

CENTRAL GOVERNMENT

**AUDIT REPORT
RAILWAYS
1956**



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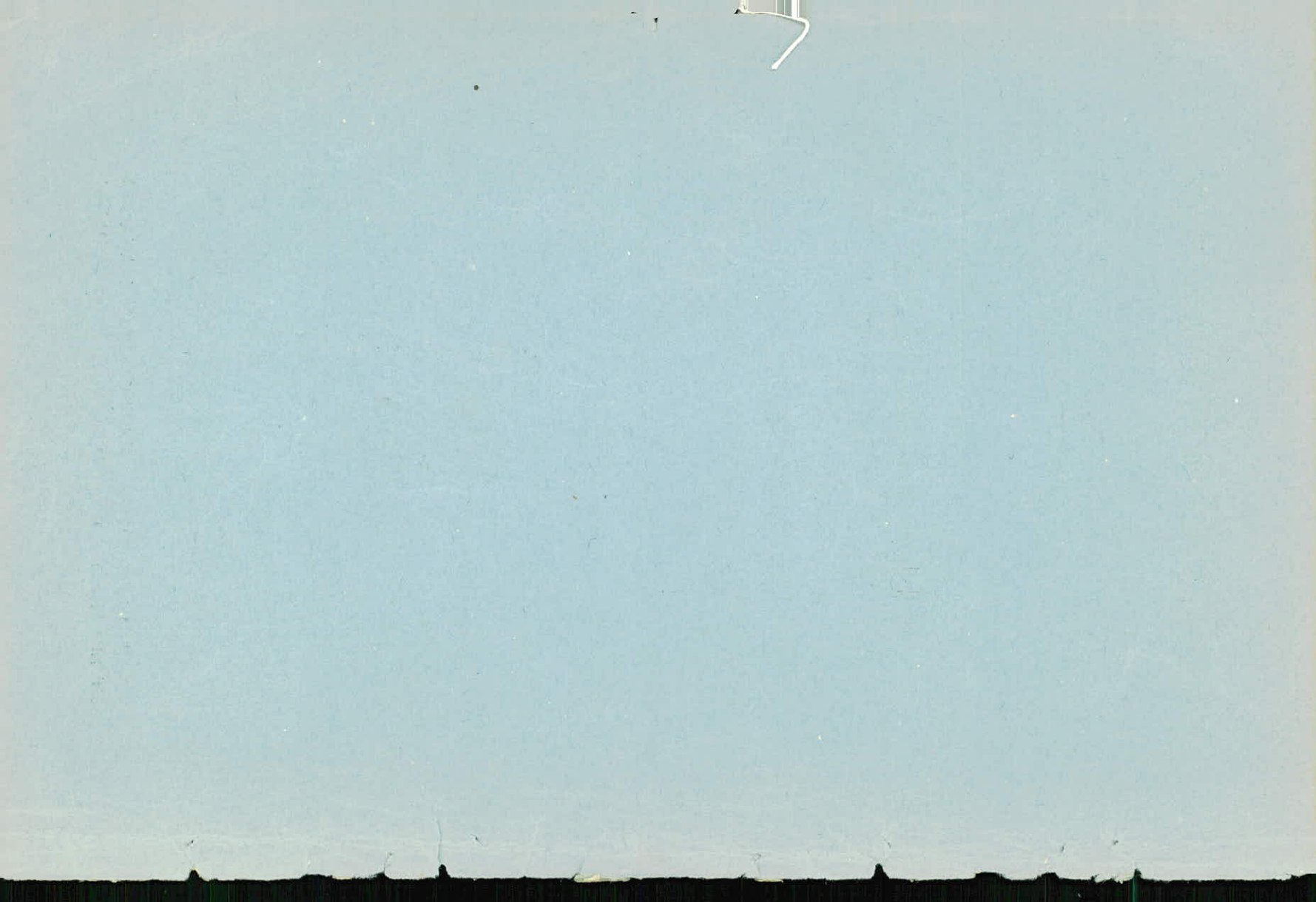


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CHAPTER I

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

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

The financial results for the year are indicated in paragraphs 4 to 8 of the Appropriation Accounts of Railways in India for 1954-55—Part I—Review. The surplus anticipated in the Budget Estimates was Rs. 5.14 crores. The actual results for the year, however, showed a surplus of Rs. 9.10 crores. The increase was mainly owing to an increase of Rs. 13.53 crores in gross traffic receipts and decreases in miscellaneous expenditure of Rs. 1.73 crores and in the dividend to general revenues of Rs. 0.54 crore, offset by an increase of Rs. 11.56 crores in working expenses and a decrease of Rs. 0.28 crore in miscellaneous receipts.

GENERAL REVIEW OF THE RESULTS OF AUDIT

2. *Review of the total demand placed before Parliament.*—Twenty demands for grants aggregating ^{Rs} 6,06,73,59 were presented to and were voted by Parliament in February 1954. The Appropriation Act received the assent of the President on 18-3-54. No appropriation was made for any charged expenditure.

3. *Supplementary Grants during the year.*—During the year, eight supplementary demands for grants aggregating 12,00,60 were presented to and were voted by Parliament. The number and magnitude of the supplementary grants and the percentage which they bear to the original grants as compared with the number and percentage in each of the previous two years are as below:—

Year	Number of original demands	Number of supplemen- tary de- mands	Amount of original grants	Amount of supplementary grants	Percentage of supplementary to original grants
1	2	3	4	5	6
1952-53 . . .	22	7	3,60,60,37	3,65,86	1.01
1953-54 . . .	20	10	5,46,94,41	33,17,68	6.07
1954-55 . . .	20	8	6,06,73,59	12,00,60	1.98

A supplementary charged appropriation of 8 was also sanctioned during the year.

GENERAL RESULTS OF APPROPRIATION AUDIT

4. (i) The following statement compares the total grants and appropriations for the year with the disbursements against them.

Particulars	(Figures in units)		
	Charged	Voted	Total
I	2	3	4
1. Original grants and appropriations—			
(a) Voted by Parliament	6,06,73,59,000	6,06,73,59,000
(b) Appropriation to meet charged expenditure of Railways
2. Supplementary grants and appropriations—			
(a) Supplementary grants	12,00,60,000	12,00,60,000
(b) Supplementary appropriations to meet charged expenditure	8,000	..	8,000
3. Net aggregate grant or appropriation	8,000	6,18,74,19,000	6,18,74,27,000]
4. Aggregate disbursements	7,993	6,05,63,89,106	6,05,63,97,099
5. Less (—) more (+) than granted	(—)7	(—)13,10,29,894	(—)13,10,29,901
6. Percentage of 5 to 3	(—)0·09	(—)2·12	(—)2·12

(ii) *Savings on voted grants.*—Savings occurred in eleven out of the twenty voted grants. A list of the important savings is given below :—

(Figures in units.)

No. and name of the grant	Original grant	Supplementary grant	Final grant	Expenditure	Saving	Percentage saving	of
1	2	3	4	5	6	7	
	Rs.	Rs.	Rs.	Rs.	Rs.		
9.—Revenue—Working Expenses—Miscellaneous Expenses	51,00,76,000	..	51,00,76,000	40,96,51,109	10,04,24,891	19.69	
10.—Revenue—Payments to Worked lines and others	32,49,000	..	32,49,000	29,61,914	2,87,086	8.84	
12A.—Open Line Works—(Revenue)—Labour Welfare	1,24,56,000	..	1,24,56,000	1,05,58,339	18,97,661	15.23	3
12B.—Open Line Works—(Revenue)—Other than Labour Welfare	5,38,03,000	..	5,38,03,000	3,86,07,158	1,51,95,842	28.24	
15.—Construction of New Lines	2,44,60,000	1,000	2,44,61,000	1,89,24,021	55,36,979	22.64	
16.—Open Line Works—Additions	2,20,63,64,000	..	2,20,63,64,000	2,11,83,02,804	8,80,61,196	3.99	
19.—Capital Outlay on Vizagapatam Port	77,84,000	..	77,84,000	64,77,089	13,06,911	16.79	
20.—Revenue—Dividend Payable to General Revenues	35,49,85,000	..	35,49,85,000	34,95,99,462	53,85,538	1.52	

(iii) *Excesses over voted grants.*—Eight cases of excesses over voted grants, as against seven cases in the previous year, are detailed in paragraph 55 of the Railway Board's Review. The more important ones are given below :— (Figures in units)

No. and name of the grant	Original grant	Supplementary grant	Final grant	Expenditure	Excess	Percentage of excess
I	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	
5.—Revenue—Working Expenses—Repairs and Maintenance	68,02,98,000	4,07,83,000	72,10,81,000	73,78,19,177	1,67,38,177	2·32
6.—Revenue—Working Expenses—Operating Staff	44,02,01,000	1,17,72,000	45,19,73,000	45,72,74,078	53,01,078	1·17
7.—Revenue—Working Expenses—Operation (Fuel)	35,35,68,000	1,74,80,000	37,10,48,000	37,82,21,430	71,73,430	1·93
13.—Revenue—Appropriation to Development Fund	5,14,04,000	1,43,06,000	6,57,10,000	9,10,13,759	2,53,03,759	38·51
17.—Open Line Works—Replacements	46,30,25,000	—	46,30,25,000	49,01,27,416	2,71,02,416	5·85
18.—Open Line Works—Development Fund	10,59,37,000	1,55,96,000	12,15,33,000	12,78,53,007	63,20,007	5·20

CONTROL OVER EXPENDITURE

5. (a) *General Remarks.*—The accounts of the year show a net saving over the total grant of about Rs. 6,95 lakhs or 2·07 per cent. under Revenue Expenditure. Under Capital, Depreciation Reserve Fund and Development Fund, there was a saving of about Rs. 6,15 lakhs or 2·18 per cent. These compare with the results of the preceding year as below:—

Year	(In lakhs of rupees)		
	Total grant and appropriation	Saving(—) or Excess(+)	Percentage of Col. 3 to Col. 2
I	2	3	4
<i>Expenditure met from Revenue</i>			
1953-54	3,21,08	(—)5,80	1·81
1954-55	3,36,42	(—)6,95	2·07
<i>Expenditure met from Capital, Depreciation Reserve Fund and Development Fund.</i>			
1953-54	2,59,04	(—) 11,21	4·33
1954-55	2,82,32	(—)6,15	2·18

Expressed as percentages, the savings appear to be small. These percentages, however, are the net result of large savings under eleven and large excesses under eight of the total number of twenty grants. The more important instances have been shown in the statements in paras 4(ii) and 4(iii). The large savings indicate the tendency to overestimate requirements while the large excesses, which will require regularisation by an excess vote, emphasise the need for exchequer control.

(b) *Excessive Supplementary Grants.*—There was one case where the supplementary grant proved excessive. This was under grant No. 8—Revenue—Working Expenses—Operation other than staff and fuel, where a saving of Rs. 17,49,000 occurred against the supplementary grant of Rs. 74,08,000.

(c) *Inadequate or injudicious surrenders.*—(i) In the following cases surrenders made were inadequate:—

No. and name of the grant	Amount surrendered	Final savings
I	2	3
12A—Open Line Works—(Revenue)—Labour Welfare	6,26	18,98
12B—Open Line Works—(Revenue)—Other than Labour Welfare	1,08,37	1,51,96
16—Open Line Works—Additions	6,02,75	8,80,61

(ii) In the following cases the surrenders were injudicious:—

No. and name of the grant	Amount surrendered	Final saving
I	2	3
3—Revenue—Miscellaneous Expenditure	5,06	2,89
9—Revenue—Working Expenses—Miscellaneous Expenses	11,65,46	10,04,25
19—Capital outlay on Vizagapatam Port	15,84	13,07

(iii) In the following cases provision of funds by re-appropriation proved to be unnecessary:—

Railway	No. and name of the grant	Amount obtained	Saving on final grant
I	2	3	4
Eastern	4—Revenue—Working Expenses—Administration	89	4,16
Eastern	8—Revenue—Working Expenses—Operation other than staff and fuel	5,57	48,13
Southern	Do.	10	5,27
Eastern	9A—Revenue—Working Expenses—Labour Welfare	84	236
Southern	16—Open Line Works—Additions	1,74,75	2,85,69

Provisional payments to the extent of Rs. 2·58 lakhs should not have been made by the Administration without the prior sanction of the Railway Board and in the face of the advice of Audit that in accordance with the orders of the Railway Board no further payments should be made after the termination of the war without such sanction. Such payments, under the impression that only the quantum of compensation and not its legality was in question, constitute a serious error of judgment. It placed the Administration and the Board in a weak position in regard to the whole issue whether compensation should continue to be paid and if so, how much. Had a reference been made to the Railway Board as advised by Audit in August 1946, before the first provisional payment was made in January, 1948 before negotiations commenced, the question of continuing the payment would have been examined from all angles and the payment of Rs. 4·3 lakhs might have been avoided.

8. *Northern Railway—Avoidable expenditure on handling of goods at a Station.*—The contract for handling and transhipment of goods at 10 stations was terminated with effect from the 23rd January, 1954, owing to the failure of the contractor to supply adequate labour. Fresh tenders were invited for this work, but as the quotations received were not clear, the stations concerned were instructed that pending appointment of a new handling contractor, the work may be done by employing casual labour at the rates paid by the ex-contractor. This procedure was adopted by 9 stations; but in the case of the tenth station, Delhi Serai Rohilla, the handling charges were paid collectively to the representative of the labour on a maundage basis, according to the old contract.

Fresh tenders were called for in March 1954 for all the ten stations. While these were under consideration, the labour at Delhi Serai Rohilla Station represented to the Railway Board on the 18th August, 1954, that the existing arrangements at that station, which had worked satisfactorily for some months from January, 1954, onwards, should be allowed to continue instead of giving the work to a contractor. A new handling contractor was appointed by the Administration for the nine stations from the 1st September, 1954. In spite of the fact that the rates quoted by the contractor for Delhi Serai Rohilla Station were lower than those paid to the labour representative, the new contractor was not, however, allowed to take over the work for this station as the Railway Board had instructed the Railway Administration on the 30th August, 1954, to continue the *status quo* till the position was fully considered. No steps were taken to reduce the rates of handling charges for this station to the level of those tendered by the contractor.

The Railway Administration represented to the Railway Board in November, 1954, and on several other occasions thereafter that the existing arrangements for handling goods at Delhi Serai Rohilla Station were unsatisfactory both from the administrative and financial points of view and it was, therefore, necessary to have a contractor for that station after inviting fresh tenders; this would also afford equal opportunity to the labour working at that station to compete with others. The Railway Board, however, directed the Railway Administration in May, 1956, that tenders should not be invited

for this station, pending further instructions regarding long term arrangements. No contractor has so far been appointed at this station and the Railway Administration continues to sustain recurring loss of about Rs. 30,000 a year from the 1st September, 1954, onwards.

9. *Northern Railway—Overpayment due to irregular fixation of the cadre of Cabinmen.*—In February, 1949, the Railway Board fixed the following standard designations and prescribed scales of pay for traffic staff working in station-yards:—

(i) Shunting Jamadars and Cabinmen.	Rs. 60—75
(ii) Yard Porters Grade 'A'	Rs. 40—60
(iii) Yard Porters Grade 'B'	Rs. 35—50

They also prescribed the duties for each category of staff. In the case of the ex-Eastern Punjab Railway, the Railway Board decided that all existing shunting jamadars and cabinmen whose posts carried responsibilities lower than those prescribed by the Board for these categories should be fitted in the scale of Yard Porters Grade 'A'. In accordance with these orders, the cadre in one division of this Railway was fixed in April, 1949 as below.

	Rs. 60—75	Rs. 40—60	Total.
Shunting Jamadars	56	67	123
Cabinmen.	63	149	212

In April 1950, the Railway Board ordered that there should be a uniform scale of Rs. 60—75 for persons doing the work of shunting jamadars. They also ordered that some suitable term might be adopted for the traffic technical staff (in the scale of Rs. 40—60) in place of the term 'porter'. On receipt of these orders, 67 posts of shunting jamadars were upgraded, but in addition, 182 posts of cabinmen on the scale of Rs. 40—60 (i.e. 149 posts referred to above plus 33 posts created later) were upgraded to the scale of Rs. 60—75, from the 1st April, 1950. In June, 1951, Audit pointed out that there was no authority for the upgrading of the posts of cabinmen and that their scales of pay were still governed by the earlier orders of February, 1949. The fixation of pay already made was thereupon treated as provisional and the cabinmen concerned were warned by the Administration in July, 1951, that if there were overpayments made to them they would be recovered.

The Administration reviewed the position in May, 1952. Of the total number of 245 posts of cabinmen in the scale of Rs. 60—75, 48 posts were downgraded to those of levermen on the scale of Rs. 35—50 and the remaining 197 posts were retained on the scale of pay of Rs. 60—75 on the assumption that there was no intermediate grade of Rs. 40—60 for cabinmen. Audit pointed out that this assumption

years 1952-53 to 1954-55 provided for the procurement of 900 unfurnished all metal third class M. G. coach body shells, partly from abroad and partly from a firm in India. It was decided that these shells should be furnished in the Railway Workshops according to the specifications laid down by the Central Standards Office. The first shell was fully furnished in the Golden Rock Workshop of the Southern Railway in January, 1955. When it was weighed, it was found that the tare weight of the vehicle was 31 tons. This weight was considered too heavy for the springs provided with the shells, which were suitable for coaches of tare weight up to 27 tons. This workshop had completely furnished 50 such coaches, but these could not be put on the line. The Chief Mechanical Engineer, Southern Railway reported the matter in February, 1955 to the Central Standards Office. Similar complaints were also received in the Central Standards Office from other Railways, where shells were being furnished. In all the workshops the tare weight of fully furnished shells varied from 29 to 31 tons. In April, 1955, the Central Standards Office decided to modify these springs and ordered the Railways concerned to undertake the modification work on a programme basis in respect of all the shells allotted to them. The modifications prescribed by the Central Standards Office involved lifting up of the bodies and running out the bogies for the spring gear to be changed and enlargement by flame cutting of the opening in two sole plates. This work has been taken in hand by the Railways and according to a rough estimate it is expected to cost an additional sum of about Rs. 4.74 lakhs in respect of all the 900 shells.

The springs supplied by the firms with the shells were in accordance with the specification given by the Central Standards Office. These springs were designed for the older type of coaches of tare weight up to the maximum of 27 tons, with wooden bodies and without electrical equipment. The all metal coaches became heavier owing to the provision of full electrical equipment as a result of additional amenities for third class passengers and increased width. Since these coaches were expected to carry extra loads, it should have been obvious to the Central Standards Office that the springs which were suitable only for the older type would not be adequate. No responsibility has been fixed for this failure.

(iv) WORKS

13. *Central Railway—Construction of a Colliery siding for a private Company without settlement of terms.*—As a matter of urgency to step up coal production, the Railway Board agreed, in August, 1945, to the suggestion of the late Department of Industries and Supplies to extend an existing siding which served a private colliery. As, however, the Colliery was prepared neither to bear their share of the cost of the siding, according to the usual terms for construction of assisted sidings, except the cost of land, nor to agree that the construction of the siding should be initially financed from the Coal Production Fund to be reimbursed by the Colliery later when the Fund was closed, the Railway Board agreed in March, 1946, to bear the full cost of the siding. The Board, however, instructed the Railway Administration to fix the siding charges recoverable from the Colliery in such a way as to cover interest, depreciation and

maintenance charges. The construction work was carried out at a cost of Rs. 3,11,319 without obtaining the agreement of the Colliery to be charged for siding charges as stipulated by the Board. The siding was opened for traffic on the 21st March, 1947 and the Colliery was informed that, subject to *revision with retrospective effect*, the rate of Re. 1 per four-wheeled wagon, leviable on another siding in the area, would be levied for the siding. In April, 1949, the Company was requested to pay the siding charges at the revised rate of Rs. 9 per four-wheeler with effect from the 21st March, 1947. The company contended that this rate was grossly excessive and that the control price of coal fixed by Government, on the basis of production costs, did not take into account this increase. The Railway Board, however, did not accept this contention and decided in February, 1953, that the revised rate of Rs. 9 should be recovered from the 21st March, 1947. Recoveries were continued at the old rate up to 30th June, 1954. An effort was made to enforce the enhanced rates again from the 1st July, 1954, but had to be suspended on receipt, on the 17th August, 1954, of a stay order from the Railway Rates Tribunal, with whom the Colliery had lodged a complaint. The Tribunal decided in 1955, that as the entire cost of the siding was borne by the Railway Administration, the Colliery should pay Rs. 1,66,866 representing interest, maintenance and depreciation charges at 6½ per cent on the cost of construction *viz.*, Rs. 3,11,319, plus the usual siding charges, but as it had no powers to order a payment relating to a period prior to the date of the institution of the complaint, an order was passed for the payment of Rs. 20,236 representing arrears for the period the 6th July, 1954 to the 5th July, 1955 which was paid by the Colliery. In regard to the period the 21st March, 1947, to the 5th July, 1954, a claim amounting to Rs. 1,46,630 is outstanding in regard to which the colliery has submitted proposals for a compromise which are under the consideration of the Railway Administration. The loss, if any, in this transaction will only be known when the question of recovering the sum of Rs. 1,46,630 is finalised. But this unsatisfactory situation is traceable to the omission to take the ordinary precaution of settling the terms with the Colliery before construction.

(v) EARNINGS

14. *North Eastern Railway—Sale of grass and fishing rights.*—The sale of grass along the land adjacent to Railway lines used to be let out annually together with the lease for fishing rights to the highest bidder. In February, 1947, and again in February, 1948, the Cattle Utilisation Adviser to the Government of India wrote to the General Manager that a certain Federation of Gaushala and Pinjrapole, in Bihar was experiencing considerable difficulty in getting their requirements of cattle feeds and asked that the lease of grass on certain sections of the Railway in Bihar area be given to the Federation on reasonable terms. A lease for certain specified areas in Bihar for 1948-49 was accordingly offered to the Federation for Rs. 52,000 by the General Manager. The Federation, however, desired that the whole area of Bihar be leased to them. This was agreed to and the price payable was fixed at the average price obtained for both grass and fishing rights for the last three years. The lease of grass rights for 1948-49 was accordingly sanctioned in favour of the Federation for Rs. 96,776 with the concurrence of the Financial

Adviser and Chief Accounts Officer, although no tender was submitted by them. This amount was paid up by the Federation in three instalments of Rs. 50,000, Rs. 46,700 and Rs. 76.

In January, 1949, the Federation requested that the lease for grass rights be given to ~~it~~ for the year 1949-50 also. They were informed that these rights would be sold on the basis of tenders and a tender notice was issued to them. On the 2nd March, 1949, the Ministry of Agriculture, Government of India, recommended the case of the Federation and requested the General Manager to assist the Federation in procuring as much grazing lands as possible. Telegraphic orders were issued by the Railway Board on 19th March 1949 that the Federation may be offered the renewal of the lease for removing grass in Bihar for the amount offered by the highest tenderer. Accordingly, the Federation, which had not submitted any tender, was offered the renewal of the lease of grass rights for the year 1949-50 for the amount of the highest bid received, viz., Rs. 1,29,713. An agreement was entered into, which provided for payment of Rs. 25,000 on the signing of the agreement, Rs. 40,000 by 31st May, 1949 and Rs. 64,713 by 1st August, 1949. The Federation deposited Rs. 25,000 on signing the agreement, Rs. 40,000 on 4th June, 1949 and Rs. 25,000 on 25th July, 1949, leaving an outstanding balance of Rs. 39,713. They requested the Railway Administration to waive the payment of Rs. 39,000, because the price at which the lease was given to them was very high and a large portion of grass land was settled under "Grow More Food" Campaign. This request was rejected. Subsequently, however, a sum of Rs. 18,000 was waived leaving a balance of Rs. 21,713. W&K

Similarly, under orders of the Railway Board, the lease for grass and fishing rights for the year 1950-51 was given to the Federation for the highest bid received by tender, viz., Rs. 1,81,555, although the Federation themselves had submitted no tender. According to the terms of the agreement, this amount was required to be paid in instalments of Rs. 10,000 on signing the agreement, Rs. 50,000 by 31st May, 1950, Rs. 50,000 by 31st August, 1950 and Rs. 71,555 on or before 31st October, 1950. The Federation paid Rs. 10,000 on signing the agreement, Rs. 46,000 on 20th June, 1950 and Rs. 35,000 on 16th October 1950, leaving a balance of Rs. 90,555. The following amounts were thus due by the Federation:—

For 1949-50 Rs. 21,713

For 1950-51 Rs. 90,555

Rs. 1,12,268

A notice was issued on 9th January, 1953 to the Secretary of the Federation, to deposit the above outstanding balance within a fortnight failing which a suit for recovery would be filed in a court of law. The Federation thereupon addressed an appeal to the Minister for Railways on 13th February, 1953. The Railway Board called for certain remarks on the issues raised in the appeal; these were furnished on 3rd May, 1954. The Railway Board decided in April 1956 to waive a further recovery of Rs. 21,731 from the Federation on account of areas of land under authorised and unauthorised cultivation for 1950-51 as was done for 1949-50. The Federation were also informed by the Railway Administration in July, 1956,

that the balance of Rs. 90,537 should be paid within three months. The amount had not been paid till December, 1956.

15. *Western Railway—Loss owing to the delay in introducing correct freight rates.*—Prior to October, 1947, the ex-Morvi State Railway entered into an agreement with a private firm for the transport of salt from Kuda to Dhrangadhra, a distance of 14 miles, on payment of hire charges for rolling stock. On the integration of this Railway with the ex-Saurashtra Railway with effect from the 1st April, 1948, the basis of charge for carriage of this commodity was discussed with the firm and a rate which worked up to Re. 0-15-6 per ton, as against the public tariff rate of Rs. 3-13-3 per ton, was adopted with effect from 1st November, 1948. As a result of the federal financial integration of the States, all the States Railways belonging to the States, came under the direct administrative control of the Ministry of Railways (Railway Board) with effect from the 1st April, 1950. The Ministry of Railways (Railway Board) issued orders in anticipation on the 25th February, 1950, to the effect that the existing bases of charge for goods, parcels and passenger traffic where these differ from the standard scales of charges and fares on Indian Government Railways should be continued for a period of 3 months and during this period, steps should be taken to notify and introduce the scales of rates and fares as applied to Indian Government Railways. In August 1950, this period was extended to six months and orders were issued to the effect that no rate which infringed the powers of reduction of the Railway Administration should be retained after 30th September, 1950, unless the Board's special sanction had been communicated meantime. Freight at the rate of Re. 0-15-6 per ton was continued to be recovered even after the ex-Saurashtra Railway was merged into the Western Railway with effect from the 5th November, 1951. No orders of the Railway Board were taken in accordance with the Board's instructions and the matter came to light only in 1953 on the Railway Administration's reviewing the existing arrangements with the firm following a law suit filed by it for recovery of certain rebates alleged to be due to the firm. It was only in November, 1954 that such action was taken and with effect from the 1st January, 1955, freight was recovered at tariff rates applying to Indian Government Railways. Subsequently on a representation from the firm, it was decided to charge the minimum permissible rate within the powers of the Administration, viz., Rs. 2-8-10 per ton for a period of 6 months from the 20th February, 1955. This reduced rate was again introduced for a period of one year from the 19th January, 1956. Any further extension of the reduced rate is proposed to be made by the Administration only after consideration of all the relevant factors.

The failure to carry out the instructions of the Railway Board resulted in a loss during the period the 1st October, 1950, to the 31st December, 1954. Assuming that the reduced rate of Rs. 2-8-10 per ton was enforced from the 1st October, 1950, the loss amounts to Rs. 3·2 lakhs. Had the reduced rate been adopted soon after the recovery at incorrect rate came to notice in 1953, say, from the 1st January, 1954, the loss would have been reduced by Rs. 0·86 lakh.

The responsibility for the failure to carry out the Board's orders has not been fixed.

16. *Western (Ex-Saurashtra) Railway—Non-recovery of interest and maintenance charges for sidings.*—In paragraph 15 of the Audit Report, Railways, 1955, mention was made of the unsatisfactory position in regard to the maintenance of records and of the outstanding on account of interest and maintenance charges in respect of assisted and private sidings on the ex-Saurashtra (now Western) Railway. The Public Accounts Committee—*vide* item 16 of Appendix III to their Seventeenth Report (Volume I) for 1955-56—desired to know the progress made by the Administration in the realisation of the outstandings. The position as on the 1st September, 1956 was as under:—

Total amount recoverable for the years 1950-51 to 1954-55 in respect of 78 sidings (one having since been declared to be a Railway siding)	Rs. 2,03,627
Total amount recovered	Rs. 62,178
Total amount outstanding	Rs. 1,41,449

(vi) STORES

17. *Northern Railway—Unnecessary haulage of permanent way material.*—Prior to regrouping, the Eastern Punjab Railway had a permanent way depot at Ghaziabad to which all materials were consigned by the suppliers. These were then despatched to the stations where they were required. Supplies were mostly from Calcutta, Tatanagar and other stations on the eastern side, and Ghaziabad is so located that this was a very suitable arrangement. The practice on the ex-East Indian Railway, however, was to have most of the permanent way materials despatched direct to the stations where they were required. When the three Eastern divisions, *viz.*, Allahabad, Lucknow and Moradabad, were merged with the ex-Eastern Punjab Railway to form the Northern Railway in April, 1952, the ex-East Indian Railway practice was given up in respect of future orders and the ex-Eastern Punjab Railway practice of sending the materials to the Ghaziabad depot in first instance was adopted for the whole of the Northern Railway except in the case of materials required for urgent renewals. As a result, a large number of wagons containing permanent way material meant for use on the three divisions from the ex-East Indian Railway were rebooked to ultimate destinations in most cases by the route by which they had come to Ghaziabad, resulting in unnecessary haulage at a time when wagons were in short supply for the carriage of ordinary traffic. The number of wagons thus rebooked in 1953-54 was 103 bogies and 776 four-wheelers, involving freight charges amounting to over 4 lakhs of rupees calculated at the rates then applicable to the carriage of railway materials. The number of wagons rebooked in 1954-55 was no less, being 161 bogies and 671 four-wheelers.

Unnecessary haulage of wagons involving freight charges estimated at nearly Rs. 15 lakhs since April, 1952, could have been avoided had the Administration continued the ex-East Indian Railway practice of despatching the materials direct to the site of the work in the case of the three divisions in question. If it was considered absolutely necessary that some of the materials should be consigned

to a depot, another depot could have been opened near Moghalsarai which is conveniently suited for this purpose. This suggestion is now under the consideration of the Administration.

18. *Eastern Railway—Purchase of defective axle boxes from Italy.*—Against indents placed on the Director General, India Stores Department, London by the Railway Board, an Italian firm supplied 312 axle boxes in 1951, to the Jamalpur Workshop. It was discovered in 1952 during the periodical overhaul of locomotives that these boxes were defective. The Chemist and Metallurgist attached to the workshop to whom a few of these boxes were sent for technical examination, reported in November, 1953 that there were shrinkage cavities, blow holes and cracks in these boxes with indications that the shrinkage cavities were filled either by burning in metal or by welding. The Deputy Chief Mechanical Engineer of the workshop reported the defects to the Controller of Stores in December, 1953. In July, 1954 the Chief Mechanical Engineer intimated to the Controller of Stores that 75 boxes out of 312, then lying in stock had been visually examined and were found to have indications of different coloured metal in the bore. Presumably, they also suffered from similar casting defects and instructions were accordingly issued by him not to use these boxes. Eighteen more boxes were scrapped as they were found defective at the time of machining. The remaining 219 are stated to be in service on the locomotives. About five years after the receipt of the stores and about four years after the detection of the defects, the General Manager reported the matter to the Railway Board in January, 1956 suggesting that compensation be claimed from the firm for the defective axle boxes and replacement of the existing stock lying unused at Jamalpur. The loss on the 93 boxes is about Rs. 1,23,175, calculated at Rs. 1275 each for 85 boxes and at Rs. 1850 each for 8 boxes. The Ministry have stated that the cost of the axle boxes if manufactured locally at the Railway's workshop at Jamalpur in 1951 would have been Rs. 882 and Rs. 1360 respectively for the two types of boxes. The question of defective inspection before despatch has been referred by the Ministry of Railways to the Ministry of Works, Housing and Supply.

(vii) PAY AND ALLOWANCES

19. *Central Railway—Non-recovery of Overpayments due to incorrect fixation of pay.*—A certain officer was appointed as a temporary Engineer with effect from 11th November, 1942, in the scale of Rs. 350—25—450 on the ex-G.I.P. Railway. On 3rd July, 1950, the Railway Board issued orders that he should be confirmed with effect from 11th November, 1945, i.e., after the normal period of three years applicable in the case of a probationary officer, the date on which the officer passed all the departmental examinations or the date from which a vacancy is available for him whichever is later. The Board also ordered that his pay on confirmation should be fixed in the post-1931 scale under the normal rules and then refixed in the prescribed scale of Rs. 350—850 with effect from 1st January, 1947/16th August, 1947, whichever may be the date of election. The officer, having passed all the departmental examinations by 17th August, 1950 was confirmed with effect from 18th August, 1950. Before the Railway Board's orders of 3rd July, 1950 were received, the pay of

the officer was fixed in May, 1950 at Rs. 470 with effect from 1st January, 1947 in the prescribed scale of Rs. 350—850, treating the pay of Rs. 450 drawn by the officer in the scale of Rs. 350—25—450 as present pay for the purpose of pay fixation in the prescribed scale. As the Administration felt some difficulty in fixing the pay of the officer in accordance with the orders of the Railway Board of 3rd July, 1950, a reference was made by the General Manager to the Railway Board on 10th February, 1951. Before the above reference was made, the arrears of pay and allowances amounting to Rs. 3093-9-0 based on the fixation at Rs. 470 had, however, already been paid provisionally to the officer on 1st August, 1950, and he continued to draw his pay on this basis thereafter. The officer was, however, warned that the fixation of his pay was provisional and subject to adjustment on receipt of the Railway Board's orders. The Railway Board ordered on 31st March, 1951, that in supersession of their earlier orders of 3rd July, 1950, the pay of the officer should be fixed in the post-1931 scale on a proforma basis with effect from 11th November, 1942, just like other probationers and re-fixed in the prescribed scale Rs. 350—850 with effect from 1st January, 1947. On receipt of these orders, his pay was re-fixed at Rs. 410 with effect from 1st January 1947, and the overpayment on account of pay and allowances amounting to Rs. 3913 from 1st January, 1947, to 10th November, 1951, was waived by the Railway Board. The justification given by the Railway Board for the waiver was that the officer was entitled to draw pay at a higher rate with reference to his pay of Rs. 450 drawn by him in the scale of Rs. 350—25—450, but as this would have given him adventitious benefits over the officers who were recruited in the year 1942 through the Union Public Service Commission, higher pay was not given. As the scale of Rs. 350—25—450 was not a regular post-1931 scale, this argument is not valid. The waiver of sums recoverable from a Government servant who had been warned that his pay was fixed provisionally was not justified.

(viii) OTHER CASES OF LOSSES

20. The following are the less important cases of losses, etc., mentioned below the Appropriation Accounts of the grants concerned and also cases in which disciplinary action is under the consideration of or has been taken by the Railway Board :—

Page of the App. A/cs. for 1954-55 (Pt. II-Detailed Appn. A/cs.)	Number & Name of the grant	Total number of losses or irregularities	Total amount of losses etc. under each grant	Brief subject
1	2	3	4	5
9	3-Revenue-Miscellaneous Expenditure.	2	Rs. 3,607	Loss of materials owing to damage in transit and overpayment of taxi hire.

1	2	3	4	5
			Rs.	
12—15	4—Revenue—Working Expenses—Administration.	67	79,011	Loss of cash and stores on account of theft, rains and waiver of overpayments to staff etc.
20—22	5—Revenue—Working Expenses—Repairs and Maintenance.	14,412	30,41,141	Losses owing to fire, accidents, cyclone, rain, theft, waiver of overpayment to staff and miscellaneous losses.
24—25	6—Revenue—Working Expenses—Operating staff.	107	27,822	Waiver of overpayments to staff, loss of cash owing to misappropriation and theft and other miscellaneous losses.
28	7—Revenue—Working Expenses—Operation (Fuel)	4	766	Miscellaneous losses.
32—36	8—Revenue—Working Expenses—Operation other than Staff and Fuel.	2,112	1,21,489	Losses of stores owing to theft, fire, damage in transit, compensation and waiver of overpayment to staff.
40—44	9—Revenue—Working Expenses—Miscellaneous Expenses.	178	56,478	Losses owing to the irregular drawal of rations, waiver of overpayments to staff, theft & purchase of cereals etc. at higher cost, owing to contractors' failure to supply in time.
46	9—A—Revenue—Working Expenses—Labour Welfare.	496	4,047	Losses owing to fire, irrecoverable diet charges, theft of stores, overpayments of pay and allowances written off.
63	15—Construction of New Lines.	11	42,987	Losses on account of materials lost in transit, fire, storm and miscellaneous losses.
70	16—Open Line Works—Additions.	736	11,873	Losses owing to waiver of overpayments to staff, theft and other miscellaneous causes.
74	17—Open Line Works—Replacements.	20	42,191	Losses owing to accidents, fire, floods etc., theft, and waiver of overpayments to staff.
77	18—Open Line Works—Development Fund.	215	9,129	Losses on account of accidents, floods, theft and loss of materials in transit.
TOTAL		18,360	34,40,541	

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Northern Railway.

Rs. 1,47,141 (i) According to the orders of the Railway Board of January 1949, casual labour chargeable to contingencies or engaged for specific works the duration of which was not likely to exceed 6 months, was required to be engaged at current market rates. On two Divisions on the Northern Railway, however, punkha coolies and other casual labour engaged for short periods during 1949 were allowed the minimum of the prescribed scales of pay plus the usual allowances instead of current market rates. Out of the amount of Rs. 1,47,141 overpaid, a sum of Rs. 35,816 was written off by the General Manager in October, 1952. The question of writing off the balance as also of fixing responsibility of the staff is under the consideration of the Railway Board.

*overpayment to
Casual labour.*

Rs. 1,97,706 (ii) A local allowance of Rs. 2 a month was sanctioned to the lower paid staff stationed in the zone between Laksar (exclusive) to Dehra Dun (inclusive), Moradabad Division, in the year 1930 on account of the high cost of living and unhealthy living conditions in that zone. In November, 1947, while introducing the Central Pay Commission scales of pay, the Railway Board ordered that this allowance should be discontinued. The Divisional Superintendent, Moradabad, however, recommended in March 1948 to the General Manager, East Indian Railway, that this allowance should be continued as there was no change in the conditions with reference to which it was granted. The allowance continued to be paid till the 30th September, 1954, when it was stopped at the instance of Audit. The Railway Board have sanctioned the write off of the overpayment amounting to Rs. 1,97,706 and have ordered a departmental inquiry to fix responsibility in this case.

*Overpayment of
a local Allow.*

Rs. 1,50,000 (iii) The ex-North Western Railway purchased between 1945 and 1946, thirty-five shares to the value of Rs. 4,000 each in a private Transport Company incorporated on the 12th July, 1941. The financial results of the working of the company showed a net loss of Rs. 79,850 to the end of October 1952, when it ceased working. The Registrar of Joint Stock Companies reported in 1951 that he suspected the management of embezzlement and other serious irregularities. The Committee appointed by the Minister for Railways reported on the 10th December, 1952, that the unsatisfactory state of affairs of the Company was owing to mismanagement,

*Loss in dealings
with a private
Transport Co.*

the Committee also held the Railway Directors represented on the Board of Directors, responsible for slack supervision. The Company was not wound up, but was taken over by the State Government from 2-9-53 under certain conditions. The Company resumed working from the 5th October, 1953. Apart from the premium of Rs. 16,800 paid on the purchase of shares, the Railway suffered a loss of about Rs. 1,50,000 on account of interest on capital for the period of 7 years from 1946 to 1953 and for the share of outstanding liability taken over by the State Government to be set off against future dividends. Against the ex-Managing Director and his associates a case has been instituted by the State Police and is progressing in a Court of Law. In the case of the Railway Directors who dealt with the Company's affairs during 1949-52, the Railway Board conveyed their displeasure to one officer and propose, subject to the concurrence of the Union Public Service Commission, to withhold 1/6th of special contribution to his Provident Fund. Another officer has been transferred from a General Administrative post to a departmental Junior Administrative post and is proposed to be censured. The third officer has been warned.

£750 (iv) An order for five diesel hydraulic locomotives of 2'-6" gauge for the Kalka-Simla section and three of 2'-0" gauge for the Neral-Matheran Light section of the Central Railway was placed by the Railway Board, through the D.G., I.S.D., London, on a German firm on 5-7-54.

*Loss made of
wrong specification
of tyres of
locomotives*

Soon after receipt of the first four locomotives, the Northern Railway Administration reported to the Railway Board on the 23rd March, 1956, that the dimensions of the wheel gauge and the tyre width of the locomotives did not conform to the schedule of dimensions applicable to the Kalka-Simla section and that the tyre profile was also not correct. It recommended replacement of the wheels by new ones. Investigation made revealed that the firm could not be held responsible, as manufacture was done according to the specifications furnished by the Railway Board. The wheel dimensions and the tyre profile actually required for the Kalka-Simla Section were overlooked in the Central Standards Office while preparing specifications. The Northern Railway Administration, who had received a copy of the specifications, also failed to detect the discrepancies. The Railway Board have decided to replace the existing tyres with tyres of the requisite width.

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The replacement cost of 40 tyres, at £18-14-11 each F.O.B. German port, is about £750 exclusive of freight and duty and other expenditure involved in the replacement of tyres. The 40 released tyres are proposed to be kept as spares against the 3 locomotives procured for the Neral-Matheran section although the number is excessive.

The question of fixing responsibility for wrong specifications is under the consideration of the Railway Board.

Western Railway.

Rs. 1,93,379 (i) Overpayments of the kind mentioned under item (i), Northern Railway, also occurred on the Western Railway in respect of watermen and certain other categories of casual labour, engaged at various stations as part of the hot weather establishment for periods of less than 6 months during 1952-56. The matter was taken up by Audit in April, 1953, but the practice was set right only in October, 1955. The question of regularising the overpayment of Rs. 1.93 lakhs and of taking disciplinary action against the staff concerned is under the consideration of the Board.

*Overpayments to
Casual Labour*

Rs. 2,19,110 (ii) To prevent large accumulations of goods and parcel consignments at stations, increased rates of wharfage charges were introduced on the Western Railway with effect from 1.3.1950. In the depot order issued by the Goods Superintendent on 6.3.50 incorrect rates of wharfage charges applicable to less important stations were, however, prescribed for Carnac Bridge resulting in the non-levy of wharfage amounting to Rs. 2,19,110 up to 10.8.50. The Railway Board have ordered the Administration to fix responsibility and take action against the staff at fault.

*Non-recovery of
increased rates
of wharfage.*

Rs. 7,672 (iii) The contract for managing a cycle stand at a station was given in 1951 on payment to the Railway of Rs. 4,212 per annum to a retiring station master who tendered for this work while he was in service. On representation by other contractors, his contract was cancelled from the 1st August 1952 and the old contractor was allowed to manage the stand on payment of Rs. 144 per annum at which he was managing it before, though in 1951 he offered Rs. 3,021 per annum. On further representation by the other contractors that a low rate was charged from him, it was decided to recover Rs. 3,021 from this contractor from 1st April 1955. The loss from short recovery for the period the

*Lower rate of Contract
for a cycle stand.*

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1st August 1952 to 31st March, 1955 amounts to Rs. 7,672. The question of taking disciplinary action against the staff is under the consideration of the Board.

Rs. 2,66,999

(iv) On 25th January, 1952, the Western Railway Administration advised the Railway Board certain rates of wages for workers employed on road construction and building operations, which were notified by the Ministry of Labour on 31st March 1952 as the minimum rates under the Minimum Wages Act, 1948. The rates advised to the Railway Board were on the high side compared to the minimum rates fixed by the Bombay Government in December 1951. For other States through which the Railway runs and who had not then fixed the minimum rates, the same should have been arrived at after taking into consideration the labour conditions of the locality, but the rates advised were higher. The additional expenditure that the Railway is incurring on account of payment to labour employed departmentally is about Rs. 2.67 lakhs per annum. Higher rates of minimum wages are also being paid by contractors to workers employed on Railway works. The revision of the notified rates is under reference with the Ministry of Labour but no decision has been arrived at. The question of taking disciplinary action against the persons concerned is also under the consideration of the Board.

Higher rates of wages.

Rs. 31,924

(v) In accordance with the procedure laid down in the State Railway codes for refunding overcharges in freight claimed after delivery of consignments, the Commercial Branch is required to prepare an overcharge sheet indicating full particulars of the transaction giving rise to the claim and to send it to Traffic Accounts Officer for prior certification. On certification by the Accounts Office, the Commercial Branch arranges the refund either through a Pay Order on the Accounts Office or a Station Pay Order direct on the station which collected the freight. The receipt of the amount is acknowledged by the party on the pay order which is received back in the Accounts Office. On the Western Railway, in the case of claimants not residing at the stations where the freight was initially paid, or at any station situated on the Western Railway, the overcharge sheets were endorsed to the Goods Superintendent, Carnac Bridge (Bombay), authorising him to pay the amount to the Chief Commercial Superintendent. In such cases the Gazetted Officer authorising the payment also signed a receipt for the amount and passed on the overcharge sheets

Overcharges of freight - Refund of

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to the Travelling Claims Inspector attached to the Carnac Bridge Station. The latter signed as witness to the signature of the Gazetted Officer, obtained payment from the Cashier of the station and handed over the amount to the Chief Commercial Superintendent's office for remittance by money order to the claimant. The acknowledgements for the money orders received from the payees were passed on to the Traffic Accounts Office.

In May, 1954, a complaint was received from a merchant that he had not received payment in respect of a refund authorised by the Chief Commercial Superintendent, as the Station Master concerned had not received the overcharge sheet for payment from his station earnings. Investigations revealed that a record sorter of the office of the Chief Commercial Superintendent had fraudulently received payment on this overcharge sheet, not at the station where payment should have been made, but at Carnac Bridge. This was done by intercepting the overcharge sheet when it was in the process of despatch through the despatch section to the station concerned. The overcharge sheet was then altered by pasting a slip cut out from a blank overcharge sheet form over the names of the station and the claimant, and making suitable entries to enable him to receive payment from the cashier at Carnac Bridge as for refunds to be remitted by money order to the claimants. The signature of the Gazetted Officer under the authority for payment and the amount specified to be refunded remained unaffected. But in place of the gazetted officer's signature in token of the receipt of the amount, without which the refunds should not have been paid by the cashier, the record sorter placed his own signature, purporting to acknowledge receipt for the Chief Commercial Superintendent.

The case was reported to the Police on the 28th May, 1954, and the record sorter was caught red handed on the same day, while attempting to encash an overcharge sheet fraudulently at Carnac Bridge. The Departmental Enquiry Committee instituted to investigate the case, reported on the 18th November, 1954, that the exact period during which such fraudulent payments had been obtained in the past, could not be established in the absence of complete records. It has, however, been ascertained by the Traffic Accounts Office that during the period 1950 to 1954, payments had been obtained by the record sorter in respect of 99 overcharge sheets amounting to Rs. 31,924 approximately. The Committee also pointed out that the

Cashier and the Assistant Cashier at Carnac Bridge had accepted refund orders presented for payment, the genuineness of which could readily be questioned, and that they had made payment to the record sorter without making sure that the receipt columns had been properly signed by an officer of the Commercial Branch. Similar omission was also made by the Travelling Claims Inspector who had himself witnessed some of the overcharge sheets fraudulently encashed at Carnac Bridge. In cases where the rightful claimants complained about non-receipt of refunds, payments were made to them on duplicate overcharge sheets after the Traffic Branch had certified that no payment had been made by the station authorised to do so. Such duplicate vouchers were again certified by the Traffic Accounts Office. That office also failed to object to the refund orders which were tampered with, when carrying out internal check before allowing credit to the station.

The record sorter was dismissed from service with effect from the 12th October, 1955, on being convicted and sentenced to 3 years' rigorous imprisonment by a Court of Law. The Cashier and the Assistant Cashier were allowed to retire with effect from the 13th July, 1954, and the 1st April, 1955, respectively, and paid their provident fund dues in full in spite of the fact that the Chief Commercial Superintendent issued instructions on the 3rd July, 1954, that the Cashier should not be settled up till the case was finally decided. Responsibility for this omission is under the consideration of the Administration. The Travelling Claims Inspector has been suspended and the question of disciplinary action against him is under consideration of a Departmental Committee. The question of disciplinary action against the staff of the Traffic Accounts Office is also under examination.

The procedure of withdrawing money from Carnac Bridge Station for payment by money order has been discontinued from November, 1954, and the procedure laid down in the Code has been adopted.

Rs. 50,580 (vi) For the haulage of goods from one godown to another in the port area done by the ex-Saurashtra Railway, intra-port charges at fixed rates were recovered. On the integration of this Railway from the 1st April,

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*Intra - port
Charges - recovery
at lower rates*

1950, the question whether the railway in the port area should be managed by the Saurashtra Government or the Government of India was considered. It was decided in March, 1951, that the railway in the port area should be managed as a part of the Indian Government Railways. It was also decided by the Ministry of Railways in May, 1951, that the intra-port charges then in force should be increased gradually in five equal instalments, the first increase to take effect immediately, the second in April, 1953, and subsequently at two yearly intervals thereafter, so as to raise these charges to the level of the standard terminal charges of eight annas per ton of wagon capacity plus a siding charge of a rupee per wagon.

The Railway Administration did not, however, effect any increase in the rates until the 1st July, 1954, when the combined increase in respect of the first two instalments was introduced. The third instalment of increase was made effective from 1-4-1955. The delay in revising the charges has resulted in a loss of about Rs. 50,580. No disciplinary action has been taken by the Administration and the matter is under the consideration of the Railway Board.

Southern Railway.

Rs. 56,682 Consequent on the decision of the Ministry of Labour in May, 1952, that the money equivalent of the concessional element in the case of supplies irregularly drawn by an employee from the Railway Grainshop, did not tantamount to an overpayment of wages and that its recovery was not permissible under the Payment of Wages Act, 1936, the Southern Railway did not make any recovery in respect of cases arising after the 12th December, 1952, and also suspended recoveries that were being made. The Railway Board on re-considering the matter in consultation with the Ministry of Law later advised the Railway Administrations on 16th December, 1953, that such recoveries were not illegal. The recoveries were then enforced in cases detected after the 16th December, 1953, but past cases were not re-opened even though the Railway Board pointed out in May, 1954, that such cases could be re-opened and recoveries enforced in such cases. The Railway Administration, on the other hand, approached the Railway Board on the 20th June,

*Overpayment of
money equivalent
of supplies irregularly
drawn.*

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1956, for the waiver of the recoveries due from staff amounting to Rs. 32,268 in respect of 389 cases of overdrawal detected prior to 12th December 1952 and approval for not reopening 257 cases of overdrawal amounting to Rs. 24,414 detected between the 12th December, 1952, and the 15th December, 1953, on the ground that disciplinary action had been taken in respect of the latter cases and it would be administratively difficult to reopen the former ones as they relate mostly to class IV staff. The Board's further orders are awaited.

(ix) OTHER TOPICS OF INTEREST

21. *Delay in adjustment with a State Government.*—Prior to the integration of the ex-State Railways with the Indian Railways, the Road Transport Department of the Hyderabad State (Deccan) was under the management and supervision of the ex-Nizam's State Railway. After integration, the Railway Board approved, in April 1950, the continuance of this arrangement as a temporary measure on an agency basis. The exact terms on which this was to be done, such as the procedure to be followed for indenting stores, how their cost was to be financed etc. were not settled. Till the control of the department was transferred to the State in November, 1951, stores required for the department were arranged for by the Railway according to the procedure in vogue on the Indian Railways. Accordingly, indents for spare parts, etc., comprising 12 to 18 months' requirements were placed abroad by the State Railway during 1950-51 and 1951-52. The bulk of these stores were received in 1952-53 and 1953-54, that is to say after the department was transferred to the State. The cost of these stores was borne initially by the Central Railway and recovery had to be effected from the Road Transport Department, Hyderabad. At no stage was the extent of financial liability arising from these long range purchases made after 1st April 1950 brought to the notice of the State Government who was ultimately responsible for reimbursing the expenditure incurred. When the bills for the cost of the stores were rendered by the railway for recovery, the State Government expressed their inability to make payment in a lump sum and suggested that recoveries may be effected in instalments over a period of about eight years. The total amount to be recovered from the State Government is Rs. 83 lakhs. The debits were originally booked under the Capital suspense head "Misc. Advances—Capital" in the books of the Railway. A decision was taken in July, 1955, that in view of there being no immediate prospect of early settlement, the sum should be transferred to the revenue suspense head "Miscellaneous Advances—Reve-

nue". In accordance with this decision, a sum of Rs. 58 lakhs was transferred to the head "Misc. Advances—Revenue" in the 1954-55 accounts and the balance in the accounts of the following year.

The delay in the recovery of this sum of Rs. 83 lakhs from the State Government has resulted in the Railways having had to pay, by way of dividend to General Revenues, an avoidable sum of Rs. 4.47 lakhs. The transfer of the outstanding debits to "Miscellaneous Advances—Revenue", while eliminating the necessity to pay a dividend to General Revenues has, however, resulted in a corresponding reduction of the Railway surplus in 1954-55 and 1955-56, and consequential loss of interest on the balance in the funds to which the surplus might otherwise have been allocated. The loss of interest in this respect was to the extent of Rs. 91 thousand in 1954-55 and about Rs. 2.30 lakhs in 1955-56. This loss of interest will continue till the amount of the outstanding debits is cleared from the head "Miscellaneous Advances—Revenue". The State Government has been asked by the Ministry of Railways to pay interest charges on the outstanding balances if they are not settled immediately.

22. *Points outstanding from previous Reports.*—Besides the matters noted in the "Statement showing action taken or proposed to be taken on the recommendations made by the Central Public Accounts Committee", the following other matters relating to the previous Railway Audit Reports are outstanding:—

(A) *Railway Audit Report, 1953.* — *Item 29 of 17th Report*

Para 26—*Infructuous expenditure in the purchase of oil tank wagons from a Canadian Company.*—The recovery from the firm for late delivery of wagons is still outstanding. The firm ~~has~~ been advised by counsel that they have no liability for payment in this case; the Railway Board have, however, asked the I.S.M., Washington to take up with the firm the question of revising their stand on grounds of equity and to agree to the payment claimed by the Railways.

(B) *Railway Audit Report, 1955.*

See para 54 of 17th Report
 (i) Para 16—*Southern Railway—Loss incurred on the working of the Sagara Talaguppa Railway.*—The Railway Board have decided to retain the line primarily in the interest of the Mahatma Gandhi Hydro Electric Project at Jog. They have, however, informed the State Government that passenger traffic will continue to be booked on that line only if they agree to restrict road traffic; otherwise they will have no option but to close the line for passenger traffic and devise ways and means of reducing further expense on goods operation. The proposal is under the consideration of the State Government.

(ii) Para 20—*Rationalised distribution of stores and reduction in stores balances.*—Against Rs. 10 crores worth of surplus stores on Indian Railways on 31st March 1951, stores worth Rs. 2.87 crores remained to be reduced on 30th September 1955. Scrap worth Rs. 1.47 crores also remained to be disposed of on that date.

See page 55 of Pt. 17 Rept.
 (iii) *Para 22—North Eastern (Ex-Oudh Tirhut) Railway—Unsatisfactory state of stores priced ledgers.*—Out of 32,243 cards on 31st December 1953, reconciliation in respect of 12,153 cards remained to be done on 31st March 1956. With a view to eliminating labour on minor items, the Board have recently waived the reconciliation in respect of ledger cards where the differences are less than Rs. 50 and the accuracy of depot cards has been test checked. The position is expected to improve further when these instructions are implemented.

G. H. PO SAW,

New Delhi,
 Additional Deputy Comptroller and
 The 13th December, 1956. Auditor General of India (Railways).

Countersigned.

A. K. CHANDA,

New Delhi,
 The 15 DEC 1956 Comptroller and Auditor General of India.