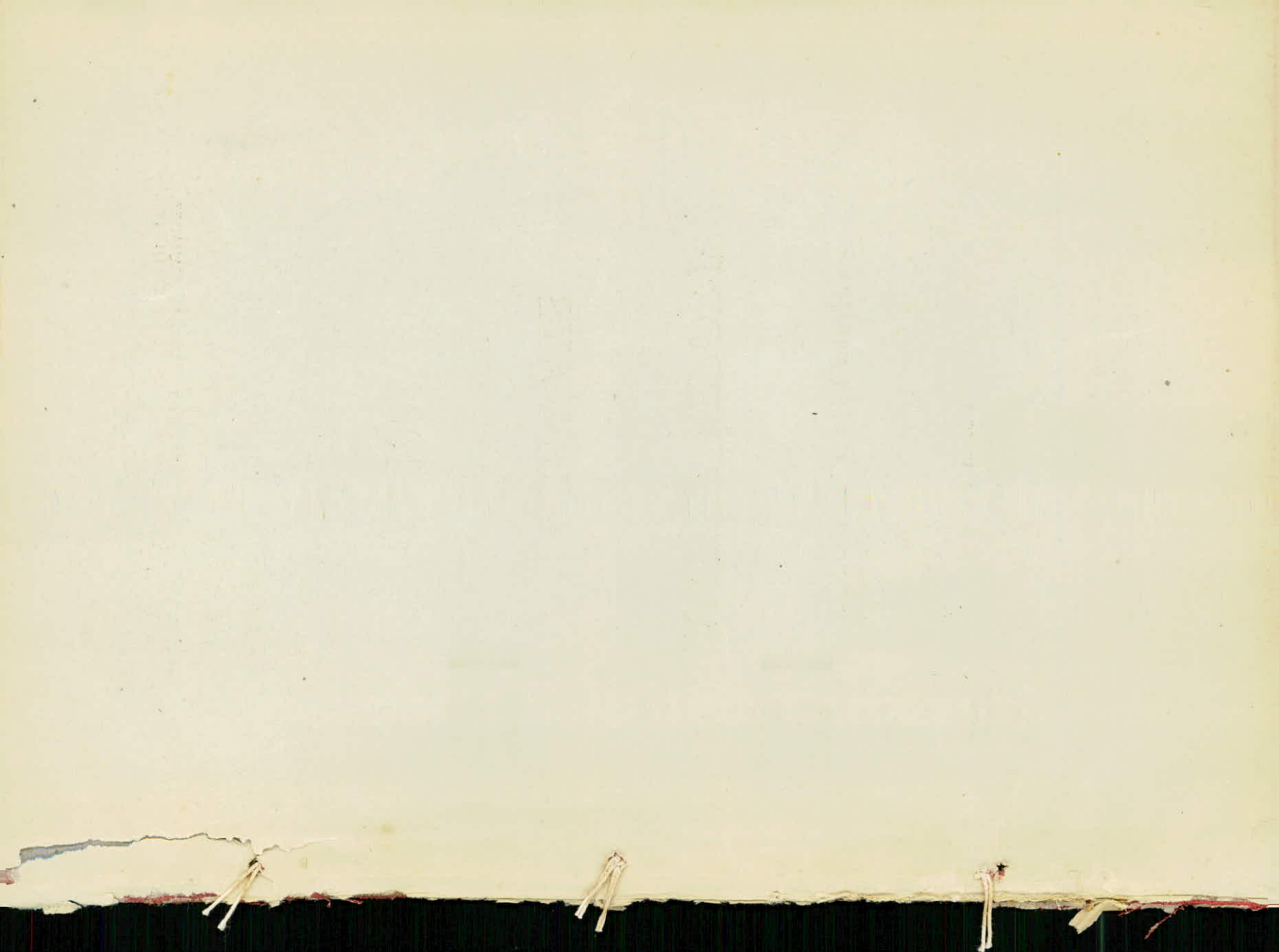


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CHAPTER I

COMMENTS ON THE APPROPRIATION ACCOUNTS AND CONNECTED DOCUMENTS AND RAILWAY BOARD'S REVIEW THEREOF

GENERAL

As against a surplus of Rs. 18.43 crores anticipated in the budget estimates for the year 1960-61, the actual surplus amounted to Rs. 32.01 crores. The more important reasons for this variation are:—

- (i) shortfall in working expenses (Rs. 13.74 crores), due mainly to less expenditure on repairs and maintenance and on implementation of Pay Commission's recommendations, postponement of periodical overhaul of wagons, non-filling up of vacancies etc., and due to effect of economy measures being greater than anticipated;
- (ii) less expenditure on open line works—revenue (Rs. 2.50 crores), due to postponement or rephasing of works, shortfall in supply of materials etc.;
- (iii) less payment of dividend to general revenues (Rs. 1.41 crores) due to less capital at charge at the end of the year than what was anticipated;
- (iv) fortuitous increase in miscellaneous receipts (Rs. 3.50 crores) mainly as a result of write back of Government contribution to Provident Fund in respect of staff opting for pension;

counterbalanced by a decrease of Rs. 7.70 crores in the earnings from goods traffic.

GENERAL RESULTS OF APPROPRIATION AUDIT

2. The number of Demands voted during 1960-61 was 20 i.e. the same as in 1959-60; the number of appropriations obtained in 1960-61 was, however, 4 against 3 in the previous year.

3. Although there was a small reduction in the number of supplementary grants taken during the year (9 as against 11 in the previous year), the amount for which the supplementary grants were taken was substantially more (Rs. 52.06 crores as against Rs. 9.91 crores in the previous year). The bulk of the increase occurred mainly under grants relating to expenditure met from Capital, Depreciation Reserve Fund and Development Fund.

The number and amount of supplementary appropriations obtained during 1960-61 was also more than in the previous year (5 for Rs. 0.23 crores against 2 for Rs. 0.12 crores during 1959-60).

In comparison with the original budget provisions, the supplementary grants and appropriations amounted to 5.5 percent as against less than 1 percent in 1959-60.

UNNECESSARY SUPPLEMENTARY GRANTS/APPROPRIATIONS

4. The funds obtained by supplementary grants/appropriations in a number of cases proved unnecessary or largely in excess of requirements. It is noteworthy that large surrenders were made mostly in the very month in which supplementary grants/appropriations were obtained as shown below:—

No. and name of the grant/ appropriation	Original grant/ appropriation	Supplementary grant/appro- priation (amount and month in which obtained)	Amount surrender- ed in March, 1961	Final savings
(Amount in lakhs of rupees)				
A—Grants:				
<i>(a) Entirely unnecessary (in 4 out of 9 cases)—</i>				
2—Revenue—Miscellaneous Expenditure	1,87.48	.60 (December, 1960)	.63	14.42
		3.38 (March, 1961)		
15—Construction of New Lines—	54,76.09	30.00 (September, 1960)	8,86.50	10,30.08
18—Open Line Works— Development Fund	25,00.00	4,10.12 (March, 1961)	4,69.94	5,78.60
<i>(b) Partially unnecessary (in 5 out of 9 cases)—</i>				
7—Revenue—Working Expenses—Operation (Fuel)	68,07.78	4,26.41 (March, 1961)	27.93	18.01
8—Revenue—Working Expenses—Operation other than staff and fuel	23,70.78	79.68 (March, 1961)	3.19	51.96
13—Open Line Works—Revenue— Labour Welfare	1,64.18	46.05 (March, 1961)	8.41	30.74
16—Open Line Works— Additions	2,64,18.12	33,00.18 (March, 1961)	22,82.36	32,94.80
17—Open Line Works— Replacements	92,30.61	9,09.24 (March, 1961)	4,76.30	6,04.32

B. Charged Appropriations:*Partially unnecessary—*

8. Revenue—Working Expenses— Operation other than staff and fuel	63.55	19.88 (March, 1961)	7.01	7.87
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INADEQUATE OR INJUDICIOUS SURRENDERS

5. (i) Following are the important cases of inadequate surrenders:—

(Figures in thousands of rupees)

Grant	Amount surrendered	Final savings (inclusive of surrenders)
2—Revenue—Miscellaneous Expenditure	63	14.42
5—Revenue—Working Expenses—Repairs and Maintenance	3,26,65	6,31,36
6—Revenue—Working Expenses—Operating staff	84,93	2,85,80
8—Revenue—Working Expenses—Operation other than staff and fuel	3,19	51,96
13—Revenue—Open Line Works—Labour Welfare	8,41	39,74
14—Revenue—Open Line Works—Other than Labour Welfare	1,08,53	2,63,79

(ii) The surrender of Rs. 4.40 crores made at the close of the year under Grant No. 20—Revenue—Appropriation to Development Fund was not justified as there was ultimately an excess of Rs. 13.59 crores under this grant.

SAVINGS IN GRANTS AND APPROPRIATIONS

6. Savings occurred under 18 grants and 5 appropriations during the year as against 16 grants and 2 appropriations during 1959-60, and 16 grants and 3 appropriations during 1958-59. The amount of total savings during 1960-61 was Rs. 76.34 crores, as against Rs. 52.30 crores and Rs. 57.10 crores during 1958-59, and 1959-60 respectively.

The major portion of the saving (Rs. 55.08 crores) occurred, as in previous years, under grants relating to expenditure met from Capital, Depreciation Reserve Fund and Development Fund, largely as a result of delay at different stages in the planning and execution of works. In

particular, there was a large saving of over Rs. 25 crores in respect of Bulk Orders for Rolling Stock due to delay in placing orders for diesel locomotives and underframes, delay in delivery of diesel and electric locomotives and shortfall in the production/supply of carriages and wagons for want of requisite raw materials and components etc.

The total savings under grants and appropriations in respect of expenditure met from revenue, also showed a substantial increase, as compared to the previous years, the savings during 1960-61 being Rs. 20.96 crores as against Rs. 9.78 crores during 1959-60.

The sharp increase in savings during the year is indicative of a tendency towards overestimating the requirements.

EXCESS OVER VOTED GRANTS AND CHARGED APPROPRIATIONS

7. In the following cases, there was excess expenditure over the voted grant/charged appropriations. These require to be regularised under Article 115 of the Constitution.

(Figures in units of rupees)

	Grant/Appropriation	Expenditure	Excess	Percentage of excess
A. Grant—				
20—Revenue—Appropriation to Development Fund	18,42,52,000	32,01,42,160	13,58,90,160	73.75
The excess is due to actual revenue surplus during 1960-61 being more than anticipated.				
B. Charged Appropriations—				
2—Revenue—Miscellaneous Expenditure.	Original	3,00,000		
	Supplementary.	2,000	3,02,497	4.97
	Final	3,02,000		0.16
The excess is small.				
15—Construction of New Lines.	Original	3,14,000	4,83,525	1,69,525
	Supplementary.	3,14,000		53.9
The excess is due to omission to provide funds through supplementary appropriation obtained in March, 1961, for payment of compensation in land acquisition cases decreed by courts, though the requirements in this regard were known in February, 1961.				
18—Open Line Works—Development Fund.	..	28,570	28,570	

This is due to omission to provide funds for a decretal payment.

CHARGED EXPENDITURE ACCOUNTED FOR AS VOTED

8. In the following cases, charged expenditure in satisfaction of court decrees, was accounted for as voted:—

S. No.	Railway	Grant under which accounted for	Amount of charged expenditure Rs.
1.	Western	5—Revenue—Working Expenses—Repairs and Maintenance	14,257
2.	Western	9—Revenue—Working Expenses—Miscellaneous Expenditure	6,983
3.	Western	13—Open Line Works—Revenue—Labour Welfare	6,146
4.	Western	14—Open Line Works—Revenue—Other than Labour Welfare	1,388
5.	Western	17—Open Line Works—Replacements	3,167
6.	Northern	8—Revenue—Working Expenses—Operation other than staff and fuel	3,62,300

The amounts against items 1, 3 and 4 require regularisation under Article 115 of the Constitution since there was no provision for charged expenditure under these Appropriations.

9. *Investments in Private Companies and State Corporations*

A statement of investments by Railways in shares of Private Companies and State Corporations is given at page 67 of the detailed Appropriation Accounts of Railways Part II.

(a) Loans aggregating Rs. 389.96 lakhs were granted by the Government of India to the Bombay State Road Transport Corporation during the period 1953 to 1957. The Railway's contribution towards the loan amounted to Rs. 129.99 lakhs. In 1958, the loans were decided to be converted, with retrospective effect, into fully paid redeemable preference shares bearing a dividend of $4\frac{1}{2}$ per cent. Consequent on the reorganisation of the States in 1956, a sum of Rs. 3.23 lakhs out of the Railway's investment in the Bombay State Road Transport Corporation was transferred to the Rajasthan State Roadways. The recovery of dividends on these investments is very much in arrears. A sum of Rs. 22.69 lakhs is due from the Bombay State Road Transport Corporation representing dividends for the period 1955-56 to March, 1961 and Rs. 0.62 lakhs are due from Rajasthan State Roadways for the period January, 1957 to March, 1961.

Shares aggregating Rs. 71.89 lakhs in value were due for redemption upto 31st March, 1961, but only Rs. 28.87 lakhs have been received upto July, 1961 by way of redemption and interest.

The Railway Board have stated that the matter of recoveries from the Bombay and Rajasthan Road Transport authorities is being pursued vigorously and is expected to be settled shortly.

(b) The market value of the shares held by the Railways in some of the branch line companies has been persistently going down. Shares of the face value of Rs. 13.73 lakhs in the five companies listed below are now worth only Rs. 4.29 lakhs in the market, that is, less than 32 per cent of their face value.

	Purchase price	Face value	Market value as on		
			31-3-1959	31-3-1960	31-3-1961
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Katakhal Lala Bazar Rly. Co. Ltd.	78,000	1,20,000	69,000	72,000	50,400
2. Bankura Damodar River Rly. Co. Ltd.	1,62,250	2,75,000	1,34,750	1,12,750	82,500
3. Ahmedpur Katwa Rly. Co. Ltd.	1,20,000	2,00,000	1,00,000	70,000	62,000
4. Futwah Islampur Rly. Co. Ltd.	60,000	1,00,000	37,360	34,500	30,600
5. Chaparmukh Silighat Rly. Co. Ltd.	6,77,600	6,77,000	2,37,160	2,37,160	2,03,958

10. Suspense Balances

In para 14 of the Audit Report, Railways, 1961, it was stated that an *ad hoc* adjustment was contemplated in respect of certain very old items amounting to Rs. 4.56 crores of credits and Rs. 3.00 crores of debits for the period upto 1952-53 under the suspense head 'Purchases', as no verification was possible due to non-availability of the connected vouchers and other records, as well as incomplete or incorrect particulars recorded in the purchase registers. This adjustment has been made in the accounts for 1960-61. The position in regard to out-standings under the Suspense head 'Purchases' and certain other suspense heads even subsequent to 1952-53 is equally unsatisfactory as indicated below:—

A. Capital-IX-Suspense-Purchases (Coal)-Western Railway

On the Western Railway, prior to 1st November, 1954, the cost of coal wagons, consigned to loco sheds but not actually received there, was debited to the suspense head 'Purchases (Loco Coal)'. Similarly the cost of coal wagons received without identification marks or invoice particulars was credited to this head, pending availability of necessary details for their linking. On the 15th March, 1958, a debit balance of Rs. 3.46 lakhs and

a credit balance of Rs. 3.60 lakhs relating to the period from the 1st April, 1953, to the 31st October, 1954, had accumulated under this suspense head as the debits could not be linked with the corresponding credits. The debit balances are now proposed to be set off against the outstanding credits and the adjustment of the net amount is under consideration in consultation with the Ministry of Finance.

B. *Capital-IX-Suspense-9500-Stores.*

The Rules require that the balances in the Stores Priced Ledgers (which represent the actual receipt and consumption of stores) should be fully reconciled every half year with the corresponding figures in the General Books (which contain an account of these receipts and issues in the accounts of the Railway) and difference, if any, investigated and set right.

A review of the position in this respect has disclosed that large unreconciled differences existed on certain railways, as shown below:—

(i) *Central Railway*

At the end of February, 1961, a sum of Rs. 26.75 lakhs representing the difference between the Priced Ledgers and the General Books remained unreconciled. Out of this, a sum of Rs. 10.99 lakhs representing the freight and incidental charges on certain categories of stores for the period upto March, 1952 has since (September, 1961) been decided to be written off to Revenue.

A further sum of Rs. 7.50 lakhs relating to the period upto March, 1954 has been decided (December, 1961) to be cleared by debiting the Stock Adjustment Account owing to the non-availability of the connected records.

A sum of Rs. 6.58 lakhs (approx.) has since (December, 1961) been cleared. A balance of Rs. 1.68 lakhs still remains to be located and adjusted.

(ii) *Southern Railway*

On the Southern Railway a difference of Rs. 31.75 lakhs between the Priced Ledgers and General Books remained unreconciled at the end of 1959-60. The difference pertaining to periods prior to 31st March, 1957 was Rs. 14.40 lakhs, and out of this the reconciliation of a sum of Rs. 2.19 lakhs is stated to be under investigation. The balance of Rs. 12.21 lakhs has been set off against a debit balance of Rs. 27.72 lakhs outstanding under another suspense head 'Stores-in-Transit', on account of debits for stores issued but not accepted by the Departments. The net amount has been decided (December, 1961) to be cleared through Stock Adjustment Account as all efforts to link up the individual transactions have proved fruitless.

Out of the difference of Rs. 17.35 lakhs relating to the period subsequent to March, 1957, a clearance of Rs. 3 lakhs is stated to have since been made.

(iii) *South Eastern Railway*

The reconciliation of balances in the Priced Ledgers for Engineering Stores with the General Books to end of March, 1958, disclosed an excess of Rs. 30.64 lakhs in respect of 7 depots and shortage of Rs. 13.01 lakhs in respect of 6 depots. The net excess in General Books amounted to Rs. 17.63 lakhs (since reduced to Rs. 17.35 lakhs) which was the cumulative result of several years' differences. As it could not be reconciled by the Accounts Office, it was provisionally adjusted in the accounts for 1958-59 by writing down the value of stores under the head 'Capital-IX-9500-Stores' in order to bring the stores balance in accord with the position indicated in the Priced Ledgers. The question of final adjustment of the excess is still under consideration.

C. *Deposits Miscellaneous*

On the Eastern Railway, the practice upto March, 1954 was to operate the suspense head 'Deposits Miscellaneous' for recording inter-railway transactions, pending their final settlement. A credit balance of Rs. 6.51 lakhs and a debit balance of Rs. 4.30 lakhs as at the end of March, 1954 remained outstanding under this head as the relevant old records and the requisite particulars to link them could not be traced in spite of all efforts. It has been decided (October, 1961) to clear the old balances by adjusting the net amount to the head 'Miscellaneous Government Account'.

The Railway Board have stated that these *ad hoc* adjustments have been necessitated by the increase in the volume of work and the dilution in staff; and that the adjustments represent only a small percentage of the total volume of transactions operated through the suspense heads.

CHAPTER II

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

INTRODUCTORY

11. This Chapter deals with important financial irregularities noticed during the course of audit of the accounts of the year 1960-61. It includes a few irregularities pertaining to earlier years which could not be dealt with in previous reports. Certain matters relating to the period subsequent to the year 1960-61, noticed during concurrent audit, have also been included, wherever considered necessary.

CONTRACTS AND AGREEMENTS

12. *North-east Frontier Railway—Delay in fixing the rates for handling work*

The work of unloading and reloading of wagons subjected to land customs check at Gitaldah on the East Pakistan border was entrusted to the Station Master in July, 1955, at Rs. 2-4-0 per wagon. The Railway Mazdoor Union complained in January, 1956 that the Station Master was unnecessarily being paid large amounts as handling charges, since the wagons were rarely opened and the Customs authorities conducted only a visual examination. An *ad hoc* Committee was appointed in January, 1956, to investigate the matter. The Station Master was informed on the 13th February, 1956 that the rate of Rs. 2-4-0 per wagon was 'under scrutiny and may have to be revised if necessary, with retrospective effect'. The Committee observed that all wagons were not required to be fully unloaded for customs check and recommended different rates commensurate with the quantum of labour involved in the handling of each type of goods. On the basis of the report submitted by the Committee on the 23rd February, 1957, different rates ranging from -|12|- to Rs. 1-4-0 per wagon, for different commodities, were fixed on the 27th April, 1957, with retrospective effect from 1955.

The Station Master who was required in January, 1959, to refund a sum of Rs. 42,313 over-paid during July, 1955 to December, 1956, refused to do so on the ground that the Administration's letter of the 13th February, 1956, did not stipulate that in the event of fixation of lower rates, he would have to refund the difference.

In June, 1959, the Administration felt that it would not only be incorrect to apply the revised rates from a date earlier than the 13th

February, 1956, *i.e.* the date on which the Station Master was informed of the existing rate being provisional, but that it would not be possible to collect the arrears at that date. The amount recoverable from February, 1956 was assessed to be Rs. 26,138 but the Station Master has refused to pay even this amount and the legal opinion is that no recovery can be made from the Station Master now.

Although the extravagance of the rates paid to the Station Master had been brought to the notice of the General Manager in January, 1956, there was a delay of about 15 months in revising the rate. The Railway Board have stated that there has been only a reduction in net earnings and not a positive loss. Responsibility is being fixed for the various lapses in the matter.

13. *Northern Railway—Loss due to incorrect evaluation of tenders for a goods handling contract*

The Northern Railway incurred an extra expenditure of Rs. 24,510 due to incorrect evaluation of the tenders on account of omission to indicate, in the schedule to the tender notice, the quantum of work likely to be done in respect of an item.

A contract for the handling of goods at Lucknow transshipment station was awarded to a contractor on the 1st December, 1959. The rates quoted by him were adjudged to be the lowest despite the fact that for the item (where the quantum of work was omitted to be indicated in the schedule to the tender notice) he had quoted a rate of Rs. 75-0-0 per wagon as against the rate of Rs. 6.75 nP. and Rs. 8-0-0 quoted by the other two tenderers. The contractor who had knowledge of the work involved by virtue of his having held the contract in the past, evidently took advantage of this lacuna and quoted this abnormally high rate. The matter was gone into, on receipt of an anonymous complaint in June, 1960, and the Railway Administration withdrew this item of work from the contractor and entrusted it to another contractor at Rs. 6.50 nP per wagon in August, 1960. The contract was ultimately terminated in November, 1960.

An Enquiry Committee set up in July, 1960, to investigate the matter, reported in September, 1961, that the Chief Clerk (Commercial) and the Divisional Commercial Superintendent were responsible for the excess payment of Rs. 24,510 up to August, 1960 representing the difference between the rates paid and those quoted by the next higher tenderer.

The Administration state that in earlier agreements according to the schedule then in force, rates for transshipment of special goods from B.G. to M.G. wagon or *vice versa* were called for in terms of B.G. wagons only. The revised schedule brought into force, however, provided that the rates for B.G., M.G., and N.G. wagons should be called for separately. The necessity of showing separately the anticipated quantum of work against

each type or wagon is stated to have been omitted inadvertently and the entire quantum of work was shown in terms of B.G. wagons in accordance with previous practice.

Another feature noticed in this case was that some M.G. wagons were diverted to Lucknow for transshipment and about half the extra expenditure was caused by such diversions requiring transshipment at Lucknow. The Administration state that the justification for these diversions is under examination. The question of staff responsibility is under the consideration of the Administration. The Administration is also reviewing its future relations with the contractor.

14. *Southern Railway—Contract for handling sea-borne coal at Cuddalore Port*

A contract was entered into with a firm for handling coal received at Cuddalore Port during 1960-61. Under the agreement the contractor was required to land certain prescribed minimum quantities of coal each day, failing which the Railway was entitled to make alternative arrangements at the risk and expense of the contractor.

In April, 1960, soon after the commencement of the contract it was observed that the average quantities of coal unloaded by the contractor were far below the minimum quantities prescribed by the agreement. During the period from May, 1960 to August, 1960 though the contractor was repeatedly called upon to improve his outturn, there was no improvement. Complaints were received from shipping companies and the Director General, Shipping about the poor performance of the contractor which caused detention to ships. On the 1st August, 1960, the contractor was informed that unless there was an immediate improvement in his work, the question of terminating the contract and invoking the penalty clause would be considered.

As the contractor's performance continued to be unsatisfactory, the coal vessels were diverted to Madras, Tuticorin and Cochin from October, 1960 onwards. This diversion has resulted in an extra expenditure of about Rs. 5 lakhs—as estimated by Audit—on port and freight charges on coal which had again to be carried by rail to areas nearby Cuddalore. The Railway Board have stated that the extra expenditure cannot be recovered from the contractor, as the alternative arrangements could not be made at Cuddalore for unloading the coal without engaging the services of another firm that had enjoyed a monopoly of handling at this port in the past and the extra expenditure was therefore unavoidable.

ENGINEERING WORKS

15. *Southern Railway—Infructuous expenditure on the construction of catch sidings*

In March, 1955, the Railway Administration decided to provide catch sidings at 63 stations in pursuance of the recommendation by the Government Inspector of Railways in 1952 that, at stations with long and steep gradients falling towards them in either direction, catch sidings should be provided. The design of these sidings was under reference between the Railway Administration and the Research and Designs Organisation of the Railway Board till 1956. The necessity for the provision of such sidings was considered by a Committee in the Railway Board and, in July, 1958, comments of all Railway Administrations were called for on the note prepared by this Committee. Meanwhile, without waiting for a final decision of the Board, the Administration informed them in May, 1959 that catch sidings estimated to cost about Rs. 1 lakh each were proposed to be provided at 390 stations (including the 63 stations mentioned above). This information does not appear to have called for any remarks from the Board who were further informed in April, 1960 that work at 3 sidings was already in progress and that estimates for 30 others had been sanctioned during 1959-60.

It was not before October, 1960 that the Railway Board advised the Administration, during discussion, that the provision of catch sidings should be deferred till the necessity for them had been reviewed. The formal orders were issued only in March, 1961, that pending final decision the sidings should be provided only at stations where they were considered absolutely essential in the interests of safety.

As a result of the review carried out by the Railway Administration on the basis of these orders, the Administration put out of action 8 of the 9 sidings already completed. These are now being dismantled. About Rs. 6 lakhs have been spent so far on the construction and dismantlement of these 8 sidings. The infructuous expenditure after setting off the value of released material in respect of these sidings has been estimated at Rs. 94,000. The infructuous expenditure on other sidings which had been taken up but were later abandoned while in progress has not so far been assessed.

It would appear from the above that even after 8 years, no decision has been arrived at on a specific recommendation made by the Government Inspector of Railways in the interests of safety. Further, the Railway Board did not take any steps for more than a year to prevent expenditure on works which turned out to be infructuous.

16. *Central Railway—Irregular splitting up of work orders*

Minor works of repairs and maintenance not expected to cost more than Rs. 50,000 are entrusted to zonal contractors without inviting open

tenders on each occasion. The zonal contractors are so nominated for a period of one to two years after obtaining quotations from all contractors. The zonal contracts for the year 1959-61 in the Bombay area of this Railway were at 2 per cent above the standard schedule.

On the Bombay Division it was noticed that certain large works were split up so as to bring each work order within the limit of Rs. 50,000. These work orders were placed on the zonal contractors on the same date or within short periods, thereby avoiding the invitation of open tenders.

The following works were irregularly split:—

- (i) Replacing corrugated iron sheets with asbestos cement and fixing wired glasses in roofs over the platforms of Bombay V.T. This work was split up into 5 work orders totalling Rs. 92,535 and the work orders were issued between November, 1960 and February, 1961.
- (ii) Painting steel and wood works and distemping roofs and offices on local and main platforms of Bombay V.T. Station. This was split up into 4 work orders totalling Rs. 1.26 lakhs and work orders were issued between January and March, 1961.
- (iii) Painting and repairs to the old Administrative Office building at Bombay V.T. This was split up into 3 work orders totalling Rs. 96,447 and work orders were issued between January and March, 1961.
- (iv) Repainting of steel and wood work and re-roofing of sheds at Wadi Bunder Goods Depot. This was split up into 13 work orders totalling Rs. 3.32 lakhs and the work orders were issued between December, 1960 and March, 1961.
- (v) Painting of bays in the Parel Workshop. This was split up into 4 work orders totalling Rs. 1.37 lakhs and the work orders were issued between February to April, 1960.
- (vi) Painting structures in another part of the Parel Workshop. This was split up into 2 work orders totalling Rs. 76,393 and the work orders were issued between June and July 1960.
- (vii) Re-roofing parts of the Parel Workshop. This was split up into 3 work orders totalling Rs. 72,740 and the work orders were issued between January and March, 1961.

In August, 1959, when open tenders were invited for re-roofing certain portion of the Parel Workshop, the lowest rate obtained was 51 per cent below the standard schedule of rates. The irregular splitting up of works has been objected to and the regularisation of this objection is under the consideration of the administration.

17. *Southern Railway—Conversion of a halt into a crossing Station.*

In January, 1956, the halt at Pasivedala was converted into a crossing station at an estimated cost of Rs. 3.97 lakhs. In November, 1959 it was decided to reconvert the crossing station into a halt as this was expected to lead to a saving of about Rs. 22,000 per annum in maintenance and other expenses without causing any repercussion on traffic. The loopline and signalling arrangements were consequently dismantled. Allowing credit for released materials and expenditure on works still in use, the net avoidable expenditure amounts to Rs. 79,000.

18. *South Eastern Railway—Infructuous expenditure on a scheme for augmenting water supply.*

With a view to meeting shortage of water at Manendragarh station, it was decided to dig three wells and a big storage tank at Bijuri station situated at a distance of 10 miles. The water was to be carried by a pipe-line to Manendragarh. The estimate for the work costing Rs. 8.96 lakhs was sanctioned in 1957. In July, 1958, the Geological Survey of India, gave a conditional opinion about the availability of water in this locality provided the strata was underlain with Barakar stones and not shales. Orders were issued in December, 1958, for taking up the work. As an existing well in Bijuri was giving a good yield, trial borings were not made. The suggestion of the District Engineer to have trial borings was turned down on the ground that the Geological Department had already indicated that the work would be successful, and that all the trial boring sets were engaged in other important investigations. It was only in August, 1959 when about 6½ miles of pipe-line had already been laid, that the Administration decided to have trial borings. These trials were carried out in January, 1960 when it was noticed that the prospect of getting an adequate supply of water at these sites was remote. Later on it was also seen in February, 1960 that the existing well suddenly started showing signs of failure. A decision was then taken to suspend the work and to dismantle the pipe-line already laid. Dismantling has not been taken up so far. Allowing for the value of released materials, the Railway is likely to incur a net loss of Rs. 66,500 ignoring depreciation and interest charges on the pipe-line.

In a big scheme costing about Rs. 9 lakhs, the work of laying the pipe-line should not have been taken up without adequately investigating into the availability of water.

19. *Western Railway—Irregularities on a Construction Project.*

On a section of the Godhra-Ratlam Doubling project, the following irregularities in earth-work have been reported by a Fact Finding Committee :—

- (i) A sum of Rs. 48,515 was paid for removing old spoils beyond 30 feet from the cutting, whereas a clearance of only 10 feet was considered to be necessary.

- (ii) An extra sum of Rs. 46,000 was paid owing to the adoption of an incorrect basis for tendering by the contractors. The Executive Engineer substituted a rate analysis of Rs. 155-10-0 per 1000 cft. in the place of Rs. 58-7-0 per 1000 cft. as proposed by the Assistant Engineer. This resulted in the tenderers quoting a higher rate.
- (iii) A sum of Rs. 18,382 was paid for work not done due to incorrect measurements having been paid for in the running account bills. The over-payments were subsequently recovered, but the matter is still under enquiry as the contractor has not accepted the recovery.

The Committee has held the Assistant Engineer, the Executive Engineer and the Deputy Chief Engineer variously responsible for these irregularities. The last two had been held responsible for serious irregularities in the construction of coffer dams on the same project, reported in para 28 (4) of the Audit Report, 1961. Disciplinary proceedings against the officers could not be completed owing to prolonged absence of the Deputy Chief Engineer on medical grounds.

STORES

20. Loss due to deterioration of steel scrap.

In March, 1957, the Railway Board issued instructions to the Railways that, except where commitments for sale had already been entered into, no further steel scrap should be disposed of. Again in May, 1959, the Board directed that the entire quantity of re-rollable and industrial scrap should, instead of being disposed of, be withheld for being used in Railway workshops. The Workshops were, however, not able to utilise the scrap to the full extent, resulting in heavy accumulation of stock. Due to prolonged exposure and consequent deterioration some of the accumulated stock had to be reclassified into a lower category thus involving a loss of over Rs. 8 lakhs so far on six Railways as indicated below:—

Railway	Quantity accumulated	Quantity so far surveyed	Loss due to reclassification
		tons	(Rs. in lakhs)
Central	62128 tons (Upto March, 1961)	2120	3.07
Eastern	5375 tons (Upto March, 1961)	1707	2.74
Western	5837 tons (Upto March, 1961)	528	0.49
Southern	18973 tons (Upto September, 1961)	2053	1.82
South-Eastern	6656 tons (Upto September, 1960)	Not yet surveyed	Not yet assessed
North-East Frontier	720 tons (Upto September, 1960)	Do.	Do.

This loss could have been avoided if scrap had been retained with due regard to the capacity of the Railway Workshops to use it to the best advantage.

On the Central Railway, there was no system of annual reconciliation of the balances of ferrous scrap held by the various engineering subordinates with the balances in the accounts kept by the central scrap depots. A joint reconciliation undertaken from February, 1960 had so far revealed a deficiency of 11,176 tons of scrap valued roughly over Rs. 11 lakhs which cannot be reconciled for want of records. The comparison of the ground balances in the custody of the Engineering subordinates with the reconciled numerical balances is stated to be in hand with a view to ascertaining the real shortages, if any.

21. *Northeast Frontier Railway—Excess purchase of steel tyres.*

The annual consumption of carriage and wagon wheel tyres on the Northeast Frontier Railway was 1200, but the Railway procured 12,218 tyres from abroad during 1958-59. The actual consumption was 1,177 in 1958-59 and 387 in 1959-60. The future requirements were assessed to be 2,400 per annum, and retaining 7,400 tyres anticipated to be used upto December, 1962, the Railway transferred the surplus stock of 3,917 tyres to the Southern and Central Railways in March, 1961. About Rs. 1.06 lakhs were spent on freight and handling thereon. Responsibility has not been fixed so far for the exaggerated assessment of the requirements which has resulted in the avoidable expenditure of Rs. 1.06 lakhs, and blocking of capital to the extent of Rs. 4 lakhs for about 3 years.

22. *Avoidable expenditure due to the rejection of lower rate of freight.*

Railway Board's global tender dated 1st July, 1960, for the procurement of about one lakh tons of steel included 5,700 tons of thin steel sheets required by the Integral Coach Factory. The tenderers were required to quote FOB as well as CIF prices. Thirteen quotations were received for the supply of these sheets. The lowest technically acceptable quotation was \$ 167 per ton FOB and Rs. 912 (or \$ 192) per ton CIF. The CIF price was based on a freight rate of \$ 25 per ton and exchange rate of Rs. 4.75 per dollar. On the date of opening of the tenders, the lowest tenderer offered a reduction of \$ 10 per ton in freight, in respect of his CIF quotation and confirmed that this rate was 'firm'. The freight rate offered by the firm thus was \$ 15 per ton. The Railway Board did not consider the freight reduction offered by the firm and awarded the contract for the supply of 5,287 tons on a FOB basis at the rate of \$ 167 per ton. The Ministry of Transport and Communications who were addressed for arranging shipment, shipped the material at a freight of \$ 24 per ton approximately. This has resulted in expenditure of about Rs. 2.25 lakhs over and above the revised CIF offer by the firm.

The Board are unaware of the reasons why more advantageous shipping rates than actually paid could not be obtained.

23. *Eastern Railway—Extra expenditure on purchase of rice.*

An order was placed on a firm on the 1st April, 1959, for the supply of 16,000 and 2,000 maunds of rice to Asansol and Howrah Grain Depots at a rate of Rs. 22.49 and Rs. 22.89 per maund respectively. The supplies were to be completed by the 30th April, 1959, later extended by a month on the firm's request, but there were no conditions restricting the source of supply. After supplying 4,535 maunds of rice the firm expressed its inability on the 25th May, 1959 to supply further quantities on the ground that the State Government had imposed restrictions on inter-district movements. No penalty was imposed on the firm for not completing the supply as per contract. Fresh tenders were thereafter invited without restricting the source of supply and 11,000 maunds of rice intended for the same depots were purchased from the same firm between 15th June and 31st July, 1959 at rates which were higher by Rs. 7.24 per maund on an average, as compared to the earlier contract. This has resulted in an additional expenditure of Rs. 50,550.

As the contract had not restricted the source of supply, the Railway should have insisted that the firm should supply the rice against the first contract.

24. *Southern Railway—Loss due to purchase of defective paint.*

540 Gallons of paint required urgently for painting the Godavari Bridge were purchased from a firm in November, 1958. Samples approved earlier by the Chemist and Metallurgist had been sent to the Permanent Way Inspector to enable him to check up the supply on receipt. The supplies were accepted to be in good condition and certified for payment without testing the supplies.

When the stock was opened up for use in June, 1959, the paint was found to be defective and not according to specification. 465 gallons of paint valued at Rs. 17,902 was therefore returned to the stores department. The firm refused to replace it on the ground that the normal keeping property was only 4 months. On the defective paint being tested in August, 1960, it was noticed that the lead content was only 20.6% as against the minimum specification of 93.15%. The firm, however, refused to accept this as conclusive because the test was carried out after a delay of nearly two years. The Chemist and Metallurgist as well as the Law Officer of the Railway have observed that the failure to test representative samples from the supplies made by the firm was a serious omission on account of which a positive stand could not be taken that the paint was not according to specification when the firm actually supplied it.

No responsibility has so far been fixed for the failure to compare the supply with the approved sample before accepting the same as in good condition and certifying the firm's bills for payment. The delay of nearly a year in carrying out the test, even after the defective paint was returned to Stores Department, in September, 1959, has also not been explained. The defective paint valued at Rs. 17,902 is still lying unused, and the loss is yet to be regularised.

The Railway Administration state that as the supply was received in sealed tins with double corks, it was not possible for the consignee to open the tins and have the contents tested before accepting the suppliers bill and the supply was accepted as it bore the ordered and tested brand.

25. *Avoidable expenditure due to overstocking of steel.*

An overall drive was instituted by the Railway Board for an all round reduction in stores balances. As on 1st April, 1959, the value of overstocks representing items in excess of the normal anticipated requirements upto 31st March, 1961, was Rs. 7.9 crores. As this included Rs. 3.27 crores worth of steel, the Railway Board decided to liquidate such of the overstocks of steel as were not likely to be utilised before 31st March, 1961. It was assessed in November, 1959 that about 53,000 tons of steel with a book value of Rs. 3.5 crores was available for disposal, ignoring individual items of less than 20 tons.

The overstocks of steel have been brought down to 13,000 tons as on 1st July, 1961. Bulk of the quantity was transferred among the Railways and Production units. But, about 4,000 tons have been sold to the State Government, non-Government and semi-Government undertakings at controlled rates. Such sales have resulted in a loss amounting to Rs. 1.42 lakhs due to the difference between the book rate of the accumulated stocks and the controlled rates at which they were sold. The Railway Board have stated that this difference really represents the subsidy which the purchasers would have obtained from the Steel Equalisation Fund. To this loss borne by the Railways should be added the estimated cost of Rs. 2.58 lakhs on account of freight and incidental charges incurred in procuring the steel originally.

26. *Eastern Railway—Extra expenditure due to air lifting of Diesel Loco spare parts.*

During the period March to October, 1961, a large number of spare parts for diesel locos were obtained from U.S.A. by air to meet the emergency created by a spate of engine failures in the Gaya Section. A sum of Rs. 83,693 was spent on air freight whereas it would have cost only Rs. 1,071 by the sea route.

Even though the Mechanical Department had sent in their requisitions in the earlier part of 1960-61, orders for the spare parts were placed

piecemeal on the Director General, Supplies and Disposals only from January, 1961 to September, 1961. These delays necessitated air-lifting. With proper planning and coordination, the air lift could have been avoided to a large extent and the more economical sea route could have been followed.

27. *Southern Railway—Infructuous expenditure on steel sleepers.*

Although 44,000 pairs of steel sleepers were sufficient for replacing the wooden sleepers on the 20 mile stretch of the Mysore-Arsikere section, and the Administration had, by April, 1957, procured a total of 47,951 pairs of indigenous sleepers, a further quantity of 73,740 imported sleepers were procured for this work during 1957-58 against orders placed in September, 1956, May, 1957, June, 1957 and November, 1957.

In October, 1957, the Administration decided to stop the work after completing only 6½ miles as it was then considered that the percentage of unserviceable sleepers in the remaining portion of the track was within the limits and there was no justification for continuing the work. The work was accordingly stopped in April, 1958 after utilising only 13,362 pairs of CST sleepers, leaving a surplus of 34,559 pairs of indigenous sleepers and the entire quantity of 73,740 imported sleepers.

During April—June 1960, that is, about two years later, 33,564 pairs of indigenous sleepers and 66,219 imported sleepers were transferred to the Western Railway/other divisions at a cost of about Rs. 1.32 lakhs on freight. 1,925 pairs of indigenous sleepers and 20,690 imported sleepers still await disposal.

It would appear that the infructuous expenditure on the movement of surplus sleepers was caused by the work having been taken up without a proper investigation into the condition of the existing sleepers, and a much larger quantity of sleepers than what was necessary having been brought to the work spot.

28. *Extra expenditure due to delay in acceptance of tenders.*

Some instances where delays in the acceptance of tenders have resulted in additional expenditure are indicated below:—

Central Railway

Limited tenders invited for 4 tons of Gum Arabic were due to be opened on the 7th September, 1956 and were to be normally finalised within 30 days from the date of opening. An order was placed on the lowest tenderer at Rs. 97-14-9 per cwt. in December, 1956, that is more than three months after the opening of the tenders; and the firm refused to comply with it. Fresh tenders were invited and opened on the 29th March, 1957 and an order was placed again after a delay of about three

months at the rate of Rs. 125-5-0 per cwt. This was also returned unaccepted by the tenderer. Tenders were issued for the third time in August, 1957 and supply was arranged in October, 1957 at a higher rate of Rs. 196.98 per cwt. resulting in additional expenditure of Rs. 7,925.

In response to a tender for supplying certain types of switches, a firm quoted a rate of Rs. 1,536 exclusive of sales tax on the 7th February, 1958, stating that the quotation would be valid for a period of thirty days. The case remained under correspondence between different Departments regarding justification for purchase, requirement of foreign exchange etc. and on the 14th October, 1958, the firm informed that if their quotation was not accepted by 31st October, 1958, they would be obliged to increase the price. Action on the firm's communication was initiated only on the 6th November, 1958, and the firm was asked on 10th November, 1958, to quote afresh. The revised quotation of Rs. 1,669.50 inclusive of sales tax was accepted and order placed in May, 1959, resulting in an additional expenditure of Rs. 6,804.

It has been stated that the proposal to purchase the switches involved foreign exchange, requiring thorough examination, and it was not possible to place the orders in time because of the increase of work in the Purchase Section for which no additional staff had been sanctioned.

Eastern Railway

Tenders for supplying bricks in Asansol Division were opened on the 7th September, 1959. The Divisional Superintendent's recommendations were forwarded to the Chief Engineer on the 5th November, 1959. The Chief Engineer approved the lowest tendered rate of Rs. 46.50 per thousand bricks on the 7th December, 1959, and this was intimated to the contractor on the 12th December, 1959. But on 28th December, 1959 the contractor expressed his inability to accept the offer due to late acceptance of the tender. Fresh tenders were, therefore, called for in March, 1960 and the lowest available rate was Rs. 58.25 per thousand. It was the same contractor who had earlier quoted the rate of Rs. 46.50 per thousand. The additional expenditure thus incurred was Rs. 9,200.

Tenders for supplying bricks in Dinapore Division were opened on the 29th August, 1959. The Tender Committee met on the 30th September, 1959, and the Divisional Superintendent's recommendations were forwarded on 14th October, 1959 to the Chief Engineer who communicated his approval of the lowest rate of Rs. 33.50 per thousand bricks on the 20th November, 1959. The contractor refused to supply the bricks at this rate because the decision had been communicated two and half months after opening of the tenders. Limited tenders were, therefore, invited in March, 1960, and the lowest rate of Rs. 42 per thousand bricks was accepted, resulting in an additional expenditure of Rs. 5,100.

EARNINGS

29. *South-Eastern Railway—Heavy arrears in the recovery of rent for railway land leased to outsiders*

In para 9 of the Railway Audit Report, 1957, a mention was made about the heavy arrears in the recovery of rent from the lessees on three stations of the South Eastern Railway. The Railway Board had informed the Public Accounts Committee that with the enactment of Public Premises (Eviction of Unauthorised Occupants) Act, 1958, it was hoped that the position would improve, and that in future it might be possible to secure readily the eviction of defaulting licensees and obviate accumulation of arrears of rent. The position in respect of two of the three stations reported in the 1957 Report has in fact deteriorated. The total outstandings on account of rent for land at all stations on this railway amounted to Rs. 7.99 lakhs at the end of December, 1960. The periods for which these recoveries are outstanding range from one to seventeen years. The Railway Board have stated that at the end of August, 1961, the dues amounted to Rs. 6.46 lakhs and that legal action is being taken to recover a part of these dues and to evict unauthorised occupants.

Under the extant orders issued by the Railway Board, rents of railway land leased to outsiders have to be revised periodically on the basis of market price as ascertained from revenue authorities. A revision due on the South Eastern Railway in October, 1955 could not be done until November, 1959, resulting in a loss of revenue of about Rs. 5.24 lakhs in 21 stations. The delay has been attributed mainly to the difficulty in obtaining information regarding the market value of land from the revenue authorities.

30. *Eastern Railway—Incorrect recovery of freight charges from a private firm*

Freight amounting to Rs. 3.40 lakhs is outstanding against a firm enjoying credit note facility, on account of Railway's failure to apply the correct rate over a period of about 6 years from September, 1953 to May, 1959.

Although the special station to station rate of 0-3-11 pies per maund applicable to traffic of Silica stone between Bihar Shariff and Kumardubi siding was cancelled with effect from 1st September, 1953, the traffic continued to be charged at this special rate upto 21st May, 1959, as against the tariff rate of 0-7-7 pies per maund upto 30th September, 1958 and 64 nP per maund from 1st October, 1958 onwards. The undercharges amounted to Rs. 3.40 lakhs.

The mistake was initially detected in internal check in April, 1956, when undercharges amounting to Rs. 27,993 were raised against the station concerned. Although the Goods clerk of the siding specifically informed the Chief Commercial Superintendent in September, 1956 that the firm was not agreeable to pay the freight at the normal tariff rate, it was only in July, 1957 that the Administration initiated investigation as to whether the cancellation of the special rate had been notified. It took the Administration two years to ascertain that the cancellation of the special rate had not been notified and a further two years to actually notify it. The firm was informed only in June, 1961 that the special rate should be treated as cancelled retrospectively from 1st September 1953. Meanwhile the firm had started paying the freight at normal tariff rate from May, 1959.

The Administration requested the firm in June, 1961, to pay the outstanding freight amounting to Rs. 27,993 which the firm declined to pay on the plea that no notification was issued withdrawing the special concessional rate. The balance of the amount had neither been debited against the station nor claimed from the firm.

Had proper action been taken to rectify the mistake at least when it was initially detected in April, 1956, undercharges to the extent of Rs. 1.56 lakhs would have been avoided. No action has been taken against the staff responsible for the continuance of the irregularity for about 6 years. The Administration state that this action is now being initiated.

31. *Northeast Frontier Railway—Non-recovery of License fee and rent in Railway Bazars*

A total sum of Rs. 3.46 lakhs was outstanding at the end of March, 1960 on account of license fee and rent for the period 1950-51 onwards in respect of land and stalls leased out in the Railway Bazars at Amin-gaon, Alipurduar, Pandu and Lumding. In addition, it was estimated in June, 1960 that a sum of Rs. 2.55 lakhs was recoverable from several unauthorised occupants.

Although the rents had been revised from time to time since 1950, the occupants did not pay the rent even at the original rates. In July, 1960, it was decided, in consultation with the Railway Board that the rents due at the original rates should be collected in 3 or 4 instalments. For the future the rates were to be revised on the basis of 6 per cent of the capital cost of land together with charges for water and conservancy services. The tenants who refused to pay the revised charges were to be evicted. Under this arrangement, only a sum of Rs. 56,335 has been realised upto December, 1961 as against the arrears of Rs. 3.46 lakhs. A further sum of Rs. 2.55 lakhs is also due from unauthorised occupants.

As the agreements were renewable from year to year, there was nothing to prevent the Railway from enforcing the revised rates from time to time and refusing to renew the agreements where the tenants declined to accept these rates. It is stated that the work of eviction of the unauthorised occupants as well as defaulters has since been taken in hand but the Administration is handicapped for want of certified land plans or cadastral maps. Extra posts of technical staff have been sanctioned by the Board for making land plans and the work is intended to be taken up when the staff is available.

32. *Northern Railway—Loss of revenue owing to errors in Distance Tables*

Due to errors in the conversion of distances into kilometres on the Ghaziabad-Guldar, Shahjahanpur-Hardoi and Ghanauli-Sirhind Sections, the Northern Railway lost approximately Rs. 4.58 lakhs in its earnings from the 1st April, 1960. The correct distances were notified on the 2nd April, 1961, 15th May, 1961 and 16th June, 1961 respectively.

The Railway Board state that these were a few stray cases of errors in converting the distances, and that the question of fixing responsibility therefor is under consideration.

COMPENSATION CLAIMS

33. *Northern Railway—Delivery of consignments against forged Railway Receipts*

A compensation of Rs. 1.98 lakhs was paid by the Northern Railway because of the delivery of consignments to spurious parties against forged Railway Receipts.

(a) During the period October, 1956 to January, 1957, nine wagons containing several consignments of sugar booked from the North-Eastern Railway to stations on South-Eastern, Western and Central Railways, were passing through Moghalsarai. At Moghalsarai, their labels were changed so as to show Lohta as the destination. The contents were delivered at Lohta against forged Railway Receipts, although this station was not open for wagonload consignments, and the particulars of the commodity recorded on the forged Receipts did not agree with the contents of the wagons. The rightful owners were paid a compensation of Rs. 1,56,667.

The fraud was investigated by the police, and six businessmen of Benaras and three Railway employees committed to Sessions in November, 1959. The Railway employees have been acquitted, and four businessmen

have been sentenced in December, 1961 to various terms of imprisonment. Departmental enquiry against the employees has not been initiated so far because the relevant records had been taken over by the Police. Instructions were issued in October, 1959 to guard against Railway Receipts which *prima facie* do not appear to be genuine.

(b) A tank wagon containing mustard oil booked from Belanganj to Sasaram in December, 1956 was fraudulently diverted to Kanpur and the contents delivered against a forged Railway Receipt. The rightful consignee was paid a compensation of Rs. 41,847. The fraud is suspected to have been committed with the connivance of some Railway staff. The forged receipt had been prepared on a Central Railway form although Belanganj station uses only Northern Railway forms and the invoice number of the forged receipts was not in the same series of numbers as those on other receipts received from Belanganj. The forged Railway Receipt was prepared from a Central Railway Receipt Book lost by the Agra Cantonment station in December, 1956 although its loss was reported only in February, 1957.

The file on which the claim was dealt in the Chief Commercial Superintendent's office is stated to be not traceable. No departmental action has so far been taken against the Railway staff at fault, as the Railway Police and the Law Officer of the Railway Administration are of the view, that such action would reduce the value of the evidence of the employees as prosecution witnesses in the case which is *sub-judice*. Instructions have been issued to guard against such frauds.

34. Delay in fixation of staff responsibility in connection with compensation claims

The Railway Board have stressed from time to time the necessity for tightening up the procedure for fixing staff responsibility promptly as a measure for preventing compensation claims. Despite these directives, it is seen that the fixation of staff responsibility is pending in a large number of cases on some of the Railways. The number of cases considered for disciplinary action *vis-a-vis* the cases finalised during 1957-58 to 1960-61 on the Railway concerned are indicated below.—

Railway	Cases considered for disciplinary action	Cases where action has been completed	Cases where action is pending	Percentage of cases not finalised	Cases outstanding for more than one year
South-Eastern	10,991	1,823	9,168	83%	5,769
Southern*	13,340	2,505	10,835	81%	5,126
Northern	14,913	7,047	7,866	53%	6,427
Western	24,992	10,302	14,690	59%	8,428

*The figures are for calendar years 1959 and 1960 only.

The Railway Board state that special measures are being taken to expedite the fixation of staff responsibility.

OTHER TOPICS OF INTEREST

35. *Southern Railway—Delay in receipt and check of monthly Stores Returns and delay in regularisation of shortages.*

Engineering subordinates entrusted with the custody of stores are required to submit monthly returns showing receipts, issues and balances of all items of stores for check by the Divisional Engineers. The following figures, as on the 30th June, 1961, would indicate the unsatisfactory state of affairs in regard to the submission and check of these returns:—

Year	Returns due to be received.	Returns received.	Returns received but not scrutinised.
1957-58	6774	5224	670
1958-59	8120	7004	1649
1959-60	12514	10608	3500
1960-61	14389	8601	3022

If the returns are not checked promptly and regularly, it is difficult to fix responsibility for shortages and other irregularities which might come to notice subsequently during stock verification or at the time of transfer of charge. The Railway Board have stated that the arrears which have been continuously under their attention, have been largely pulled up.

A few instances of delay in regularising the shortages revealed in handing over statements of engineering subordinates are indicated below:—

- (i) A Permanent Way Inspector handed over charge of a section in December, 1954. The scrutiny of his handing over statements revealed shortages valued Rs. 1,158 which were communicated to him in December, 1956, after a delay of two years. When the same Inspector handed over charge of another section in June, 1957, the scrutiny of his handing over statements disclosed shortages valued Rs. 19,663 and these were communicated to him in March, 1958, after a delay of eight months. On a third section which he handed over in October, 1957 shortages valued Rs. 16,092 were noticed and communicated to him in June, 1958 after a delay of seven months. The Inspector retired from service

in November, 1957, but has not yet been settled up. The aggregate shortages amounting to Rs. 36,913 have also not been regularised so far. The Inspector had stated in March, 1958, that no corrections were pointed out earlier in respect of the periodical returns submitted by him and the figures were, therefore, taken as correct and carried forward from year to year.

- (ii) The check of an Inspector's handing over statements of January, 1957, disclosed shortages valued at Rs. 1,682. He retired from service in July, 1957. After about four years, in February, 1961, a further sum of Rs. 18,559 was found to be recoverable from him on account of certain other discrepancies. The final dues of the Inspector have not yet been settled.
- (iii) Shortages aggregating Rs. 12,526 disclosed in an Inspector's handing over statements of June 1955, September, 1956 and February, 1957, were advised in October, 1960 for recovery. The Inspector had been already removed from service in June, 1958. He has not yet been settled up.

A committee consisting of an Engineer and an Accounts Officer has been constituted in May, 1961 to examine these and a few other similar cases pointed out by Audit.

South Eastern Railway.

The handing over note of an Inspector who handed over charge of a Stores Depot in October, 1957, revealed shortages of rails and permanent way materials valued Rs. 50,000. These were reported by the District Engineer to the Chief Engineer in November, 1958, for instructions regarding the action to be taken against the Inspector. It has been stated that after a detailed investigation in 1961, the shortages have been assessed at Rs. 26,458 and the Inspector held responsible for only Rs. 420. The balance is being written off.

Northern Railway.

An Inspector of Works was arrested on the 24th November, 1958, for interrogation in connection with an alleged theft of 380 bags of cement from his godown. He was placed under suspension without making proper arrangements for taking over charge of the stores in his custody and verifying the stocks in hand with the books. A verification undertaken in April, 1959, and completed in January, 1960 revealed shortages

of stores valued about Rs. 20,000. The Inspector refused to accept any responsibility for the shortages on the ground that the verification was not done during his tenure. No action has so far been taken to fix responsibility for the shortages and for its write off. An Enquiry Committee has been appointed in January, 1962 to investigate into the case and to fix responsibility.

Eastern Railway

(i) An Inspector of Works handed over charge of a section on the 15th April, 1959. Materials worth Rs. 24,975 (approximately) were found short. A departmental Committee is still investigating into this shortage.

The Administration has explained in December, 1961 that while shortages were under examination, an instance of excess issue of materials to a Contractor by the same Inspector of Works was brought to notice. The charge sheet originally issued was, therefore, revised specifying higher penalty than was previously contemplated thus delaying the process.

(ii) In a construction office, an Inspector of Works took over charge on the 12th August, 1957, without verifying the stock of materials. After about 5 months when he conducted a verification a shortage of stores estimated at Rs. 20,000 was noticed. When the stores were checked afresh by the Stock Verifier in February-March, 1958, the shortages were reported to be only Rs. 9,562.14. It has been stated that on enquiry, the shortages were largely compensated by excesses in analogous items and, therefore, no responsibility could be fixed on the Inspector. The shortage is being written off.

36. Posts operated without sanction.

In Paragraph 14 of the Railway Audit Report, 1954, mention was made of provisional payments made for a period exceeding 3 months in anticipation of sanction. Following the recommendation of the Public Accounts Committee in Para 71 of their Thirteenth Report (1954-55), the Railway Board issued instructions to the Railway Administrations in December, 1955 that within a period of 3 months all necessary steps must be taken for regularising the unsanctioned posts by obtaining competent sanction, and that there should be no cases where provisional payments have to be made in excess of the period of 3 months merely to avoid an infringement of the Payment of Wages Act. A review of the position as on the 1st October, 1961, has indicated that on almost all Railways, a large number

of posts were operated without sanction for periods even exceeding one year as shown below:—

Railway	No. of posts operated without sanction.	
	Over 3 months	Over a year
Southern	621	185
North Eastern	256	25
Eastern	767	362
Northern	169	156
South Eastern	434	62
Central	531	114

The Railway Board state that efforts have been intensified to formulate timely proposals and accord sanctions for extensions of temporary posts.

37. Delay in recovery of amounts due from other Government Departments State Governments, Public Bodies etc.

Certain instances of delays in the recovery of dues from the Government Departments, Public Undertakings etc. were mentioned in para 50 of the Audit Report, 1961. The present position (as on 31-3-1961) is that the Eastern Railway has preferred bills on the Government of West Bengal for the dues from February, 1945 to March, 1960. The dues for 1960-61 amount to Rs. 1.19 lakhs. The Central Railway Administration had assessed the dues from the Bombay Municipal Corporation as Rs. 3 lakhs. No advice has been received regarding its recovery. As regards the conservancy charges amounting to Rs. 5.5 lakhs due from the State Governments, bills have been preferred and payment is awaited. Rs. 2.10 lakhs due from a State Government have been mostly realised by the Southern Railway.

Some more instances of delays which have come to notice are indicated below:—

Southern Railway

A sum of Rs. 1.71 lakhs for the period 5th March, 1945 to 21st June, 1952 is outstanding against the Defence Department and a sum of Rs. 2.58 lakhs for the period 22nd June, 1952 to 30th September, 1954 is outstanding against the Hindustan Machine Tools in respect of a siding at Jalahalli. The siding was dismantled in August, 1959. Charges from the 1st October, 1954 onwards amounting to Rs. 1.52 lakhs are not proposed to be recovered on the ground that no expenditure had been incurred on the maintenance of this siding till it was actually dismantled, and that

this siding was not in use. The siding could not be dismantled earlier as the State Government and some other Ministries had informed the Railway Board about their interest in it, although without a firm commitment.

North-east Frontier Railway

The road decking over a railway bridge was completed and opened to traffic in 1948. The Ministry of Transport had earlier accepted the liability for the cost of provision and maintenance of purely road facilities over the bridge. The Railway Administration, however, did not prepare estimates immediately for acceptance by the Road Authorities, nor was any agreement executed as required under the rules. This is stated as being due to the fact that the entire question of possible use of the bridge by different Ministries of the Government of India and by the State Government was under prolonged consideration. These estimates are now under preparation for submission to the Ministry of Transport. It has also been proposed by the Railway Board that the Ministry of Transport may take over the bridge at the depreciated value as it is now clear that the bridge will not be required by the Railway. The incidence of charges between the Railway and the Road Authorities was decided only in 1960, more than 12 years after the opening of the bridge for traffic. It is estimated that a sum of Rs. 8.46 lakhs is due to be recovered for the period May, 1948 to March, 1961.

Western Railway

Freight charges amounting to Rs. 3.48 lakhs are outstanding against the ex-Saurashtra State Government since January, 1952.

Prior to the integration of the ex-Saurashtra Railway with the Western Railway, the State Railway dues for the services rendered to other State Government Departments, were recovered in cash. After the integration, the system of book adjustment was introduced from February, 1952, but the procedure of adjustment of the bills then outstanding was not settled and consequently neither cash payments were obtained nor the relevant vouchers (credit notes etc.) were retrieved from other Departments for effecting book adjustment.

Debits for these charges, subsequently raised by the Railway against the State Government in 1953 were not accepted by the latter for want of original vouchers which had already been sent by the railway to the departments concerned along with the freight bills for cash payments and which were not traceable with the latter. From 1956 onwards, the matter has been under correspondence with Saurashtra and the successor State Governments. The Government of Maharashtra have stated that as the liability pertained to the ex-Bombay State, its allocation as between the successor Maharashtra and Gujarat States is under examination by their Law and Judiciary Departments.

38. *Delay in the clearance of Material at Site Accounts.*

Under the rules, all materials obtained specifically for a work are borne under an accounts head "Material at Site Account". As and when they are actually used up, their value is debited to the relevant final heads. The balance under this head thus represents materials obtained for specific works but not consumed. When it is anticipated that the materials would not be consumed on the work, these are required to be returned to the Stores Depot, or transferred to other works likely to require them or otherwise disposed of to the best advantage of the Railway. The need for the prompt clearance of the materials at site accounts has been repeatedly emphasised in the Railway Board's Inspection Reports.

The following table indicating the position on various Railways as on 31st March, 1961 would show that heavy balances are lying in the material at site accounts of different works, although the works on which the materials were to be used had in some cases been completed as early as 1955-56 and 1957-58, and on the South Eastern Railway, even earlier:—

Name of the Railway	No. of works physically completed	Amount outstanding under material at site accounts on 31st March, 1961 (in Rs. lakh)	Years in which works were completed	Remarks
Southern	80	132·87	1955-56 . . .	1
			1956-57 . . .	Nil.
			1957-58 . . .	3
			1958-59 . . .	6
			1959-60 . . .	37
			1960-61 . . .	25
			1961-62 . . .	8
			80	
Central	40	182·57	1957-58 . . .	3
			1958-59 . . .	7
			1959-60 . . .	2
			1960-61 . . .	28
			40	
South-Eastern	36	141·15	The works were completed during the period from April 1954 to March 1961.	

Northern . . .	8	11.74	1958-59 . . .	2
			1959-60 . . .	4
			1960-61 . . .	4
				<u>8</u>
Eastern . . .	15	3.25	1959-60 . . .	3
			1960-61 . . .	12
				<u>15</u>
TOTAL . . .	179	471.58		

On the Central Railway, the material-at-site accounts were not being properly submitted and checked and the balances were also not verified either departmentally or by the Stock Verifiers.

The failure to take timely action for the clearance of material-at-site accounts by releasing the material for disposal or use elsewhere not only results in avoidable locking up of capital and expenditure on watchmen etc., but also in loss due to shortage and deterioration. The Railway Administrations state that the amounts outstanding under material-at-site head largely represent the value of stores already returned to Stores Depots or transferred to other works, financial adjustments for which are now being expedited.

LOSS OF ASSETS

39. A few important cases of losses due to fire and thefts are indicated below:—

Northern Railway.

A loss of Rs. 1.30 crores occurred in March, 1961, on account of fire in the Sleeper Depot at Dhilwan. A Departmental Enquiry Committee consisting of Railway Officers, which investigated the matter could not establish the cause of the fire but suspected it to be due to sabotage by some miscreants. The Committee, however, reported that the fire was detected too late and held a chowkidar guilty of gross negligence in the discharge of his duties, as he was absent from his sector and hence did not detect the fire promptly. The Chowkidar has been removed from service. The Superintendent of the Depot was also held responsible for slack supervision and his increment has been withheld temporarily for one year. The loss is being written off in the accounts of 1961-62.

South Eastern Railway.

A loss of about Rs. 55,000 occurred in May, 1960 on account of fire in the godown of the Lost Property Office at Ramkristipur. None could be

held responsible for the fire but the Police Report indicated that the goods had not been stored in the godown in keeping with the rules and there was contributory negligence on the part of Railway authorities.

The unsatisfactory state of affairs in the Lost Property Office in regard to the sorting, stacking and stock-taking of consignments had been repeatedly brought to notice by Accounts and Audit since 1956, and there was delay of several years in the disposal of a large number of consignments. The Railway Administration state that proper storage arrangements could not be made due to paucity of accommodation and steps have now been taken to improve the arrangements.

Eastern Railway.

Railway track, condemned wagons and other material, valued Rs. 2.48 lakhs, were stolen from two sidings on the Eastern Railway.

A siding in the Haliashahar Yard was being used from 1947 for stabling condemned wagons under dispute with the Pakistan Government. On the spot surveys conducted in 1953, and later in September, 1957, revealed that 3,930 feet of railway track with fittings valued at about Rs. 28,000 had been stolen. In addition, component parts of the wagons stabled on the siding, valued Rs. 1.56 lakhs, were stolen between 1950 and 1957. The thefts are stated to have occurred despite the fact, that the matter was brought to the notice of the Police and departmental arrangements for watching the track had been intensified.

Owing to congestion in the Haliashahar Yard, some of the condemned wagons were stabled on the Ganges siding in 1950, pending their disposal by auction. The Security Branch and the local police had been requested to keep a watch over these wagons, but thefts could not be prevented. A stock taking in 1957, revealed that out of 117 wagons awaiting disposal, 53 complete wagons and component parts of 50 other wagons, valued Rs. 64,000, had been removed by some miscreants. The connecting track had also been pilfered, thus rendering movement of the remaining wagons impossible.

Enquiry Committees set up to investigate the losses could not fix the responsibility on any one. The losses have not yet been written off.

40. *Central Railway.—Shortages of type metal in a Printing Press.*

The stock verifications conducted in August, 1955 and September, 1958 revealed shortage of types and type metal valued Rs. 1,01,446. Even after allowing for an overall wastage of 4 per cent on account of melting, wear and tear etc., as decided by the Administration in December, 1961, a net shortage valued Rs. 55,000 remains to be accounted for. In the

absence of any other known causes, the Administration have attributed the shortage to undetected thefts and pilferage which were rendered possible on account of lack of adequate security arrangements. Certain remedial measures were recommended in July, 1955, October, 1955 and February, 1956 by the Enquiry Committees appointed to investigate into some petty thefts and pilferages. Some of these measures have been implemented and the Administration have stated that the others will be implemented when a portion of the press is shifted from its present location to the newly constructed extension. The loss is yet to be written off.

41. *Northeast Frontier Railway—Shortage of coal.*

The Expert Committee on Coal Consumption 1958, estimated that about 1 percent of the coal despatched to Railways was lost by pilferage during transit from collieries to sheds. In the Accounts of the Northeast Frontier Railway for 1958-59, 1959-60, 1960-61, sums of Rs. 9.39 lakhs, Rs. 11.68 lakhs and Rs. 12.61 lakhs respectively representing the value of coal found short have been written off. The shortages of coal in transit work out to 7.3% in 1957-58, 7.6% in 1958-59, 8.8% in 1959-60 and 10% in 1960-61.

The unduly heavy incidence of shortages on this railway is stated to be due to the losses in transit of coal received by the Indo-Pakistan route and in open wagons.

42. A summary of the cases of losses mentioned in the detailed Appropriation Accounts is given in the annexure to this report.

New Delhi
Dated the 10th March, 1962
19th Phalgun 1883

M. S. BHATNAGAR,
Director of Railway Audit.

Countersigned

New Delhi

Dated the 10th March, 1962.

19th Phalgun 1883.

A. K. ROY,
Comptroller & Auditor General of India.

ANNEXURE
(See para 42 of the Report)

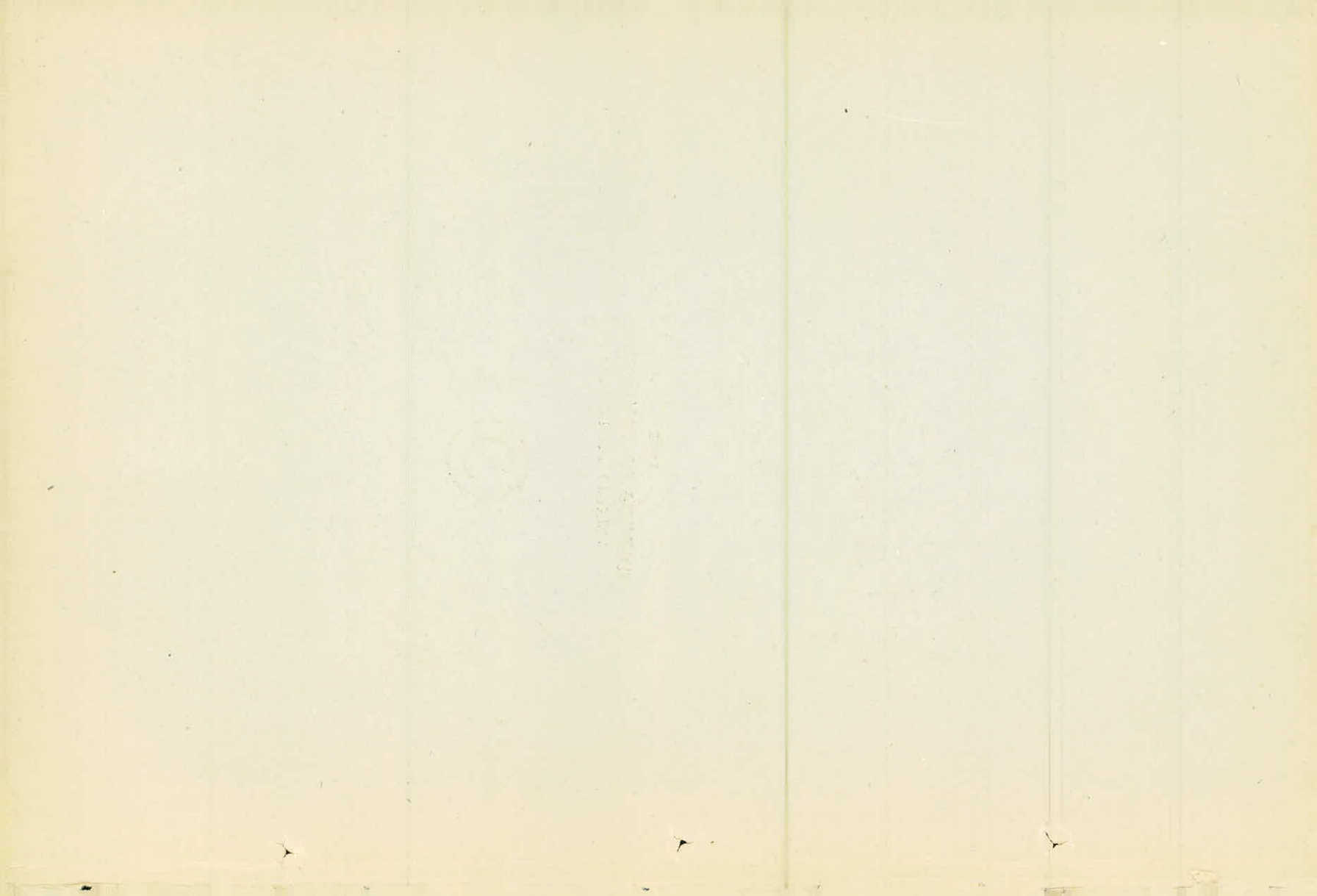
LOSSES

(Figures in units)

Number and name of the grant	Total number of losses or irregularities	Total amount of losses etc. under each grant	Brief subject
1	2	3	4
		Rs.	
2—Revenue—Miscellaneous Expenditure.	3	145	
4—Revenue—Working Expenses—Administration.	56	71,935	A fraud involving Rs. 46,000 and a theft involving Rs. 14,000. The balance (Rs. 12,000) is made up of minor items of losses due to thefts, irrecoverable dues, overpayments etc. involving less than Rs. 10,000 individually.
5—Revenue—Working Expenses—Repairs and Maintenance.	1,40,606	52,33,379	Includes Rs. 12.08 lakhs due to losses in 34 accidents, each involving more than Rs. 10,000; Rs. 8.21 lakhs due to losses in 11 cases by fire, floods etc., each involving more than Rs. 10,000; one theft involving Rs. 18,000, irrecoverable dues from a firm Rs. 11,000. The balance Rs. 31.76 lakhs, is made up of minor items.

1	2	3	4
6—Revenue—Working Expenses— Operating Staff.	127	Rs. 22,474	Mainly due to over- payments to staff individually not more than Rs. 10,000 and written off as irrecover- able.
7—Revenue—Working Expenses— Operation (Fuel).	10	7,838	Mainly due to write off of irrecoverable dues from a contrac- tor.
8—Revenue—Working Expenses— Operation other than staff and fuel.	5,906	4,53,482	Includes Rs. 58,000 in 4 cases of thefts and frauds involv- ing more than Rs. 10,000 each; Rs. 16,000 on account of a fire. The balance Rs. 3.79 lakhs is made up of minor items of losses due to acci- dents, fire, thefts etc.
9—Revenue—Working Expenses— Miscellaneous Expenditure.	3,176	1,09,068	Includes Rs. 34,000 in 2 accidents, a write-off of Rs. 25,000 originally granted as advance of pay to certain staff who had mi- grated from Pakistan but not recovered. The balance of Rs. 49,000 is made up of minor items of losses due to thefts, overpay- ments, floods etc.
10—Revenue—Working Expenses— Labour Welfare.	1,838	6,804	} Made up of minor items of losses due to thefts, irrecoverable over- payments etc.
13—Open Line Works—Revenue— Labour Welfare.	1	65	
14—Open Line Works—Revenue— Other than Labour Welfare.	2	4,287	
15—Construction of New Lines	2,473	52,449	Made up of minor items of losses due to floods, fire, storms, thefts, shortages, breakages etc.
16—Open Line Works—Additions	328	93,961	Includes Rs. 12,000 as infructuous ex- penditure in one case; Rs. 13,000 lost due to a fire

1	2	3	4
		Rs.	The balance Rs. 69,000 is made up of minor items of losses due to accidents floods, thefts, overpayments etc.
17—Open Line Works—Replacements	971	3,32,528	Includes Rs. 85,000 lost due to a fire and Rs. 79,000 in 3 accidents, each involving over Rs. 10,000. The balance Rs. 1.69 lakhs is made up of minor items of losses due to floods, fire, thefts, shortages, breakages etc.
18—Open Line Works—Development Fund	83	32,696	Includes a loss of Rs. 13,000 caused by a storm. The balance is made up of minor items of losses due to thefts, overpayments, storms etc.
TOTAL	1,55,580	64,21,111	





GOVERNMENT OF INDIA
MINISTRY OF FINANCE
1962