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CENTRAL GOVERNMENT

AUDIT REPORT

RAILWAYS

1963

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THE HISTORY OF THE UNITED STATES OF AMERICA

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CHAPTER I

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

GENERAL

The actual surplus for the year 1961-62 amounted to Rs. 24.40 crores as against Rs. 8.64 crores, anticipated in the budget estimates. The more important reasons for this variation are :-

- (i) shortfall in working expenses (Rs. 7.15 crores) due mainly to less expenditure on periodical overhaul of rolling stock, implementation of common carrier's liability from 1st January, 1962 instead of from 1st April, 1961 as originally anticipated, ^uno ^hfilling up of certain vacancies etc., and also due to the effect of economy measures being greater than anticipated;
- (ii) less payment of dividend to general revenues (Rs. 2.49 crores) due to the total capital outlay on which dividend is payable being less than what had been anticipated in the budget estimates;
- (iii) less expenditure on open line works—revenue (Rs. 2.40 crores) due chiefly to postponement or rephasing of works, non-finalisation of plans and estimates, and shortfall in supply of materials etc;
- (iv) increase in miscellaneous receipts (Rs. 2.30 crores) mainly as a result of write-back of Government contribution in Provident Fund Accounts of staff who opted for pension; and
- (v) increase in passenger earnings (Rs. 5.37 crores), and other coaching and sundry earnings (Rs. 5.22 crores).

The increase in surplus detailed above was counterbalanced by a decrease of Rs. 9.10 crores in the earnings from Goods traffic, and increase of Rs. 0.07 crores in miscellaneous expenditure.

GENERAL RESULTS OF APPROPRIATION AUDIT

2. The number of Demands voted during 1961-62 was 21 against 20 in the previous year; this was due to an additional Demand for withdrawal from Revenue Reserve Fund to repay the temporary loans obtained from General Revenues. The number of Appropriations obtained during the year was 4 *i.e.* the same as in 1960-61.

3. There was a reduction in the number and amount of supplementary grants taken during the year (8 for Rs. 8.71 crores as against 9 for Rs. 52.06 crores in the previous year). The number of supplementary appropriations taken during the year was, however, 8 as against 5 in 1960-61, although the amount of these appropriations was Rs. 0.18 crores as against Rs. 0.23 crores in the previous year.

UNNECESSARY SUPPLEMENTARY GRANTS/APPROPRIATIONS

4. In the following cases, the funds obtained by supplementary grants/appropriations proved unnecessary or in excess of requirements. In three of these cases funds were surrendered during the same month (March 1962) in which supplementary grants/appropriations were obtained.

No. and name of the grant/ appropriation.	Original grant/ appropri- ation	Supplementary grant/appro- priation (amount and month in which obtained)	Amount surrender- ed in March, 1962	Final savings (inclusive of surrenders)
--	--	--	---	--

(Figures in lakhs of rupees)

A—Grants :

2—Revenue-Miscellaneous Expenditure	2,11.91	28.61 (November, 1961)	19.16	26.18
13—Open Line Works-Revenue-Labour Welfare.	1,36.71	36.56 (March, 1962)	10.79	12.88

B—Charged Appropriations :

9—Revenue-Working Expenses-Miscel- laneous Expenses	4.99	0.82 (November, 1961)	2.43	2.71
15—Construction of New Lines	3.86	6.86 (March, 1962)	0.96	1.76
16—Open Line Works-Additions . . . . .	..	2.25 (March, 1962)	1.99	1.99

INADEQUATE AND INJUDICIOUS SURRENDERS

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

(Figures in thousands of rupees)

	Amount surrendered	Final savings (inclusive of surrenders)
<i>(i) Grants :</i>		
2—Revenue-Miscellaneous Expenditure	19,16	26,18
10—Revenue-Working Expenses—Labour Welfare	93,89	1,12,78
13—Open Line Works—Revenue—Labour Welfare	10,79	12,88
14—Open Line Works—Revenue—Other than Labour Welfare	2,14,14	2,60,64
18—Open Line Works—Development Fund	1,66,70	1,85,24

(ii) Appropriation :

15—Construction of New Lines	96	1,76
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(b) In the following cases, the surrenders were injudicious :—

(Figures in thousands of rupees)

No. and name of the grant	Amount surrendered	Excess over Final grant less surrenders
16—Open Line Works—Additions	12,91,92	3,66,20
17—Open Line Works—Replacements	6,86,28	1,54,45
17—Open Line Works—Replacements (Charged)	2,36	3,35

UNNECESSARY OR EXCESSIVE RE-APPROPRIATIONS

6. (i) In the cases given below, provision of funds by re-appropriation proved entirely unnecessary.

(Figures in thousands of rupees)

Railway	No. and name of the grant	Amount obtained	Savings in final grant
Northern	2—Revenue-Miscellaneous Expenditure (Survey)	1,58	2,53
North-Eastern	2—Revenue-Miscellaneous Expenditure (Survey)	2	4
Northern	8—Revenue-Working Expenses-Operation other than staff and Fuel (Charged)	65	67
Northern	9—Revenue-Working Expenses-Miscellaneous Expenses (Charged)	10	33
Southern	9—Revenue-Working Expenses-Miscellaneous Expenses	2,00	11,84
Northern	16—Open Line Works-Additions (Charged)	1	1

(ii) In the following cases, provision of funds by reappropriation proved to be in excess of requirements.

Railway	No. and name of the grant	Amount obtained	Savings in final grant
Western	2—Revenue Miscellaneous Expenditure (Miscellaneous charges)	12	10
Eastern	7—Revenue-Working Expenses—Operation (Fuel)	19,49	18,30
Eastern	18—Open Line Works-Development Fund	9,77	6,09

SAVINGS IN GRANTS AND APPROPRIATIONS

7. Savings occurred under 18 grants and 6 Appropriations during 1961-62 as against 18 grants and 5 Appropriations during 1960-61, and 16 grants and 2 Appropriations during 1959-60. The amount of total savings during the year was Rs. 62.04 crores, as against Rs. 57.10 crores during 1959-60 and Rs. 76.34 crores during 1960-61.

In main, the savings to the extent of Rs. 35.83 crores occurred under grants relating to expenditure met from Capital, Depreciation Reserve Fund and Development Fund, as against Rs. 46.23 crores and Rs. 55.08 crores in the years 1959-60 and 1960-61 respectively, *i.e.* 6.8 per cent of the total grants in 1961-62 as against 8.4 per cent in 1959-60 and 11.4 per cent

in 1960-61. The savings of Rs. 19.11 crores under Grant No. 15-Construction of New Lines were, however, particularly large, being 31.2 per cent of the total grant for the year as against 18.7 per cent in 1960-61. The Dandakaranya-Bolangir-Kiriburu Project alone accounted for Rs. 12.45 crores of these savings, mainly due to substantial changes in alignment and regrading, and revision in the designs of bridges which accounts for about Rs. 6.5 crores and the balance due to retardation of works in the prolonged monsoon period, non-receipt of materials, delay in finalisation of contracts etc. Delay in placement and finalisation of orders for diesel locomotives from U.S.A., shortfall in construction of coaches and wagons owing to difficulties in procurement of raw materials etc., led to savings of Rs. 8.58 crores under Rolling Stock in Grants No. 16 and 17-Open Line Works-Additions and Replacements. The balance of the savings was attributable to delays in finalisation of plans and estimates, rephasing of works and shortfall in supply of materials etc.

The entire provision of Rs. 8.57 crores under grant No. 22-Withdrawal from Revenue Reserve Fund for repayment of temporary loans obtained from General Revenues, proved unnecessary on account of the fact that the actual surplus for 1960-61 turned out to be sufficient for the purpose.

The savings under grants and appropriations in respect of expenditure met from revenue accounted for the balance of Rs. 17.64 crores during the year 1961-62 as against Rs. 20.96 crores during 1960-61 and Rs. 9.78 crores during 1959-60.

CHARGED EXPENDITURE INCURRED WITHOUT BUDGET PROVISION

8. In the following cases, no budget provision existed on the individual Railways for charged expenditure incurred by them in satisfaction of Court Decrees/Awards, and necessary funds were also not obtained by supplementary appropriations, reappropriations or through advances from the Contingency Fund of India.

Serial No.	Railway	No. and name of Appropriation	Amount of expenditure Rs.
1.	Western	6—Revenue-Working Expenses-Operating Staff	20,449
2.	Western	7—Revenue-Working Expenses-Operation (Fuel)	3,972
3.	Western	15—Construction of New Lines	19,035
4.	Western	17—Open Line Works-Replacements	3,33,518
5.	Eastern	15—Construction of New Lines (Chandrapura—Hatia Construction)	4,700
6.	Diesel Loco-Works	16—Open Line Works—Additions	347

The expenditure has been set off, partially in respect of Serial Nos. 1 and 4 and entirely in respect of Serial Nos. 3, 5 and 6 against savings occurring on other Railways without the Railway Administrations concerned having obtained formal reappropriation orders from the Railway Board. The remaining amounts in respect of Serial Nos. 1 and 4 and the entire amount of Serial No. 2 requiring regularisation under Article 115 of the Constitution, have been included in Paragraph 9 below.

(ii) In the cases mentioned below, expenditure was incurred by the Western Railway without any provision in the Grant for the particular works concerned :—

Grant	Name of work	Amount of expenditure (In thousands of rupees)	Remarks
15—Construction of New Lines	Adipur—Bhuj Conversion	58	Necessary provision was asked for by the Railway Administration in the revised estimates but was not provided for by the Railway board.
Do.	Gop—Katkola Construction	3	No provision was asked for by the Railway on the ground that the amount was small.

In these cases also, the expenditure has been set off against savings on other Railways without a formal reappropriation order.

EXCESS OVER VOTED GRANTS AND CHARGED APPROPRIATIONS

9. In the cases listed below, there was excess expenditure over the voted grants/charged appropriations which requires to be regularised under Article 115 of the Constitution.

(Figures in units of rupees)

	Grant/Appropriation	Expenditure	Excess	Percentage of Excess
<i>A—Grants :</i>				
3—Revenue—Payment to Worked Lines and Others	Original .	23,79,000		
	Supplementary .	5,56,000		
	Final .	29,35,000	29,48,926	13,926	0.5

The excess was due to larger payments to worked lines on account of increase in their net earnings.

20—Revenue—Appropriation to Development Fund	17,21,57,000	24,39,92,041	7,18,35,041	41·7
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The excess was due to actual revenue surplus for the year to be appropriated to Development Fund being more than anticipated.

B—Charged Appropriations :

5—Revenue—Working Expenses—Repairs and Maintenance	Original . . . . .	..		
	Supplementary	14,000	14,451	451	3·22

The excess is small .

6—Revenue—Working Expenses—Operating Staff	Original . . . . .	..		
	Supplementary	42,000	62,307	20,307	48·4

7—Revenue—Working Expenses—Operation (Fuel)		Nil	3,972	3,972	Cent-per-cent.
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17—Open Line Works—Replacements	Original			
	Supplementary	3,15,000	4,13,679	98,679	31·3

The excesses under Appropriations No. 6, 7 and 17 were due to omission by the Western Railway to obtain provision of funds for certain decretal payments etc.

INTEREST-FREE OVERDRAFTS TO BRANCH LINE COMPANIES

10. A statement showing the subsidies paid to Branch Lines worked by private companies is shown at page 14 of the detailed Appropriation Accounts of Railways in India-Part II. These subsidies are paid in accordance with the agreements with the Companies under which a minimum return of $3\frac{1}{2}$ per cent per annum on the paid up share capital has been guaranteed by the Government. To the extent the net receipts from the lines fall short of this guaranteed return, the deficit is liable to be made good by Government.

In respect of the Ahmedpur-Katwa, Burdwan-Katwa and Bankura-Damodar River Railway Companies the subsidies paid during each of the preceding four years are indicated below :—

Year	Ahmedpur—Katwa Railway Co. Ltd. Rs.	Burdwan—Katwa Railway Co. Ltd. Rs.	Bankura Damodar River Rly. Co. Ltd. Rs.
1958-59	72,223	2,46,002	1,65,700
1959-60	1,08,834	2,83,957	4,46,856
1960-61	2,43,754	2,18,051	4,86,000
1961-62	2,27,369	3,15,353	5,55,263

These companies have all along been having banking accounts with the treasuries. Prior to April, 1939, withdrawals were permitted only against specific Letters of Credit on the treasuries issued by the Accounts Officers concerned. Due to the Proforma separation of the Railway Fund with effect from the 1st April, 1939, the Letters of Credit were discontinued. As a result, when the withdrawals by these companies resulted in overdrafts, the interest on such withdrawals failed to be charged. The overdrafts at the end of the preceding four years were as follows :—

Year	Ahmedpur—Katwa	Burdwan Katwa	Bankura-Damodar
	Rly. Co. Ltd.	Rly. Co. Ltd.	River Rly. Co. Ltd
	Rs.	Rs.	Rs.
1958-59	..	1,58,501	2,65,204
1959-60	..	1,78,192	4,55,991
1960-61	1,25,804	2,25,285	7,95,575
1961-62	2,25,319	4,80,154	9,72,679

UNDERCHARGES DETECTED BY ACCOUNTS AND AUDIT

11. Annexure 'B' at Page 81 of the Appropriation Accounts of Railways— Part II, contains details of the undercharges detected by Accounts and Audit, and their percentage to the total earnings. The detected undercharges in 1961-62 have risen from 0.26 per cent in 1960-61 to 0.40 per cent of the total earnings. The statements which follow compare the percentage of undercharges to total earnings for a period of 6 years on each individual Railway, and the Railways as a whole.

STATEMENT I

(Individual Railways)

Railway	Percentage of undercharges detected to total earnings.					
	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
Central . . .	0.10	0.24	0.21	0.16	0.23	0.28
Eastern . . .	0.19	0.22	0.25	0.26	0.19	0.71
Northern . . .	0.35	0.42	0.41	0.36	0.38	0.35
North Eastern . .	0.34	0.31	0.18	0.74	0.29	0.11
Northeast Frontier .	..	..	0.08	0.24	1.19	2.04
Southern . . .	0.20	0.17	0.31	0.23	0.19	0.21
South Eastern . .	0.07	0.09	0.31	0.45	0.32	0.57
Western . . .	0.13	0.14	0.16	0.09	0.10	0.10

STATEMENT II

(All Railways)

Year	Total earnings	Undercharges detected	Percentage of undercharges to total earnings
	(Amount in Crores of rupees)		
1956-57	349	0.66	0.19
1957-58	381	0.87	0.23
1958-59	391	1.01	0.26
1959-60	422	1.13	0.27
1960-61	458	1.20	0.26
1961-62	500	2.00	0.40

The percentage has gone up on most of the Railways in 1961-62 and that too very markedly in the case of Eastern, Northeast Frontier and South Eastern Railways. It also varies considerably from Railway to Railway.

In this connection it is also relevant to mention that the undercharges detected have reference only to that part of the earnings which come in for check in the system of percentage check of the total earnings.

SURPLUS STORES (INCLUDING SCRAP IN THE CASE OF CERTAIN RAILWAYS)

12. Columns 20 and 21 of the Stores Accounts for 1961-62 at Page 68 of the Appropriation Accounts of Railways-Part II, indicate the value of surplus stores and the total stores balance at the end of the year.

Stores which have not been issued for a period of 24 months, are considered surplus to the requirements of the Railway Administration and classified as "Surplus Stores" in the Stores Accounts. Out of this, those which are anticipated to be used up in the near future are considered to be "Moveable Surplus" while those which are not expected to be required by any Railway in the next 2 years, are treated as "Dead Surplus".

The value of the Surplus Stores borne under the Stores Balances of all the Railways, and the proportion it bears to the total Stores Balances from year to year are indicated below:—

Year	*Value of Surplus Stores	Total Stores Balances	Percentage of surplus to total Stores Balances.
	(Amount in crores of rupees)		
1957-58	4.01	98	4
1958-59	5.36	115	5
1959-60	5.77	99	6
1960-61	5.87	85	7
1961-62	6.76	85	8

There has been a steady increase in the percentage from 4 per cent to 8 per cent. The ratio of the "Moveable Surplus" to the "Dead Surplus" for 3 years collected with reference to the Stores accounts of Chittaranjan Locomotive Works, Integral Coach Factory, and South Eastern, Southern, Eastern and Central Railways alone is as follows:—

as on 31-3-59	Moveable : Dead	as	3 : 1
as on 31-3-60	„ „	as	2.67 : 1
as on 31-3-61	„ „	as	1.74 : 1

The proportion of the dead surplus in the total surplus stores shows a marked increase from year to year. Information in this respect in the case of the other railways is not readily available.

*The Railway Board explain that the value of surplus stores as indicated above includes in the case of some of the Railways, ferrous scrap which could not be disposed of because of a ban imposed on their disposal, and that the position is likely to improve on account of the lifting of the ban, decontrol of certain categories of ferrous scrap, and large demand for such scrap for defence purposes.

CHAPTER II

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

INTRODUCTORY

13. This Chapter deals with important financial irregularities noticed during the course of audit of the accounts of the year 1961-62. 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 1961-62 noticed during concurrent audit, have also been included, wherever considered necessary.

CONTRACTS AND TENDERS

14. *Irregularities in timber contracts entered into with a firm*

The Central Purchase Organisation placed 104 contracts on a firm during February, 1951 to January, 1958 for the supply of timber to Railways. There have been various types of irregularities and a sum of Rs. 46.61 lakhs, as indicated below, was due for recovery in respect of 51 of these contracts, including excess payments obtained by the firm in 27 contracts :—

(Amount in lakhs of rupees)

(a) Excess amounts obtained by the firm by presenting fictitious Railway receipts for stores either not despatched or less despatched, and by despatching un-inspected stores in lieu of the inspected ones	27.04
(b) Additional cost due to risk purchase	8.39
(c) General damages	7.71
(d) Infructuous expenditure on inspections	1.22
(e) Freight on rejected stores	0.89
(f) Liquidated damages for delayed supplies	1.36
TOTAL	<u>46.61</u>

Out of this amount, only a sum of Rs. 13.07 lakhs has been recovered so far (August, 1962) from the pending bills of the firm, leaving a balance of Rs. 33.54 lakhs. The disputes in respect of 43 contracts are under arbitration.

The irregular payments obtained by the firm from time to time came to notice in June, 1957, but the case was reported by the D.G.S. & D. to the Special Police Establishment for the first time only in July, 1960, after

Audit had taken up the matter in September, 1959. The Ministry of Works, Housing and Supply have stated that the firm were the authorised exporters of the State Timber Board, Rangoon, and Coach builders of the Railways*, and hence their *bona fides* were beyond question. They have added that the moment the malpractices came to the notice of the Purchase Organisation, the business dealings with the firm were suspended and the firm have finally been blacklisted. As regards the delay in reporting the case to the Special Police Establishment, they have stated that before doing so, the Purchase Organisation wanted to ensure that there was good proof of the case against the firm.

*The Ministry of Railways have clarified that only one coach building contract was awarded to this firm in 1956.

15. *Avoidable expenditure on the purchase of wheel tyres against a limited tender*

The Railway Board issued a limited tender on the 9th May, 1961, for procurement of about 5,000 wheel tyres required by the Railways mainly for their 1961-62 maintenance works. The quotations were opened on the 13th June, 1961, and it was found that the lowest prices quoted were about 50 per cent higher than the estimates.

When the purchase arrangements against this limited tender were under way, a global tender for tyres against the 1962-63 requirements was being drawn up. 4,474 tyres to be procured through the global tender were identical in type with 3,259 of the tyres included in the limited tender the quotations against which were opened on the 13th June, 1961. The Railway Board considered it advantageous to procure these 4,474 tyres also against the offers received under the limited tender, and all the tenders who had quoted against the limited tender were asked on the 1st July, 1961 to indicate whether they would reduce the prices in view of the additional quantity required. None of the tenderers offered any reduction in price. The Ministry of Finance released the foreign exchange required, subject to the reasonableness of the prices being verified by the Ministry of Railways as they were considerably higher than the estimated prices. The Railway Board accepted the prices as reasonable on the ground that they were the lowest obtained, and placed orders on two continental firms on the 27th September, 1961.

Quotations received against the global tender of August, 1961, were opened on the 4th October, 1961. The lowest quotations offered for the items which were common with the limited tender were much cheaper than the prices at which orders had already been placed for both the years' requirements.

The offers received under the limited tender were valid upto 30th September, 1961 only, and the orders for the supply were actually placed on 27th September, 1961. When the global tenders were due to be opened on 4th October, 1961, it is not quite clear why the validity of the offers against the limited tender was not got extended for a suitable period, and why the ordering, at least of the requirements for 1962-63 could not have waited till the global tenders were opened. By placing the orders on the basis of limited tenders, without waiting for the results of the global tenders already called for and due to be opened within a few days, there has been a total extra expenditure of £ 45,351 on account of the 7,733 tyres included in the orders.

16. *Loss in respect of a purchase, where time was the essence of the contract*

Global tenders were invited by the Railway Board in June, 1959 for the purchase of Electrical Signalling Equipment. This included 745 Electric Signal Reversers of various types.

The tenders were opened on 18th August, 1959. The quotations were considered by the Tender Committee on 3rd November, 1959 and negotiations were conducted with certain selected firms on 12th November, 1959. The quantity negotiated for supply was 1,139 Nos. At both these stages, the recommendations of the Tender Committee were mainly based on the consideration of obtaining delivery of the material by 30th June, 1960, as the same was stated to be required urgently by the Railways. The result was that technically acceptable lower offers for the supply of indigenous material, including the one from an established firm which had offered to supply the material from July, 1960 and complete the delivery by May, 1961, were passed over in favour of the higher offer of a firm for fully imported and locally assembled material. This latter firm assured that it would supply all the material by 30th June, 1960, provided the import licence was given before 15th December, 1959. The final decision to place an order on this firm was, however, taken only on 3rd February, 1960, and an advance letter of acceptance was issued on 5th February, 1960. The issue of the formal order was delayed further for over seven months and it was issued only on 15th September, 1960, and that too, after being reminded on four occasions by the firm. This order stipulated completion of delivery by 31st December, 1960, and the contract was executed by the firm accordingly.

At the time the decision to place the order on this firm was taken in February, 1960, the condition put forth by the firm for supplying the material by 30th June, 1960, *viz.* the issue of import licence by 15th December, 1959, was impossible of accomplishment, and even though it

was evident that the material could not be obtained as previously anticipated, the Tender Committee decided to place the order on this firm without obtaining any fresh assurance about the delivery date. The order did not also indicate that the higher offer had been accepted only in view of the earlier delivery promised and that the firm will be paid only at the lowest acceptable rate obtained in the call of tenders, if the delivery date was not kept up. The formal contract confirming the advance acceptance, was executed in September, 1960, and stipulated completion of delivery before 31st December, 1960, against the date of 30th June, 1960 which was the main basis for deciding this contract. The price preference on account of the promised earlier delivery in this case was about Rs. 48,000. Actually the firm supplied 914 Nos. in June/July, 1961, 165 Nos. in April, 1962, and left the balance 289 (to be locally assembled) unsupplied. In contrast, under the offer for the indigenous product, the delivery was to commence in July, 1960, and end by May, 1961, and this was rejected as unsuitable.

The case also presents the following features:—

- (a) The quantity on order was increased from 1,139 Nos. at the time of placing the advance order in February, 1960, to 1,368 Nos. at the time of issuing the formal order in September, 1960 at the originally negotiated rate.
- (b) As per Tender Schedule, the reversers were required to be manufactured according to the Indian Railway Standard Drawings. The Railway Board, however, allowed the firm's collaborators in Japan, in June, 1960, to manufacture the same to their own drawing, at the originally negotiated rate. It is not known whether this concession resulted in any financial advantage to the suppliers and will create any problems in the standardisation and interchangeability of parts.

17. *Western Railway-Extra expenditure due to extension of a zonal contract.*

A zonal contract is usually awarded by this Railway for a period of one year at a time for carrying out all repairs and maintenance works upto a particular value arising in a specified area. According to the orders issued by the Railway Board in October, 1956, if the zonal rates accepted for a new year are lower than the rates of the previous year in force, no fresh work orders should ordinarily be issued to the existing contractor, and the work orders issued earlier but not actually acted upon or not likely to be executed within the contractual period should be cancelled. In respect of civil engineering works, the Railway Administration had also issued instructions in June, 1956, that in case the rates for

new zonal contracts happened to be lower, the existing contractors should be asked to carry out the remaining work at the new lower rates, failing which the work already done should be measured up and paid for.

The tenders for zonal contracts for electrical works in Baroda, Ratlam, Rajkot and Kota Divisions during the year 1959-60 were opened on the 6th March, 1959. The rates accepted on the 22nd April, 1959, were lower than those of the preceding year which were current up to the 31st March, 1959. Instead of terminating the work orders of the incomplete works on 31st March, 1959, or getting them completed at the new lower rates, the contract for the preceding year was extended up to the 30th April, 1959, and further extended up to 30th June, 1959. Some fresh work orders were also issued against this contract even after the rates for 1959-60, which were lower, were known to the Administration. This irregular procedure resulted in extra expenditure of about Rs. 45,816.

18. Loss due to irregular rejection of a lower tender

Global tenders were invited by the Railway Board in May, 1960 for the purchase of 2,000 tons of Iron Wires of various categories. This included 24 tons of galvanised Iron Wire corresponding to one specification and 146 tons corresponding to another. The quotations were opened on 15th July, 1960.

Initially, only two firms quoted for the supply of the above two items. Firm 'A' submitted two offers for supply from Belgium and Japan respectively, both of which were not according to the required specifications, while firm 'B' submitted only one offer for supply from Continent, which conformed to the specifications. On 21st July, 1960, before the quotations were considered by the Tender Committee, firm 'A' submitted another offer for supply from France, which was strictly according to the required specifications, stating that the receipt of this quotation from their overseas suppliers had been delayed on account of the Central Government Employees' strike. The rates of their latest offer compared with those of firm 'B' were as under:—

Firm	Source of supply	Item No.	Rate per ton.
A	France	25	£ 70- 0-0 C.I.F.
A	France	26	£ 72- 0-0 C.I.F.
B	Continent	25	£ 77- 5-0 F.O.B.
B	Continent	26	£ 79-10-0 F.O.B.

The latest offer of firm 'A' was, however, neither included in the abstract of quotations nor considered by the Tender Committee, although three late offers of other firms, relating to other items covered by the same tender, which had been delayed for similar reasons as that of firm 'A', were duly considered by the same Tender Committee. As a result, the only technically acceptable higher offer of firm 'B' was accepted and order was placed on them for the entire requirement on the 27th September, 1960.

The latest quotation of firm 'A' was not submitted to the Tender Committee, as it was found to be incomplete during preliminary examination, in as much as it was not accompanied by Mill's authority. But this was not justified as only the Tender Committee is competent to recommend acceptance or rejection of a tender. It is interesting to mention that although the first two offers of the same firm viz., for supply from Belgium and Japan, were not accompanied by Mill's authority, the same were duly submitted to and considered by the Tender Committee.

The consideration of the lower offer could have resulted in a saving of £ 2,306 or Rs. 30,746 approximately.

19. *Eastern Railway—Avoidable expenditure in connection with a goods handling contract*

A goods handling contractor at Moghalsarai Station was asked to do the E.P. locking and rivetting of wagons during the period September, 1949 to January, 1953, although this work was not provided for in the schedule to the contract. The rates were, however, not fixed for this work until the contract expired on 31st January, 1953. In August, 1956, i.e., more than three years after the expiry of the contract, the Chief Commercial Superintendent sanctioned a rate of four annas per wagon for each of these operations, against Re. 1/- and Rs. 2/3/- respectively as claimed by the contractor. On this basis, the Railway admitted a sum of Rs. 27,550 against Rs. 66,960 claimed by the contractor for E.P. locking and rivetting of wagons.

As the total payment to the contractor, including that for goods handled, was not acceptable to him, the matter was referred to arbitration in 1960 and the Railway had to pay an additional amount of Rs. 38,415 over and above the amount of Rs. 71,529 initially admitted by the Administration as actually payable on the basis of the records of the Railway, against the contractor's claim of Rs. 1,32,459. These records had not been preserved and could not, therefore, be produced before the arbitrator to sustain the Railway's contention. The award of the arbitrator was an overall settlement and did not mention separately the amount included therein for E.P. locking and rivetting of wagons.

WORKS EXPENDITURE

20. *Northeast Frontier Railway—Wasteful expenditure on old and defective earth-moving plants*

An earth-moving plant unit consisting of 16 scrapers, 12 dozers and 1 crane, originally acquired for the Ganga Bridge Project and available with the South Eastern Railway, was transferred to the Northeast Frontier Railway in January, 1960, for use on the Rangapara North-North Lakhimpur Project, under orders of the Railway Board. The scope of the work for the unit in the Northeast Frontier Railway, and the comparative economics of its output vis-a-vis the maintenance and operation costs, were not considered in detail by the Railway Administration before the transfer, although they were aware that the condition of the unit was not satisfactory, and that it had not been overhauled, when due in 1959, due to non-availability of the spare parts. The unit turned out about 2 crores c.ft. of earthwork during December, 1960 to April, 1961, after which most of the plants in the unit have been lying idle. Although the Railway Administration were convinced in August, 1961, that the unit could not be put to any further use by them, a recurring expenditure of about Rs. 40,000 p.m. continued to be incurred on the staff upto February, 1962, when by retrenching some staff this amount was reduced to Rs. 10,000 p.m. In January, 1962, the Railway Board decided to sell the unit by auction, but the final disposal is still awaited (December, 1962).

The Project incurred an expenditure of approximately Rs. 27.80 lakhs on the staff, spares, fuel, overhaul etc., on this earth-moving plant unit upto August, 1962, against an output valued at about Rs. 10 lakhs secured by its working. The depreciation on the unit, and the freight and other incidental charges incurred in transporting it from the South Eastern Railway, will be a further debit to the Project. Against this, there will be some credit by disposal of the spares remaining unused, the original value of which has been assessed at Rs. 8.5 lakhs by the Railway Administration.

21. *South Eastern Railway—Avoidable expenditure on a Doubling work*

The work of doubling of about 65 miles in various sections between Anuppur and Katni was undertaken to increase the line capacity of the section. In March, 1958, it was proposed to carry out the survey for the doubling with an easier gradient of 1 in 150 on the second line between two particular stations, against the gradient of 1 in 100 on the existing line. The detailed estimates for the work, prepared in August, 1958, included quantities of work on this basis. Meanwhile, in the tenders invited in June, 1958, quantities of the various works were specified on

the basis of 1 in 100 gradient (the gradient on the existing line), and contracts were accordingly entered into with a firm in October, 1958, at rates 7 per cent above the schedule of rates. The work was started in October, 1958, on the basis of 1 in 100 gradient and was to be completed by 31st December, 1959, as stipulated.

In February, 1959, the contractor who was verbally asked to indicate the rates for the additional work involved in easing the gradient, offered a reduction of 7 per cent over his rates for the original work, and reminded the Railway Administration on the 22nd April, 1959, that he would not be bound by his offer unless it was accepted by the 30th April, 1959, with the date of completion as 30th June, 1960. In March, 1959, while the Financial Adviser and Chief Accounts Officer was willing to accept the rate offered by the contractor as reasonable, he wanted detailed financial justification for the change in the gradient. This was furnished but the final decision to get the work done by this contractor was taken only in March, 1960. At that time, however, the contractor declined to carry out the extra work at the rates offered by him more than one year back. Fresh tenders were then called for, and the contract for this item of work was awarded to the same contractor in two sections in February, and March, 1961 respectively at considerably higher rates ranging from 45% to 80% above the schedule of rates, involving additional expenditure of nearly Rs. 15 lakhs. The Railway Administration, however, assess the additional expenditure as only Rs. 8.75 lakhs which is under verification by Audit.

The stipulated date of completion of the extra work was 31st December, 1961, against 30th June, 1960, offered by the contractor in April, 1959. The delay of $1\frac{1}{2}$ years in completing the line on the easier gradient also deprived the Railway of some savings in operational costs which would result from an easier gradient.

22. *Dandakaranya-Bolangir-Kiriburu Railway Project*

The Dandakaranya-Bolangir-Kiriburu Railway Project was started in August, 1960, for construction of about 409 miles of new lines for transport of six million tons of iron ore a year, from Orissa and Madhya Pradesh to Visakhapatnam Port for export to Japan. The lines under construction are:—

- (i) a 270 mile line from Kottavalasa to Bailadilla in the Bastar District of Madhya Pradesh at a cost of Rs. 55.32 crores;
- (ii) a 26 mile line from Bimlagarh to Kiriburu at a cost of Rs. 6.07 crores; and
- (iii) a 113 mile line to link Sambalpur with Titilagarh at a cost of Rs. 14.58 crores.

The first line is expected to be opened for traffic in January, 1966. The second line is due to be opened for traffic in March, 1963, but linking has not been started so far. In respect of the third line due to be opened for traffic in February, 1963, linking had been done only for about 45 miles out of 113, upto October, 1962.

A notable feature in regard to these constructions is the abnormally high rates (even upto 500% above the schedule of rates) quoted by the tenderers for earthwork, tunnelling etc. with the result that in 106 contracts out of 176, negotiations had to be resorted to for bringing down the rates. In three cases, however, the rates quoted by the contractors were accepted as reasonable, without any negotiations, (on the basis of the contract as a whole but without going into the reasonableness of the rates for individual items on the ground that the overall tender value was reasonably near the estimated value), although on adjacent sections lower rates had been obtained for one or two similar items as a result of negotiations.

In two tunnelling sections, the lowest tenderers, while reducing the rates for other than tunnelling items by Rs. 7.08 lakhs during negotiations, increased the rates for tunnelling items by Rs. 3.16 lakhs, and these were accepted by the Administration, although the original rates themselves had been considered high.

The reasonableness of the rates obtained for tunnelling works was not examined with reference to the cost of execution of the works if taken up departmentally. In fact, while inviting limited tenders for tunnelling works in September, 1961, the alternative of undertaking the works departmentally in the event of the rates quoted being unreasonable was considered amongst other things. The possibilities and comparative costs of departmental execution were, however, not gone into while deciding the tenders, but the Administration felt that departmental working on an extensive scale in the ghat section involved serious practical difficulties. Contracts amounting to Rs. 4.5 crores were given to a firm, with certain special concessions (not provided for in the tender notice or in the General and special conditions of contract) such as interest-free cash advances upto a limit of Rs. 22 lakhs against machinery received at the site of the works, sheds etc., construction at Railway's cost of one access road in each of the three sections at a total estimated cost of Rs. 2 lakhs, supply of cement and pipes at Railway's cost for arranging water supply at work-site etc. This firm was also allowed foreign exchange amounting to Rs. 2.56 lakhs for importing a bull-dozer and a grader for construction of the access roads referred to, as also other service roads required for the contractor and for use on tunnelling works.

Over 13,000 treated wooden sleepers stacked at Bimlagarh, valued at over Rs. 2 lakhs, were destroyed by fire in February, 1962. It was found

during the enquiry that the normal storage arrangements were not adequate for this type of sleepers and special measures were necessary. The Administration issued suitable instructions in March, 1962, for avoiding such accidents in future.

23. *Western Railway—Infructuous Expenditure on an additional loop at Gandhigram*

The provision of an additional loop at Gandhigram at an estimated cost of Rs. 2.01 lakhs was sanctioned in June, 1958. In March, 1959, the abandonment of this station was envisaged, as the State Government had suggested a realignment and diversion of the Railway line outside the Gandhigram area, and the Ahmedabad Municipal Corporation had deposited the necessary cost of survey. However, the contract for earthwork for providing the additional loop at Gandhigram was finalised in August, 1959, and the work was progressed further. In March, 1960, the Divisional Superintendent reported that the expenditure on the work at Gandhigram might be rendered infructuous as it was quite likely that the realignment proposal may come through; he therefore held the work in abeyance. Final orders cancelling the estimate for the work were issued by the Chief Engineer in December, 1960. In the meantime, an expenditure of Rs. 27,211 on earthwork had already been incurred. When the question of regularising this infructuous expenditure was raised by the Accounts Department in October, 1961, the Divisional Superintendent stated that the earthwork done had served as protection to the existing lines. It is, however, observed that such a protective measure at this station had never been contemplated earlier, and the work was actually carried out for an entirely different object.

24. *Northern Railway—Avoidable expenditure on the purchase of Ballast*

In the Jodhpur Division, a contract for supply of ballast was awarded in March, 1958 on the condition that the royalty, if any is due, would be paid directly by the Railway to the State Government. It turned out that the mining right for the particular quarry had already been given by the State Government to a contractor. The Railway contractor could not start the work as the mining contractor to whom the mining lease had been given by the State Government, did not allow the former to extract ballast without settling the question of the royalty payable by the Railway Administration to him. The Railway Administration neither arranged for the payment of the royalty to the mining contractor nor even agreed to make the payment later which course was acceptable to the mining contractor. Ultimately the contract was terminated in February, 1960, as the royalty question had not been decided even by that date.

and as a result, components costing Rs. 3.19 lakhs became surplus and went out of demand. Of this surplus, stores worth Rs. 1.42 lakhs were placed before the Survey Committee in November, 1960, who recommended their scrapping and sale. The balance of the surplus stores remains to be surveyed and the full financial implications of this overstocking will be known only when the whole lot is disposed of.

28. *Southern Railway—Delay in recovery of charges due to lightening of a ship*

A ship bound for Calcutta Port with Australian sleepers called at Madras Port in November, 1959, and discharged 18,103 sleepers there for the purpose of lightening her cargo in order to navigate the river Hooghly safely. The Southern Railway retained 86 sleepers for its own use and despatched the rest from Madras to various destinations on the South Eastern and North Eastern Railways, to which the sleepers were actually intended to be consigned from Calcutta. The excess freight and handling charges etc., amounting to Rs. 36,002, incurred in carrying the sleepers to their destinations from Madras instead of from Calcutta, were recoverable from the Shipping Company, but a claim on this account has been preferred only in November, 1962, that is, after a delay of nearly three years. The amount has not so far been realised (December, 1962).

29. *Southern Railway—Loss due to rejection of claims for refund of demurrage charges by Madras Port Trust*

Under the Madras Port Trust Rules, demurrage charges on a sliding scale are levied on goods not cleared from the Port area within the free time of three working days and the same are payable before the goods can be cleared. If, however, the delay in clearing the goods is only because of non-supply of wagons for which requisition had been made within the free time and renewed subsequently from day to day, refunds are allowed by the Port Trust later after charging demurrage for the entire period at the lowest rate applicable for the first week. Railway's claims for refund of demurrage charges of Rs. 26,102 under the provisions of these rules were, however, rejected by the Madras Port Trust between February, 1959 and September, 1959, on the ground that claims to the extent of Rs. 16,786 were not preferred by the Railway in time, and in respect of the balance of Rs. 9,235, wagon requisitions had not been renewed from day to day as required in the rules. No action has so far been taken to fix responsibility for this loss.

An appeal is stated to have been preferred by the Railway in December, 1962, to the Madras Port Trust to waive the objections and sanction the refund.

ROLLING STOCK

30. Loss on account of damages and missing parts in wagons supplied to collieries etc.

Eastern Railway

It was reported in para 8 of Audit Report, 1957, that heavy damages were noticed in the wagons returned by certain colliery sidings and that in the absence of an effective procedure for allocation of responsibility between the collieries and the Railways, recurring losses were being sustained by the Railway. A system of making and taking over of wagons to and from colliery sidings was introduced by the Eastern Railway Administration in March, 1957, to fix the extent of responsibility on the collieries for the losses. This procedure was discontinued in March, 1959, on the ground that there was a substantial reduction in the losses, and the cost of staff for implementing the procedure would be higher than the losses. When the losses subsequently showed an upward trend, it was suggested by Audit in July, 1959, that these checks may be reintroduced. While admitting that there was a tendency for the damages and thefts to increase, the Railway Administration have stated that it is difficult to take a final decision on the re-introduction of the checks without watching the results over a reasonable period of time because the staff required for this purpose would cost about Rs. 15,000 p.m. The average loss due to damages and missing parts during the period April, 1961 to March, 1962 was about Rs. 36,400 p.m. The total loss in Asansol and Dhanbad areas from March, 1959 to September, 1962, amounted to Rs. 9.78 lakhs.

The Railway Administration have stated that the above loss does not relate to colliery sidings alone and that on account of the abolition of the system of making and taking over of wagons, responsibility for the loss could not be fixed on the colliery owners as it was not known where such thefts were actually taking place.

South Eastern Railway

In regard to the assessment of the loss due to damages and missing parts in wagons returned from a factory siding at Tatanagar, the instructions issued by the Railway Board in December, 1957, to fix a rate per wagon at an average of the last 6 months' figures, and to be revised once a year, have not so far been implemented. Only a lump sum recovery has been made on an *ad hoc* basis at the rate of Rs. 1,000 per month upto 31st March, 1960, and Rs. 2,500 per month from April, 1960 onwards, which was very much lower than the average loss due to damages and deficiencies suffered by the wagons while in the factory's siding. The net loss to the Railway has been estimated at Rs. 1.20 lakhs during the years 1958 to 1961.

In the case of Bhilai and Rourkela Steel Plants, a joint inspection was arranged in November-December, 1961 and March, 1962, respectively, and on the basis of the damages and missing parts noticed in the wagons at these inspections, an average rate per wagon was arrived at. On this basis, the amount to be recovered from the Bhilai Steel Plant siding to end of June, 1962, worked out to Rs. 27 lakhs approximately. This amount has not yet been accepted by the Steel Plant, but the claim has been preferred by the Railway. In respect of Rourkela Steel Plant the amount to be recovered has not yet been calculated.

31. *Non-utilisation of chlorine tank wagons*

A contract for the purchase of 10 chlorine tank wagons for transport of liquid chlorine was entered into with a British Firm in July, 1953, on the basis of requests for such wagons from some chemical manufacturers and consumers. The Railway Board were aware that in the U.K. the tank portion of these wagons was owned by the users themselves, and that their inspection, testing and maintenance required specialised staff and equipment. They had, however, decided not to allow private ownership of tank wagons, but provide such special type wagons as part of their own stock. Nevertheless, after the contract was entered into, the difficulties involved in the maintenance etc., of these wagons were further considered, and after ascertaining the cost of the tank portion of the wagons ordered, a suggestion was put across to the Indian users to purchase the tank portion from the Railways. This, however, did not find favour with the users, who considered it more economical for them to carry the liquid chlorine in ordinary wagons using their own 1 ton containers. It was too late at that stage to either cancel the order or to reduce the number without paying heavy cancellation charges to the wagon builders, and the Railway Board, therefore, decided in October, 1956, to let the order stand.

Possible alternative uses for these wagons were then explored *viz.*, to convert them to carry sulphuric acid or liquified petroleum gas. It was found that the same wagons could not be used for the carriage of both sulphuric acid and liquid chlorine because of the safety element, and that permanent conversion as sulphuric acid wagons may result in uneconomical working. Conversion of these wagons to carry liquified petroleum gas was not then accepted by the Chief Inspector of Explosives and it was also found to be uneconomical in working.

The ten chlorine tank wagons were delivered in India during the period from April, 1959 to July, 1960. It was found that even without the condition of ownership of the tanks, none of the manufacturers or users of liquid chlorine were in a position to offer traffic in these wagons for want of proper arrangements at the consuming end for discharging and storing the liquid chlorine received in the tank wagons.

The Railway Board expect to use 5 of these wagons for loading liquid chlorine itself and 3 of them are stated to have been used recently (January, 1963) by liquid chlorine manufacturers in South India. The other 5 tank wagons are expected to be converted for transport of liquified petroleum gas, to which the Chief Inspector of Explosives has now agreed.

These wagons, costing in all, Rs. 8.5 lakhs, have remained unutilised from the dates of their receipt, *that is*, for nearly two to three years.

ESTABLISHMENT

32. Delay in recovery of advances granted to staff

On several Railways, the advances granted to staff on various accounts, aggregating Rs. 32.62 lakhs, have remained unrecovered for a number of years after the expiry of the period prescribed for their recovery, as indicated below.

Advances for the purchase of conveyance (other than motor car, motor boat or motor cycle)

A Railway Servant can be granted an advance of Rs. 175 or four months' pay, whichever is less, for the purchase of a cycle and Rs. 250 or two months' pay, whichever is greater, for the purchase of other conveyances which are not motor propelled ones. These advances are recoverable in twenty-four and twelve monthly instalments respectively. However, an aggregate amount of Rs. 5.83 lakhs, as indicated in the table below, remained unrecovered for more than two years as on 31st March, 1962.

Railway	Period to which relates			Total out- standing over 2 years as on 31-3-1962
	Upto 1957- 1958	1958-59	1959-60	
	Rs.	Rs.	Rs.	Rs.
Central	3,046	1,771	6,371	11,188
Eastern	6,501	34,958	43,166	84,625
Northern	30,747	27,202	46,402	1,04,351
North Eastern	1,51,667	21,743	72,956	2,46,366
Northeast Frontier	15,430	26,368	53,182	94,980
Southern	3,916	(—)8,316	15,591	11,191
South Eastern	897	640	23,077	24,614
Western . . . . .	..	20	1,086	1,106
C.L.W. . . . .	..	1,097	1,940	(A) 3,037
I.C.F. . . . .	..	20	1,451	1,471
TOTAL	2,12,204	1,05,503	2,65,222	5,82,929

(A) Includes motor cycle advances

Advances to non-gazetted staff residing in areas affected by floods, cyclones and other natural calamities of exceptional severity

Non-gazetted staff, residing and serving in areas affected by a natural calamity, can get an interest-free advance of Rs. 500 or 3 months' pay, whichever is less, in the event of loss or damage caused to moveable or immoveable property. This advance is repayable in not more than twelve equal monthly instalments. Nevertheless, a total amount of Rs. 5.65 lakhs, as shown below, remained un-recovered as on 31st March, 1962.

Railway	Period to which relates				Total out- standing as on 31-3-1962
	Upto 1957-58	1958-59	1959-60	1960-61	
	Rs.	Rs.	Rs.	Rs.	Rs.
Eastern . . .	21,856	(—)179	3,225	8,547	33,449
Northern . . .	17,019	..	..	3,028	20,047
North Eastern . . .	4,38,787	(—)6,158	(—)3,603	(—)4,558	4,24,468
Southern . . .	86,239	(—)68	(—) 26	(—)662	85,483
South Eastern . . .	789	..	1,034	167	1,990
TOTAL . . .	5,64,690	(—)6,405	630	6,522	5,65,437

Festival Advances

Non-gazetted Railway servants in receipt of basic pay not exceeding Rs. 375 p.m. can be granted an interest-free advance of Rs. 75 or one month's basic pay, whichever is less, on the eve of important festivals. The advance is recoverable in not more than four equal monthly instalments. However, a total sum of Rs. 20.63 lakhs as on 31st March, 1962, remained unrecovered as indicated in the following table.

Railway	Period to which relates				Total as on 31-3-1962
	Up to 1957-58	1958-59	1959-60	1960-61	
	Rs.	Rs.	Rs.	Rs.	Rs.
Central . . .	9,955	2,766	16,261	17,801	46,783
Eastern . . .	61,865	48,557	64,162	1,36,631	3,11,215
Northern . . .	40,293(A)	22,579	65,525	1,15,889	2,44,286
North Eastern . . .	55,159	31,406	19,049	49,681	1,55,295
Southern . . .	49,894	16,259	10,838	38,568	12,14,385
				10,98,826(B)	
South Eastern . . .	1,275	2,206	6,584	78,071	88,136
Western . . .	..	208	366	1,656	2,230
C.L.W. . . .	..	..	..	358	358
I.C.F. . . .	..	8	35	776	819
TOTAL . . .	2,18,441	1,23,989	1,82,820	15,38,257	20,63,507

(A) Includes advances of pay and T. A. on transfer.

(B) Year-wise break up not available.

Advances of pay and travelling allowance on transfer

A Railway servant under orders of transfer can be granted an advance upto one month's substantive pay plus the Travelling Allowance to which he may be entitled under the rules, the former recoverable from his pay in three monthly instalments beginning with the month in which a full month's pay is drawn after the transfer, and the latter recoverable in full on submission of his travelling allowance bill. Notwithstanding the same, a total amount of Rs. 51,223 as on 31st March, 1962 was outstanding as indicated in the following table.

Railway	Period to which relates				Total as on
	Upto 1957-58	1958-59	1959-60	1960-61	31-3-1962
	Rs.	Rs.	Rs.	Rs.	Rs.
Central . . .	808	736	75	6,930	8,549
Eastern . . .	..	2,619	1,868	4,353	8,840
North Eastern . .	358	148	5,716	4,139	10,361
Southern . . .	14,009	891	1,901	1,263	18,064
South Eastern . .	1,954	(-)84	1,205	317	3,392
Western . . .	..	..	93	1,924	2,017
TOTAL . . .	17,129	4,310	10,858	18,926	51,223

33. *Non-recovery of conservancy charges owing to delay in implementation of Railway Board's orders*

In July, 1955, the Railway Board issued orders that the non-gazetted staff occupying Railway Quarters should be required to pay for the conservancy services rendered inside their quarters. There was considerable delay in implementing these orders on certain Railways as indicated below :—

- (i) On the North Eastern Railway a circular was issued in May, 1961, after a delay of about 5 years, notifying the scale of charges recoverable from the 1st April, 1961, and stating that "the recovery of charges may probably have to be done in instalments with retrospective effect".
- (ii) On the Northeast Frontier Railway, the orders were implemented from the 1st June, 1960.
- (iii) On the Eastern Railway, the General Manager approached the Railway Board in February, 1960, nearly five years after the date of issue of Board's orders, not to press for the levy of

conservancy charges. The Board replied in April, 1960, that they saw no justification for making an exemption in the case of Eastern Railway. Instructions were then issued in October, 1960, for recovery of the charges from the 1st December, 1960.

- (iv) On the Central Railway, recoveries as per Railway Board's orders were effected from varying dates between November, 1958 and January, 1960. The General Manager approached the Railway Board in May, 1961, for approval to enforce the recoveries only from 1st January, 1959. The Board's decision is still awaited (December, 1962).

Each of these Railways have not worked out the exact amount of loss incurred on account of the delay of three to five years in implementing the clear orders issued by the Railway Board. If the orders of the Railway Board had been to the effect that recoveries should start immediately in all these cases, the loss incurred, according to the calculation of Audit, would be about :—

- Rs. 1.50 lakhs on North Eastern Railway,
- Rs. 2.90 lakhs on Northeast Frontier Railway,
- Rs. 2.69 lakhs on Central Railway and
- Rs. 2.23 lakhs on Eastern Railway.

However, the orders of the Board were to the effect that in the North Eastern Railway recoveries may start with the first change in tenant or when a new building is constructed. Even if the same concession had been extended to the other Railways also the total loss is not likely to be less than 50% of the figures mentioned above, as according to the standing practice of the Railways, traffic staff etc., are to be transferred from one station to another at least once in three years.

34. *Central Railway-Irregular payment of allowance to midwives*

In June, 1956, the Railway Board circulated to all Railways one of the decisions reached at the Chief Medical Officers' Conference that midwives should be appointed in all Railway Hospitals and important dispensaries on a scale of Rs. 60—105 plus allowances similar to those given to nurses. In May, 1957, the Railway Board, on a reference from the General Manager, Chittaranjan Locomotive Works, issued orders that the midwives should be granted only the uniform allowance and not the messing and laundry allowances. These orders were communicated to all Railways except the Central Railway, and were also incorporated in the Railway Establishment Code published in 1959. In spite of this position, the Central Railway sanctioned, in 1960, messing and laundry allowances

of Rs 45 p.m. and Rs. 5 p.m. respectively to the midwives working on that Railway with retrospective effect from June, 1956. These irregular payments came to the notice of the Railway Board in February, 1961. Telegraphic orders were issued on the 2nd of June, 1961, to discontinue these payments with effect from the 1st July, 1961. The excess payments on this account from June, 1956 to June, 1961 amounted to Rs. 76,743 which have not yet been regularised.

It is not clear why a copy of the Railway Board's orders referred to above was not endorsed to Central Railway also. Even otherwise, it appears that the Central Railway should have taken into consideration the provisions in the Railway Establishment Code published in 1959 while according sanction for these allowances in September, 1960.

LAND AND BUILDINGS

35. *Loss on account of delay in the allotment and occupation of quarters*

Several quarters remained vacant on different Railways, in some cases even upto 20 months after their construction, owing to reasons such as construction in advance of requirements, delay in providing water supply, drainage, electricity, approach roads and other civic amenities, reluctance of the staff to accept the allotment due to unfavourable location etc. This resulted in loss of rent, and also payment of house rent allowance to the staff. The total loss on this account in the Railways mentioned below amounted to Rs. 1.16 lakhs, which included Rs. 21,354 towards house rent allowance paid.

Railway	Amount Rs.
Central	39,403
Eastern	20,853
Northern	25,010
North Eastern	5,800
Southern	<u>25,363</u>
TOTAL	1,16,429

On the South Eastern Railway also, a large number of quarters at Bondamunda and Bhilai Marshalling Yards were constructed for occupation by the open line staff to be posted after the yards were ready. These quarters appear to have been constructed far in advance of their requirements and remained vacant for periods ranging from 8 to 40 months after they were completed. The loss of interest due to locking up of capital from the date each individual quarter was completed could not be assessed, but in terms of the rent which they would have fetched if allotted soon after their completion, the loss is estimated at Rs. 1.16 lakhs at Bondamunda and Rs. 22,000 at Bhilai. There were also several other cases of quarters lying vacant on this Railway for considerable

periods after their construction, and the loss of rent as a result is estimated to be about Rs. 84,000.

These figures are under verification by the respective Railways.

36. Northern Railway—Encroachment on Railway land

A firm in New Delhi encroached on Railway land by constructing a permanent structure in 1942. The encroachment was regularised by the Railway Administration by licensing an area of 1,666 Sq. Yds. to the firm at an annual rent of Rs. 3,120. The firm further encroached on 2,866 Sq. Yds. of Railway land in December, 1943, which also was regularised in March, 1945. After relinquishing some area, the firm executed an agreement in January, 1947, for 1,152 Sq. Yds. at an annual rent of Rs. 2,074. In July, 1950, the firm sublet a portion of the land to another sister concern in violation of the agreement, and also encroached on a further 2,246 Sq. Yds. of land, and built thereon a factory with roads etc. Notices for removal of the encroachment were served by the Railway Administration in November, 1950 and April, 1951 and the license was terminated in June, 1951.

Notices served on the firm to vacate the Railway land under its unauthorised occupation yielded no result. The filing of a civil suit was considered inadvisable by the Railway Administration on the ground that it would be very lengthy and expensive.

In June, 1953, the Senior Deputy General Manager of the Railway was appointed as the "competent authority" under the Government Premises (Eviction) Act, 1950, but an application for eviction in this case was submitted to him by the Railway Administration only in September, 1954, after a delay of more than a year.

After protracted correspondence with the firm the "competent authority" ordered their eviction in June, 1956. The firm appealed to the Chairman, Railway Board, who was the appellate authority under the Act, and he stayed the eviction order in July, 1956, till the appeal was finally decided. Thereafter, the matter remained under correspondence between the Railway Board and the Railway Administration, and in the meantime the Government Premises (Eviction) Act, 1950, was declared *ultra vires* by the High Courts in 1957.

A new Eviction Act was promulgated by Government in 1958, but notices under this Act for vacation of the land and payment of damages were served by the Railway Administration only in October, 1959, after a delay of one year. Proceedings under the Act were started in January, 1960, but were again stayed in February, 1962.

In February, 1962, the firm communicated willingness to pay rent for the land in their possession on the basis of the old agreement (which worked out to about 1.55 per cent per annum on the market value of the land as it stood in 1956) and also suggested negotiations for the sale of the land. The Railway Board, however, decided in November, 1962, that arrears of rent should be recovered from the firm at 6 per cent of the lease hold value of the land, and after these are paid, the land may be leased to the firm for a further period of twenty years, the rent being assessed at 6 per cent of the present-day value subject to revision every five years to accord with the prevailing market price. In December, 1962, the Northern Railway offered these terms for acceptance by the firm in toto and demanded, in case of acceptance, a total payment of Rs. 2,04,815, comprising Rs. 1,06,037 towards the arrears of rent for a period of 12½ years from 1st July, 1950 to 31st December, 1962 (excluding a sum of Rs. 10,372.50 already paid by the firm), Rs. 49,374 as an advance rent for one year under the terms of the new lease to commence from the 1st January, 1963, and an equal amount towards Security Deposit, and Rs. 30 towards preliminary charges for the fresh agreement. The firm is, however, reported to have paid only a sum of Rs. 1,06,037 by cheque on the 10th January, 1963 to cover the arrears of rent up to 31st December, 1962, but has made counter-proposals for outright sale of the land without agreeing to a fresh lease for a further period of 20 years from 1st January, 1963.

37. Northeast Frontier Railway-Loss in acquisition of land

On a request from the Railway Administration, the State Government issued a notification in February, 1952, for permanent acquisition of a plot of land already under occupation of the Railway on a rental basis. The Civil Authority fixed the compensation at Rs. 10,000 per bigha but this was considered very high and hence not accepted by the Railway. In February, 1954, the owners offered a reduced price of Rs. 8,000 per bigha, but this also was considered to be on the high side. Therefore, instead of acquiring the land, it was decided with the approval of the Railway Board to increase the annual rent from Rs. 90 to Rs. 200 per bigha from 1st April, 1954 till the release of the land by the Railway Administration by securing an alternate plot of land. The acquisition proceedings were withdrawn by the State Government in February, 1956. In October, 1955, however, the rate of Rs. 8,000 per bigha was considered reasonable and recommended by the District Engineer for acceptance. The Railway Administration approached the Railway Board in September, 1956, for approval to acquire the land at this rate. The Railway Board pointed out in March, 1959, that the General Manager himself was competent to sanction the acquisition. The land owner's offer of Rs. 8,000 per bigha had, however, expired on the 3rd December, 1956. Fresh acquisition proposals were submitted to the State Government in September, 1959,

and the compensation at Rs. 10,000 per bigha fixed again by the Civil Authority in February, 1960, was accepted by the Railway, involving payment of an additional sum of Rs. 34,155 (Rs. 29,700 as extra cost of land and Rs. 4,455 as additional statutory compensation there-on). The valuation at Rs. 10,000 per bigha has been accepted by the owners under protest and references filed by them against it are pending in the court.

The Railway also paid rent amounting to Rs. 9,776 for the period February, 1952 to March, 1958, and a further claim for rent amounting to Rs. 11,537 upto June, 1960 (the date of issue of the final notification of acquisition) is under dispute with the Civil Authorities.

EARNINGS

38. *Eastern Railway—Undercharges and freight outstanding against a firm*

Undercharges and freight amounting to over Rs. 60,000 are outstanding for over 9 years against a firm enjoying credit note facilities.

Although the chargeable rate for petroleum coke from Digboi to Anupnagar Siding was increased from Rs. 18-10-5 to Rs. 84-14-9 per ton from 1st July, 1951, the forwarding station continued to book it at the old rate upto June, 1952. The destination station could not detect the undercharges before delivering the consignments to the party due to delay on the part of the Divisional Office to intimate the change in rate. The latter station came to know of the revised rate only on 29th September, 1951, by which time undercharges amounting to about Rs. 43,000 had already escaped detection. In a few cases, there was also failure of the staff to recover the correct undercharges even during the subsequent period. The total undercharges for the period from July, 1951 to June, 1952, amounted to Rs. 45,037.

In addition, freight and undercharges amounting to about Rs. 15,000 relating to this and other commodities consigned to the firm's siding, mainly pertaining to the period 1951-52, are also outstanding.

Although the Railway had been pressing for the payment of its dues from March, 1952, the firm has not paid anything so far, and the railway dues continue to be outstanding even after a period of 9 years. The advisability of filing a suit against the firm was considered but the Law Officer of the Railway opined in May, 1959, that the Railway could file a suit for recovery of the freight charges but not for the recovery of undercharges. The position was explained to the Railway Board in June, 1959, who apprised the Railway Administration in October, 1961, of the opinion of the Ministry of Law in the matter, according to which the Railway Administration was free to recover all its dues from the firm. Further action in the matter is awaited.

The Administration have stated that it has not been possible to fix any definite responsibility on any staff in the Divisional Office for delay in intimating the revised rate to the Anupnagar Siding.

39. *Eastern Railway—Delay in recovery of Railway dues*

A sum of Rs. 26,386 pertaining to the period December, 1950 to October, 1956, on account of supply of water and the cost of gatekeepers employed at the level crossing was outstanding against a private distillery. Although the firm failed to pay these dues from December, 1950 onwards, apart from routine correspondence, no action was taken either to discontinue the services or initiate legal proceedings for the recovery of the dues. By October, 1956, the outstandings against the firm amounted to Rs. 26,386. Supply of water was discontinued in October, 1955, *i.e.* about 5 years after the firm defaulted, but was resumed in March, 1956, when a part payment of Rs. 2,000 was received in February, 1956, and the firm promised to clear the arrears in monthly instalments of Rs. 2,000 each. As the firm failed to fulfil this promise, the supply was finally discontinued in June, 1956. The distillery closed down in November, 1956, and subsequent efforts brought forth a further remittance of only Rs. 2,500 in August, 1958; the balance of Rs. 23,886 is still outstanding. A sum of Rs. 968 is also due from this firm towards interest and maintenance charges on the siding for the period from 1948-49 to 1960-61.

The case was referred to the Law Officer for the first time in April, 1958, *i.e.* more than seven years after the firm's default, and a legal notice was served after another year, in April, 1959. A suit for recovering the dues has not yet been filed, pending ascertainment of the available assets, if any, of the firm.

OTHER TOPICS OF INTEREST

40. *South Eastern Railway—Arbitration Cases*

In this Railway, as many as 107 cases, involving claims for about Rs. 140 lakhs by the contractors, were referred to arbitration during a period of about three years upto September, 1962. Awards given in 52 cases, covering a claim of Rs. 41.66 lakhs, resulted in a payment of Rs. 18.29 lakhs to the contractors.

The two main types of cases in which arbitration was resorted to were :—

- (i) recoveries made from the contractors on account of subsequent upward revision of the classification of soils made by the District Engineers, the contractors' claim being that in terms

of the agreements, the classification once made by the District Engineers was final and could not be revised subsequently; and

- (ii) contractors claiming damages, or enhanced rates stipulated in the agreements for accelerated completion of certain works, (although the works were not completed by the stipulated target dates) on the ground that the delays in completion were due to defaults on the part of the Railway.

An expenditure of about Rs. 12,500 has so far been incurred by way of arbitration fees, lawyer's fees etc., in addition to maintaining a special establishment to deal with these cases.

41. *North Eastern Railway—Payment at higher rates for power consumption*

During the period July, 1958, to March, 1961, electrical pumps were installed at 18 stations but separate meters were not provided simultaneously for recording the consumption of power. According to the tariff of the Electricity undertakings, the electrical energy consumed by these pumps is charged at a rate lower than that for general services like lighting and fans. Meters were installed on various dates in 1960-61 by the Railways at 11 stations and by the Electricity Suppliers at 3 stations. But, in the absence of any agreement with the Electricity Suppliers, the Railway Administration paid for the energy consumed by these pumps, till separate meters were installed, at the higher rate applicable to lights and fans. The extra expenditure on the basis of average consumption is assessed at about Rs. 1.15 lakhs.

The Railway state that the Uttar Pradesh State Electricity Board has since agreed to the adjustment of extra charges being made in respect of 8 stations for past periods on the basis of average consumption, which would account for Rs. 63,000 approximately. Negotiations are also going on with the Bihar State Electricity Board and another Electric Supply Company.

FRAUDS AND LOSSES

42. *North Eastern Railway—Suspected fraudulent payment of stores bills*

16 bills amounting to Rs. 1.69 lakhs were paid to a firm in respect of supplies which were neither ordered nor received by the Railway. The payments were spread over a period of more than 10 years starting from November, 1951. The fraud was detected during the course of reconciliation of Registers in December, 1961, arrears in which were being overtaken in pursuance of directions issued by the Railway Board in

October, 1960, to clear the difference between balances as per general books and as per the purchase accounts. The Clerk who was checking all these bills is under suspension and criminal prosecution has been launched against him as a result of investigation by the Special Police Establishment.

The perpetration of the fraud had been facilitated by the fact that purchase accounts were not being reconciled properly with the General Books and consequently the proving of balances against individual items in the purchase accounts was in arrears. The generally unsatisfactory state of Stores Accounts on the North Eastern (ex. O.T.) Railway was brought out in Paragraph 22 of the Railway Audit Report, 1955. Even earlier, the arrears in the Stores Accounts were brought out in a general para on "Efficiency of Internal Check" which was a common feature of all the Audit Reports till 1955.

43. Northern Railway—Loss due to fraudulent use of Student Concession Forms

Following a report received by the Vigilance Organisation in November, 1960, it was revealed that 2,300 blank Student Concession Forms had been stolen from a Divisional Superintendent's Office and many of these were allegedly misused by Booking Clerks at a Railway Station for selling tickets at full fares to passengers and remitting only the concessional fares to the Railway. The amount thus lost has been worked out by the Administration at Rs. 61,000 approximately. As a result of investigation by the Special Police Establishment, criminal proceedings have been launched against two booking clerks. The Departmental Committee appointed to fix staff responsibility is yet to finalise the enquiry.

Suitable instructions have since been issued by the Administration to ensure proper custody of the blank Student Concession Forms in all divisions, laxity in which was considered to have facilitated their theft.

44. Other cases of losses

A summary of the cases of losses adjusted in the accounts for the year and mentioned in Annexure H to the Appropriation Accounts of Railways—Part II, is given in the annexure to this Report. This indicates losses of the order of Rs. 96.04 lakhs during 1961-62, excluding Rs. 1.30 crores on account of loss due to fire in the Sleeper Depot at Dhilwan in March 1961, which was mentioned in Para 39 of the Audit Report, Railways, 1962.

The comparative position of losses during the last five years, vis-a-vis the relevant capital and revenue expenditure, is indicated below :

(Figures in lakhs of rupees)

Year	Total losses	Capital and Revenue Expenditure	Percentage of losses to Expenditure
1957-58 . . .	48	8,36,95	·06
1958-59 . . .	57	9,10,44	·06
1959-60 . . .	65	8,51,34	·08
1960-61 . . .	64	8,03,90	·08
1961-62 . . .	96	8,51,22	·11

New Delhi,

Dated the 6th February, 1963.

17th Magha, 1884.

C. S. MENON,
Director of Railway Audit.

Countersigned

New Delhi,

Dated the 6th February, 1963.

17th Magha, 1884.

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

ANNEXURE

(See para 44 of the Report)

LOSSES

(Figures in units)

No. and name of Grant	Total No. of losses or irregularities	Total amount of losses etc. under each grant	Brief subject
I	2	3	4
		Rs.	
2—Revenue—Miscellaneous Expenditure.	2	87	Loss due to shortage in food stuff etc.
4—Revenue—Working Expenses—Administration.	311	75,591	Includes loss of cash in 55 cases involving Rs. 53,000 and other minor items of thefts, losses of stationery and other consumable stores, overpayments to staff etc. involving less than Rs. 10,000 individually.
5—Revenue—Working Expenses—Repairs and Maintenance.	1,01,922	76,73,692	Includes Rs. 13.43 lakhs due to losses in 44 accidents and Rs. 27.80 lakhs due to losses in 21 cases of fire, flood, cyclone etc. each involving more than Rs. 10,000; one case of misappropriation of stores drawn for running sheds by a requisition clerk involving Rs. 53,000 and one case of shortage of engineering stores detected at the time of handing and taking over charge involving Rs. 11,000. The balance of Rs. 34.87 lakhs is made up of minor items involving less than Rs. 10,000 each due to overpayments to staff, thefts, shortages, fire, floods, accidents etc.
6—Revenue—Working Expenses—Operating staff.	591	1,25,717	Includes overpayments of running allowance to Ex-Mysore-State Railway Staff (Rs. 49,000) and irregular payment of special pay to commercial clerks in-charge of flag stations (Rs. 31,000). The balance of Rs. 46,000 is due to overpayments to staff individually not more than Rs. 10,000 and written off as irrecoverable.

1	2	3	4
7—Revenue—Working Expenses—Operation (Fuel).	3	Rs. 3,546	Minor losses due to fire and shortage of materials.
8—Revenue—Working Expenses—Operation Other than Staff and fuel.	3,616	7,89,720	Includes Rs. 1.27 lakhs due to delivery of consignments on forged railway receipts in five cases involving more than Rs. 10,000 each; Rs. 1.22 lakhs due to loss in three cases of fire; Rs. 89,000 due to write off of depreciated value of 23 wagons (14 on Western Railway and 9 on Southern Railway) missing since long; and Rs. 33,000 due to fraudulent encashment of "Pay orders" by an employee of the Commercial Department. The balance of Rs. 4.19 lakhs is made up of minor losses not exceeding Rs. 10,000 each mainly due to compensation for goods lost or damaged, frauds, fire, thefts, shortages etc.
9—Revenue—Working Expenses—Miscellaneous Expenditure.	3,281	53,719*	Includes Rs. 12,000 due to loss of empties in a grainshop. The balance of Rs. 42,000 is made up of minor items of losses due to compensation for loss of life in Railway accidents, irrecoverable overpayments to staff, shortages, breakages etc.
10—Revenue—Working Expenses—Labour Welfare.	268	10,619	Mainly due to overpayments to staff written off as irrecoverable, loss due to thefts, shortages breakages etc., amounting to not more than Rs. 10,000 in each case.
14—Open Line Works—Revenue—Other than Labour Welfare.	8	33,996	Includes infructuous expenditure of Rs. 32,000 due to abandonment of transshipment platform at Guntur Junction. The balance of Rs. 2,000 is mainly due to floods, losses of stores in transit etc.
15—Construction of New Lines.	298	1,09,724	Includes Rs. 18,000 due to loss on account of fire in one case and Rs. 11,000 due to loss of a Jeep by theft. The balance of Rs. 81,000 is made up of minor items of losses involving less than Rs. 10,000 in each case mainly due to shortages, thefts, fire, floods, etc.

*Excludes loss of Rs. 1.30 crores due to fire in the sleeper Depot at Dhillwan in March, 1961 which was mentioned in Para 39 of Audit Report, Railways, 1962.

1	2	3	4
		Rs.	
16—Open Line Works— Additions.	265	4,69,155	Includes Rs. 3.20 lakhs on account of loss due to floods in two cases and Rs. 22,000 as extra expenditure incurred in the repurchase of stores against accepted tenders. The balance of Rs. 1.27 lakhs is made up of minor items of losses due to fire, accidents, shortages, breakages, thefts etc., involving less than Rs. 10,000 in each case.
17—Open Line Works— Replacements.	411	2,46,647	Includes Rs. 24,000 due to loss in two accidents involving more than Rs. 10,000 each ; Rs. 67,000 due to loss in two cases by fire and storm ; Rs. 48,000 due to loss in two cases of theft of materials involving more than Rs. 10,000 each ; and Rs. 16,000 treated as infructuous expenditure on account of dismantlement of a siding. The balance of Rs. 92,000 is made up of minor losses due to floods, fire, thefts, shortages, breakages, premature condemnation of rolling stock etc.
18—Open Line Works— Development Fund.	16	12,180	Minor items of losses due to infructuous expenditure, floods shortages, breakages etc.
TOTAL	1,10,992	96,04,393	



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