





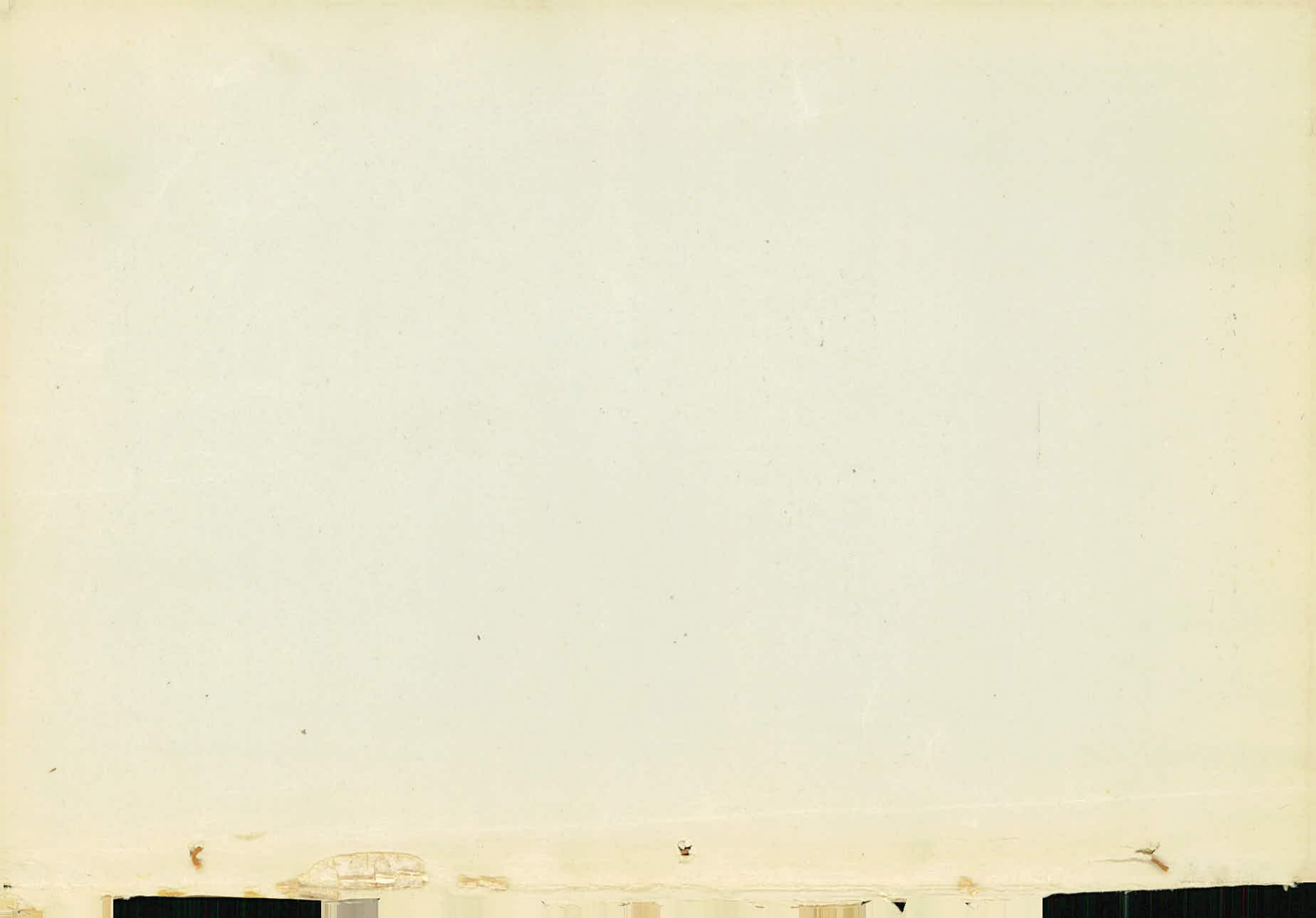
CENTRAL GOVERNMENT

279

AUDIT REPORT
RAILWAYS
1960



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CHAPTER I

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

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

GENERAL REVIEW OF THE RESULTS OF AUDIT

The financial results of the year are indicated in paragraphs 3 to 8 of the Appropriation Accounts of the Railways in India for 1958-59, Part I-Review. The surplus anticipated in the budget estimates was Rs. 27.34 crores. The actual results for the year showed a surplus, of only Rs. 8.93 crores. The variation was mainly due to:—

- (i) decrease of Rs. 17.27 crores under gross traffic receipts;
- (ii) increase of Rs. 7.87 crores under working expenses; and
- (iii) increase of Rs. 0.80 crores in the amount paid as dividend to general revenues;

Partly offset by

- (i) increase of Rs. 3.56 crores under miscellaneous receipts; and
- (ii) decrease of Rs. 3.97 crores under miscellaneous expenditure.

REVIEW OF TOTAL DEMANDS PLACED BEFORE PARLIAMENT

2. Nineteen demands for grants aggregating 10,23,26,23 were voted by Parliament in March, 1958. A sum of 47,02 was appropriated to meet charged expenditure. The Appropriation Act (Act No. 10 of 1958) received the assent of the President on the 20th March, 1958.

SUPPLEMENTARY GRANTS AND APPROPRIATIONS DURING THE YEAR

3. A Supplementary Appropriation Act (Act No. 6 of 1959) was enacted to meet additional expenditure aggregating 42,94,00. The schedule to the Act assented to by the President on the 14th March, 1959 comprised 12 supplementary grants and 3 supplementary appropriations amounting to 42,75,64 and 18,36 respectively.

The number and magnitude of the supplementary grants and charged appropriations and the percentage which they bear to the original grants

and appropriations as compared with the number and percentage in each of the previous two years are given below:—

Year	Number of original demands or charged appropriations	Number of supplementary demands or charged appropriations	Amount of original grants or charged appropriations	Amount of supplementary grants or charged appropriations	Percentage of supplementary to original grants or charged appropriations
1	2	3	4	5	6
<i>(A) Demands</i>					
1956-57	20	10	8,10,50,40	12,15,40	1.50
1957-58	19	14	9,04,17,22	44,98,39	4.98
1958-59	19	12	10,23,26,23	42,75,64	4.18
<i>(B) Charged Appropriations</i>					
1956-57	1	1	3,00	2,65	88.33
1957-58	3	2	70,25	5,71	8.13
1958-59	3	3	47,02	18,36	39.05

GENERAL RESULTS OF APPROPRIATION AUDIT

4. The following statement compares the total grants and charged appropriations for the year with the disbursements against them:—

Particulars	(Figures in units)		
	Charged	Voted	Total
1	2	3	4
	Rs.	Rs.	Rs.
1. Original grants and appropriations :—			
(a) Voted by Parliament . . . . .	..	10,23,26,23,000	10,23,26,23,000
(b) Appropriations to meet charged expenditure of the Railways	47,02,000	..	47,02,000
2. Supplementary grants and appropriations :—			
(a) Supplementary grants . . . . .	..	42,75,64,000	42,75,64,000
(b) Supplementary appropriations to meet charged expenditure	18,36,000	..	18,36,000

Particulars 1	Charged 2	Voted 3	Total 4
3. Net aggregate of grants and charged appropriations .	65,38,000	10,66,01,87,000	10,66,67,25,000
4. Aggregate disbursements .	53,61,161	10,14,41,41,358	10,14,95,02,519
5. Less (—) More (+) than granted .	(—)11,76,839	(—)51,60,45,642	(—)51,72,22,481
6. Percentage of 5 to 3 .	18.00	4.84	4.85

5. *Savings on voted grants.*—Savings occurred in sixteen out of twenty grants as against nine in the previous year. A list of the important cases is given below:—

(Figures in Units)

No. and name of the grant	Original grant	Supplementary grant	Final grant	Expenditure	Saving	Percentage of saving
I	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	
2—Revenue—Miscellaneous Expenditure	1,28,26,000	27,41,000	1,55,67,000	1,41,89,591	13,77,409	8.85
3—Revenue—Payments to Worked Lines and others.	31,39,000	..	31,39,000	24,24,659	7,14,341	22.76
9—Revenue—Working Expenses—Miscellaneous Expenses	26,29,60,000	..	26,29,60,000	24,78,34,901	1,51,25,099	5.75
13—Open Line Works (Revenue)—Labour Welfare	1,62,37,000	..	1,62,37,000	1,39,68,680	22,68,320	13.97
14—Open Line Works—(Revenue)—Other than Labour Welfare	13,32,59,000	..	13,32,59,000	9,37,69,328	3,94,89,672	29.63
15—Construction of New Lines	25,39,39,000	..	25,39,39,000	19,33,39,517	6,05,99,483	23.86
16—Open Line Works—Additions	4,12,02,06,000	18,58,89,000	4,30,60,95,000	4,20,62,12,429	9,98,82,571	2.37
18—Open Line Works—Development Fund	36,70,32,000	..	36,70,32,000	27,89,22,775	8,81,09,225	24.01
20—Revenue—Appropriation to Development Fund	27,34,00,000	..	27,34,00,000	8,92,86,046	18,41,13,954	67.34

6. *Savings on charged appropriations.*—Savings also occurred under three out of six appropriations as detailed below :—

(Figures in units).

No. and name of the appropriation	Original appropriation	Supplementary appropriation	Final appropriation	Expenditure	Saving	Percentage of saving
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	
8—Revenue—Working Expenses—Operation other than staff & fuel	39,20,000	14,08,000	53,28,000	43,65,554	9,62,446	18·06
9 —Revenue—Working Expenses—Miscellaneous Expenses	4,82,000	2,70,000	7,52,000	6,34,466	1,17,534	15·63
15 —Construction of New Lines . . . . .	..	1,58,000	1,58,000	58,176	99,824	63·18

Note.—Reasons for the saving over voted grants and charged appropriations have been furnished in paragraph 56 of the Appropriation Accounts of the Railways in India for 1958-59 Part I-Review.

7. *Savings (or excesses) on voted grants and charged appropriations (separately and combined) as compared with previous year.*

The statement furnished below shows how savings (or excesses) in grants and appropriations in the year under report compared with those in the previous year:—

(In lakhs of rupees)			
Year	Total grant and appropriation	Saving (—) or excess (+)	Percentage of col 3 to 2
1	2	3	4

I. Expenditure met from Revenue

<i>Charged</i>			
1957-58	76	—27	35.26
1958-59	64	—11	17.19
<i>Voted</i>			
1957-58	4,35,54	—13,99	3.21
1958-59	4,60,36	—25,13	5.46
<i>Charged and Voted</i>			
1957-58	4,36,30	—14,26	3.27
1958-59	4,61,00	—25,24	5.48

II. Expenditure met from Capital, Depreciation Reserve Fund and Development Fund

<i>Charged</i>			
1957-58 . . . .	..	+1	..
1958-59	2	—1	50
<i>Voted</i>			
1957-58	5,13,62	4,06	0.79
1958-59	6,05,66	—26,47	4.37
<i>Charged and Voted</i>			
1957-58	5,13,62	+4,07	0.79
1958-59	6,05,68	—26,48	4.37

III. Total : (Revenue, Capital, Depreciation Reserve Fund and Development Fund)

<i>Charged</i>			
1957-58	76	—26	34.21
1958-59	65	—12	18.46

1	2	3	4
<i>Voted</i>			
1957-58	9,49,16	—9,93	1·05
1958-59	10,66,02	—51,61	4·84
<i>Charged and Voted</i>			
1957-58	9,49,92	—10,19	1·07
1958-59	10,66,67	—51,72	4·85

8. *Excesses over voted grants.*—In the year under report, there were excesses over three voted grants as mentioned below. These excesses, which require to be regularised by Parliament, have also been indicated in para 55 of the Appropriation Accounts of the Railways in India for 1958-59, Part I—Review.

(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.	
8 --Revenue --Working Expenses--Operation other than staff and fuel	18,44,89,000	1,50,64,000	19,95,53,000	20,16,75,627	21,22,627	1.06
12 --Revenue --Dividend Payable to General Revenues	49,58,39,000	44,36,000	50,02,75,000	50,38,81,932	36,06,932	0.72
19 --Miscellaneous Charges --Development Fund	..	18,93,000	18,93,000	18,93,412	412	0.02

9. *Excesses over charged appropriations.*—During the period under report, excesses occurred in two cases which require regularisation as compared with three in the previous year.

(Figures in units)

No. and Name of the appropriation	Original appropriation	Supplementary appropriation	Final appropriation	Expenditure	Excess
I	2	3	4	5	6
				Rs.	Rs.
5.—Revenue—Working Expenses—Repairs and Maintenance	347	347
6.—Revenue—Working Expenses—Operating staff	2,618	2,618

Note.—Reasons for the excesses over voted grants and charged appropriations have been furnished in paragraph 55 of the Appropriation Accounts of the Railways in India for 1958-59, Part I—Review.

10. *Excesses over voted grants and charged appropriations as compared with previous years.*—

The statement given below compares the number and amount of excesses during the period under report with those of the four preceding years:—

(Figures in units)

Year	Excess over Voted grants		Excess over Charged appropriations	
	No. of cases	Amount	No. of Cases	Amount
		Rs.		Rs.
1954-55 .	8	8,91,29,445	..	..
1955-56 .	2	4,65,84,321	1	77
1956-57 .	5	3,69,59,555	2	2,84,546
1957-58 .	9	17,33,41,273	3	1,05,765
1958-59 .	3	57,29,971	2	2,965

CONTROL OVER EXPENDITURE

11. Instances of defects in budgeting and control over expenditure are given in Annexure 'B' to the Appropriation Accounts of Railways in India

for 1958-59 Part I—Review; other instances of defective control over expenditure noticed in the Appropriation Accounts are mentioned below:—

I—Inadequate or injudicious surrenders—

(i) In the following cases, the surrenders made were inadequate:—

No. and name of the grant	Amount surrendered	Final savings
1	2	3
	Rs.	Rs.
2—Revenue—Miscellaneous Expenditure	6,38	13,77
3—Revenue—Payments to Worked Lines and Others	5,26	7,14
6—Revenue Working Expenses—Operating Staff	22,11	47,85
8—Revenue—Working Expenses—Operation other than staff and fuel (Charged)	4,19	9,62
9—Revenue—Working Expenses—Miscellaneous Expenses (Charged) (Voted)	47 83,63	1,18 1,51,25
10—Revenue—Working Expenses—Labour Welfare	5,20	13,93
13—Open Line Works—(Revenue)—Labour Welfare	3,12	22,68
14—Open Line Works (Revenue)—Other than Labour Welfare	3,28,41	3,94,90
15—Construction of New Lines (Charged) (Voted)	83 5,86,57	1,00 6,05,99
16—Open Line Works—Additions	7,42,04	9,98,83
18—Open Line Works—Development Fund	8,28,42	8,81,09
20—Revenue—Appropriation to Development Fund	14,33,73	18,41,14

(ii) In the following cases, the surrenders were excessive:—

No. and Name of the grant	Amount surrendered	Saving in final grant	Excess over final grant less surrenders
1	2	3	4
	Rs.	Rs.	Rs.
4—Revenue—Working Expenses—Administration	26,37	19,55	6,82
7—Revenue—Working Expenses—Operation (Fuel)	19,31	61	18,70
17—Open Line Works—Replacements	2,58,31	1,61,61	96,70

II—*Unnecessary supplementary grants.*

The following are the more important cases, where supplementary grants or supplementary charged appropriations proved excessive:—

No. and name of the grant	Supplementary grants or appropriations	Final savings
1	2	3
	Rs.	Rs.
<i>(A) Grants.</i>		
1—Revenue—Railway Board	2,62	91
2—Revenue—Miscellaneous Expenditure	27,41	13,77
5—Revenue—Working Expenses—Repairs and Maintenance	2,62,53	56,49
6—Revenue—Working Expenses—Operating Staff	88,53	47,85
10—Revenue—Working Expenses—Labour Welfare	43,74	13,93
16—Open Line Works—Additions	18,58,89	9,98,83
17—Open Line Works—Replacements	13,59,03	1,61,61
<i>(B) Charged appropriations.</i>		
8—Revenue—Working Expenses—Operation other than staff and fuel	14,08	9,62
9—Revenue—Working Expenses—Miscellaneous Expenses	2,70	1,18
15—Construction of New Lines	1,58	1,00

III—*Re-appropriations made unnecessarily or in excess of requirements.*

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

Railway	No. and name of the grant	Amount obtained	Savings in final grant
1	2	3	4
		Rs.	Rs.
Railway Board	1—Revenue—Railway Board Other charges	12	80
Western Railway	2—Revenue—Miscellaneous Expenditure—Land	25	1,54

1	2	3	4
Eastern Railway	5—Revenue—Working Expenses—Repairs and Maintenance	2,25	13,87
Western Railway	Do.	5,91	30,32
Central Railway	6—Revenue—Working Expenses—Operating staff	5,63	11,13
Suspense	8—Revenue—Working Expenses—Operation other than staff and fuel (Charged)	55	1,31
Western Railway	9—Revenue—Working Expenses—Miscellaneous Expenses	3	49

GENERAL COMMENTS ON THE ACCURACY OF BUDGETING AND CONTROL OVER EXPENDITURE.

12 (a) *Voted*.—The original budget estimates for 1958-59 provided for a total sum of Rs. 1023.26 crores (Rs. 449.97 crores under Revenue and Rs. 573.29 crores under Capital, Depreciation Reserve Fund and Development Fund) against which the actuals amounted to Rs. 1014.41 crores (Rs. 435.23 crores under Revenue and Rs. 579.18 crores under Capital, Depreciation Reserve Fund and Development Fund) causing a saving of Rs. 8.85 crores *i.e.* 0.86 per cent of the original grant as compared with an excess of 3.88 per cent in the preceding year. This saving is comprised of a saving of Rs. 14.74 crores under Revenue offset by an excess of Rs. 5.89 crores under Capital, Depreciation Reserve Fund and Development Fund expenditure. A supplementary grant of Rs. 42.76 crores increased the saving to Rs. 51.61 crores which was 4.84 per cent of the final grant as compared with the corresponding figure of 1.05 per cent in the previous year.

The final saving was the result of savings aggregating Rs. 52.18 crores under 16 grants and excesses amounting to Rs. 0.57 crores under 3 grants.

(b) *Charged*.—Against the original appropriation of Rs. 47.02 lakhs, the actuals amounted to Rs. 53.61 lakhs, resulting in an excess of Rs. 6.59 lakhs or 14.02 per cent of the original appropriation, as compared with the saving of 28.84 per cent in the preceding year. A supplementary appropriation of Rs. 18.36 lakhs converted the excess into a saving of Rs. 11.77 lakhs which was 18.00 per cent of the final appropriation, as compared with the corresponding percentage of 34.20 in the previous year.

The final saving was the result of savings aggregating Rs. 11·80 lakhs under three appropriations and an excess of Rs. 0·03 lakh under two appropriations.

(c) *Voted and Charged.*—Out of 26 grants and appropriations, 11 showed a variation of above 10 per cent, two between 5 to 10 per cent, five between 1 to 5 per cent and six below 1 per cent. In two cases, there was no variation. The reasons for the more important variations have been explained in paragraphs 55 and 56 of the Appropriation Accounts of Railways in India for 1958-59, Part I—Review.

13. *Advances taken from the Contingency Fund of India.*—Three advances (33; 4,00 and 2,00) totalling 6,33 were sanctioned from the Contingency Fund of India during December, 1958 and January, 1959 to meet expenditure on three survey works. Funds to cover this expenditure were obtained in March, 1959, through a supplementary grant. The actual expenditure which was drawn against the sanctioned advances from the Contingency Fund amounted to only 34 and this was reimbursed to the Fund. No application was made for modifying the amount of advances already sanctioned and a monthly account showing the expenditure incurred against the advances was also not sent to the Railway Board as provided under the existing rules and orders. An account was sent to the Board only in September, 1959.

14. *Write-back adjustment of the cost of a project from Development Fund to Capital.*

Grants No. 16 and 18.—In terms of the estimate sanctioned by the Railway Board on the 23rd February, 1952, the cost of construction of the Deesa-Gandhi Dham line was allocated to the Development Fund as the line was not expected to be remunerative. On a review of the approximate figures of earnings and expenditure pertaining to the period 1st October, 1957 to 30th September, 1958, the Financial Adviser and Chief Accounts Officer, Western Railway estimated that the net return on the capital cost of the line was 17·5 per cent. Consequently the Railway Board ordered in August, 1959, that the cost of this line should be transferred to Capital in the accounts of the financial year 1958-59; the expenditure upto 31st March, 1958, was to be transferred without financial adjustment and the expenditure incurred during 1958-59 was to be adjusted with financial adjustment.

The amounts thus adjusted amounted to Rs. 5,62,29,471 upto 31st March, 1958 and (minus) Rs. 12,30,717 during 1958-59.

15. *Investment in the shares of the Central Provinces Transport Services Ltd., Nagpur.*

This company was nationalised by the ex-Madhya Pradesh Government with effect from the 1st September, 1955. The company has been working at a profit and the ex-Madhya Pradesh Government stated in December, 1955 that they were prepared to pay interest at the rate of 4½ per cent. on the Railway holdings (face value, Rs. 9.96 lakhs). No interest has been received by the Railway so far for the period from 1st September, 1955 to 31st March, 1959. The amount outstanding is about Rs. 1.50 lakhs.

16. *Expenditure on a "new service" without a vote of Parliament.*

An expenditure of Rs. 38.85 lakhs was incurred during 1958-59 on the construction of an alternative line between Katihar and Barsoi by connecting Kumedpur station on the Katihar Singabad Section with Barsoi on the main line, against provision of funds made by re-appropriation in the final grant No. 15—Construction of New Lines. No funds for this work were provided either in the original budget for 1958-59 or through a supplementary grant. As the construction of a new line is an item of new service, a specific vote of Parliament should have been obtained for this purpose. It has been stated by the Ministry of Railways that the work of doubling the track between Katihar and Barsoi was provided in the original budget for 1958-59 under Development Fund-Grant No. 18, but later the scope of the work was changed to that of a new line and the work was transferred from Demand No. 18 to Demand No. 15. As the approval of Parliament had been obtained for this work under Demand No. 18, a further specific approval of Parliament owing to a mere change of allocation of the cost was not, in the opinion of the Ministry, necessary.

The construction of an alternative line is different from the doubling of the existing track and in view of the change in the scope of the work, a specific vote of the Parliament was necessary in this case. A specific grant for this work was, however, obtained for the expenditure to be incurred during the following year (1959-60).

CHAPTER II

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

17. This Chapter deals with important financial irregularities noticed during the course of audit of the accounts of the year 1958-59. It includes a few irregularities pertaining to earlier years which came to notice subsequently and which are important enough to justify inclusion. Also, certain matters relating to the period subsequent to the year 1958-59 noticed during concurrent audit have been included.

CONTRACTS AND AGREEMENTS

18. *Northern Railway.—Enquiry into the alleged supply of defective Cast Iron Sleepers by a firm.*

As a result of open tenders invited by the Ministry of Railways in April, 1955, a contract for the supply of 26,000 tons of CST9-90R I.R.S. Broad Gauge Cast Iron Sleeper plates to the Northern Railway by the 31st March, 1956, was placed with an Indian manufacturing firm. According to clause 5 of the standard specification, the plates were to be made accurately according to the form and dimensions shown on the drawings.

The supply of the sleepers commenced from June, 1955. After nearly a year, in May, 1956, the Northern Railway Administration reported to the Director of Inspection (under the administrative control of the Ministry of Works, Housing and Supply) that the rail seats in the sleepers supplied by the firm were short by about one-sixteenth of an inch and that this defect made it impossible for the steel keys to be driven to the length required. A joint inspection of the defective sleepers was suggested with a view to having them either rectified or replaced by the firm. The firm had by that time supplied 20,151 tons of sleepers of the value of about Rs. 56.22 lakhs. A further supply of 849 tons was received from the firm during the months of June and July, 1956 after which the contract was closed.

In June, 1956, a joint inspection of the defective sleepers was carried out by two representatives of the Northern Railway and a representative of the Inspection Directorate of the Ministry of Works, Housing & Supply in the presence of two representatives of the firm. No record note of the joint inspection was prepared. The representatives of the Railway Administration and the Inspection Directorate recorded, however, notes on different dates in their respective offices recognising the need for some rectification in a percentage of the sleeper plates.

The firm also stated in a letter dated 4th August 1956 that they had not yet received the inspection report and requested early payment of their bills as they would be prepared to rectify defects, if any, where necessary.

In September, 1956, the Director of Inspection, Ministry of Works, Housing & Supply, however, took the view that the nature of the defects pointed out did not affect the serviceability of the sleepers in any way and informed the Railway Administration accordingly with a simultaneous intimation to the firm itself. The case was then closed by the Deputy Chief Engineer of the Railway who seemed to have some mental reservation when he advised the Director of Inspection in November, 1956 that in future only those sleeper plates should be passed in inspection which strictly conformed to the standard drawings.

It appears, however, that the Divisional staff were not given any instructions as to how the supplies already made by the firm should be utilised. In December, 1956, an Assistant Engineer informed his Divisional Engineer, that not one of the 8572 sleeper plates that had been supplied to a Permanent Way Inspector in his charge against the track renewal programme 1956-57 could be used with 90 BSS rails, and that chipping etc., cannot serve any purpose. The Divisional Engineer subsequently informed the Track Supply Officer, Northern Railway, in March, 1957, that he had personally inspected the sleeper plates and ascertained that the keys did not fit the sleepers properly. He asked for instructions indicating his own opinion that the only remedy would be to widen the jaw of the sleeper slightly on one side by filing. No written instructions were received in reply to this letter but the Assistant Engineer concerned recorded a note with reference to his earlier demand for thinner keys that he "had personally settled with Track Supply Officer on the 1st November, 1957 and he wanted the keys to be used as such".

The security deposit of the firm amounting to Rs. 10,000 was refunded in April, 1957, under the orders of the Railway Board to whom no report of any defects in the supply of defective sleepers was sent by the Railway Administration. It is stated that the officer in the Ministry of

Railways who recommended this refund had in his earlier capacity as Track Supply Officer on the Northern Railway carried out test checks when the sleepers were in the Depot and was satisfied that it was only in odd cases that the rail seat was found $1/64''$ to $1/32''$ below the permissible limit.

After preliminary enquiries conducted by the Vigilance Division of the Ministry of Railways, the case was referred to the Special Police Establishment, Central Investigation Agency, New Delhi, in August, 1958. A case was ultimately registered by the Special Police Establishment on the 24th October, 1958, for further investigation of the matter. Two senior technical experts, one from the Ministry of Railways and the other from the Inspection Directorate of the Ministry of Works, Housing and Supply were associated with this investigation. In their report submitted on the 9th May, 1959, the experts indicated that the average measurements of key drive as actually obtaining on the sleepers inspected by them at fifteen different locations ranged from $15/16''$ to $2\frac{3}{4}''$ against the normal figure of $3\text{-}5\frac{1}{8}''$. The average drive of the key in a few sleepers procured from two other firms, however, ranged from $2\frac{3}{4}''$ to $6\text{-}7\frac{1}{8}''$.

The experts also reported that the distances between keying surfaces of the sleeper plates manufactured by the firm, as measured by them from a few unused sleeper plates made available to them, was $1\frac{1}{32}''$ less than the "minimal dimension"; they therefore came to the conclusion that the manufacturers had failed to keep an adequate distance between the keying surfaces to give the required key drive. They found it difficult to give any definite figure for the percentage of sleeper plates which were defective but were of the view that the majority of the sleeper plates, not less than 70 to 75%, could be said to be defective and that the key drive in very few sleepers, if any, was adequate.

In the light of the investigations made by the Special Police Establishment, three officers of the Ministry of Railways, one of whom had since retired from service, were chargesheeted on the 28th July, 1959. Similarly two officers of the Inspection Directorate were chargesheeted by the Ministry of Works, Housing and Supply on the 14th August, 1959.

A departmental committee consisting of three senior Administrative officers, one each from the Ministries of Home, Works, Housing and Supply and the Railways was set up on the 28th October, 1959, to conduct an enquiry into the charges against the five officers.

The Committee submitted the report on the 8th January, 1960, and came to the conclusion that there was no basis for the allegation that

defective sleepers were accepted. The railway officials who found the key drive to be inadequate presumed that the defect lay in the jaw or the rail seats of the sleeper plates whereas there were three factors which would determine the key drive, namely, the rail, the key and the rail seat or jaw of the sleeper plate. The drawing for the sleeper plate was not very clear and was misleading in certain details. The drawing showed the key drive when the plate was used with 90 R (Revised British Standard Specification) rails, but the key drive to be expected with \sphericalangle 90 BSS (British Standard Specification) rails was not shown in the drawing. It was not also clear from the drawing whether the tolerance of $3/4$ " shown therein was also to account for the tolerance of the other two components of the final assembly, namely, the key and rail which were used with the plate and which would affect the key drive. Further, according to the Committee, the measurement of the rail seat taken by the different officials was not at the correct section of the jaws and also not under scientific conditions. In the light of these factors, the key drives as observed by the experts associated with the Special Police Establishment were satisfactory and the sleepers consequently free from the alleged defects.

The Committee accordingly held that the charges against the two railway officers were not proved although one of them was held to have failed in the discharge of his responsibilities as a senior officer in that he did not seek clarification from the Deputy Chief Engineer about the latter's reasons for accepting the sleepers but continued to have misgivings in the matter for almost a year after the Deputy Chief Engineer had passed orders accepting the material.

With regard to the Deputy Chief Engineer who had already retired, the Committee observed that he was not competent to accept the material which deviated from specifications and drawings as was his understanding then. He could accept the supply only in consultation with the Railway Designs and Standards Office.

The charges against the two officers of the Inspection Directorate were also held to be not proved but the Committee stated that one of them who dealt with the Railway Administration's complaint should have carried out a proper inspection himself instead of giving his opinion about the acceptability of the material on theoretical considerations. It was not also proper for him to have addressed a copy of his letter to the firm when the matter was still under dispute and no agreed decision had been arrived at.

The Ministry of Railways and the Ministry of Works, Housing & Supply have accepted the findings of the Committee in regard to the

charges framed against the officers under their respective administrative control.

The Committee drew attention to the fact that the enquiry would not have been necessary had the concerned officials of the Northern Railway properly checked the material immediately on receipt by them as laid down in the orders on the subject. The supplies commenced from June 1955 and the first complaint emanated only in March 1956 by which time the bulk of the supplies had been received. The Superintendent, Track Depot, did not apparently conduct the inspection himself but left the checking mostly to the mistries. The Committee also observed that the representative of the Director of Inspection who conducted the inspection of the material in June, 1956 did not take proper measurements but carried out his inspection on a rough basis without keeping a record of measurements and also failed to draw up a joint inspection report.

The Committee referred to the inadequate appreciation by the technical officers at different levels of the factors affecting the key drive. The effect of permissible tolerance of the key, the rail and the sleepers on the key drive as also the reduction in the key drive when the 90 BSS rail is used had not occurred to the Track Supply Officer or to the Dy. Chief Engineer before the material was accepted. If these basic technical points had been appreciated by them, there would have been no difficulty on their part in realising that the material supplied was not defective and that they had only to educate their field staff in the matter.

According to the Committee there was failure on the part of the administration to issue specific instructions to the permanent way staff as to how the difficulties which had been reported by them should be surmounted and why it had been decided to accept the sleepers without asking for any rectification.

The technical points were not also known to and appreciated by the officers of the Inspection Directorate. The experts who were associated with the Special Police Establishment also failed, in the opinion of the Committee, to carry out their inspection in a proper and scientific manner and with the thoroughness and clarity expected of them. The Committee also have offered their suggestions as to the precautions to be taken in future for a proper inspection of the material supplied by contractors and the procedure to be followed whenever it is considered that there is a deviation from the specifications in the drawings.

The Committee's report has brought to notice that difference of opinion still exists among the senior officers of the Railways in regard to the minimum theoretical key drive according to the drawing and has suggested a detailed examination of the matter. The Committee itself accepted a figure of 1-1/16" when the sleeper plate is used with a 90 R rail and referred to the view of the experts that the key drive with a BSS rail would be reduced further by two inches, which meant that the key might not get into the jaw at all, but that because of a chamfer on the key, a minimum of 1/2" drive would always be obtained. On the point whether a key drive of 1/2" with BSS rails or 1-1/16" with R rails would be adequate when the standardised drawing provided for a key drive of 3-9/16" (with a tolerance of 3/4") with 90 R rails, the Committee did not express a definite opinion but referred to the evidence of some expert witnesses that it was not the length of the key drive that was important but the fitting of the key in the jaw. The Ministry of Railways have stated that the drawings referred to by the Committee are still under examination with a view to making the notes and instructions thereon clear and unambiguous.

It should be mentioned in this connection that the drawings which as now stated are not clear in certain important respects were standardised on the 7th May, 1953 and have been appended to tender documents and agreements entered into for supplies upto 31st December, 1960. Practical difficulties in the use of the sleepers seem to have arisen only in regard to the supply made to the Northern Railway by one of the several firms with whom orders for the supply of sleepers of this type were placed in 1955, and have not been encountered elsewhere.

The Railway Ministry have given the technical explanation that these sleepers have been mainly used for "through" track renewals where both rails and sleepers are renewed. In such cases, the normal key drive would have been obtained. It was only when these sleepers were used with old 90 BSS rails for renewal of sleepers that difficulty in regard to the key drive arose, due to the slightly greater thickness of the edge of this rail and a somewhat different curvature. So far as the sleepers are concerned, the supplies were in accordance with the drawing.

The orders of Government on the detailed observations of the Committee in regard to the responsibilities of and the procedure to be followed by different officers for the inspection and acceptance of supplies made against contracts are awaited.

19. *Central Railway—Loss owing to defect in a goods handling contract*

At Wadi Bunder Goods Depot of the Central Railway, it has been found convenient, for operational reasons, for the Railway itself to undertake, on behalf of the consignors or the consignees, the handling of consignments which under the tariff rules are normally required to be loaded or unloaded, as the case may be, by the consignors or the consignees themselves. The agreement between the Railway and the handling contractor at this Depot, as it stood prior to the 1st June, 1955, accordingly provided that the contractor should handle all consignments including those required under the rules to be handled by the consignors or consignees themselves.

The corresponding agreement at certain stations on the Bhusaval-Itarsi Section required the handling contractor to deal with only such consignments as were required under the rules to be loaded or unloaded by the Railway itself. In a suit filed by the contractor of this section it was held by the Civil Court of Khandwa in January, 1953, that changes in the tariff rules, which had the effect of increasing the number of commodities required to be handled by the consignors or consignees, reduced the quantum of work to be entrusted to the contractor and to that extent, the contractor was entitled to compensation for loss of profit. Accordingly the Court awarded damages against the Railway. With a view to avoiding similar claims in future, the Railway Administration, in consultation with its solicitors, amended the form of the handling contracts so as to provide specifically for the exclusion of all consignments which are required, *under the tariff rules for the time being in force*, to be loaded/unloaded by the consignors/consignees themselves.

The amended form of agreement was adopted in regard to Wadi Bunder also for the period from the 1st June, 1955 to 31st May, 1958. The handling of consignments, the loading/unloading of which was normally the responsibility of the consignor or the consignee, however continued to be entrusted to the contractor as before and was paid for at the rate applicable to consignments covered by the contract, namely, Re. -/5/2 per ton.

In January, 1956, the contractor claimed payment at the rate of Rs. 2/8/- per ton for the traffic unloaded by him outside the scope of his contract, on the ground that it needed skilled labour and special equipment to do such work. The Railway's solicitors advised that the contractor's contention was valid and that a reasonable compensation would have to be paid to the contractor depending on the actual handling operations performed and the nature of the goods handled. After protracted negotiations the Railway agreed on the 7th February, 1958, to make payment

at a flat rate of Re. -/7/6 per ton for all the consignments handled by the contractor on the analogy of the rate prevailing at Carnac Bunder on the Western Railway for similar work. An additional sum of Rs. 3,51,659 for the period from the 1st June, 1955 to the 31st May, 1958, was accordingly paid to the contractor as difference between the contract rate and the revised rate agreed upon as a result of negotiations.

It is stated that although the contract at Wadi Bunder awarded from the 1st June, 1955, excluded the handling of consignments required to be loaded or unloaded by the parties themselves, the Railway Administration considered that the contract would still cover such consignments if the Administration decided to handle them themselves in exercise of the discretionary powers vested in them under the Tariff rules.

The Administration also explain, that in spite of the enhanced rates having been paid to the contractor, the overall payment made is still the lowest, on the basis of the tendered rate received originally from the other tenderers (even assuming that those tenderers would not have asked for enhanced rates for consignments required to be loaded/unloaded by the consignors/consignees themselves).

In the new contract effective from the 1st June, 1958, the amended clause, which gave rise to this dispute, has been further modified giving option to the Railway to require the contractor to load and unload all consignments at the rates specified in the schedule.

Audit is of the view that the decision of the Court in the Khandwa case indicated the need for a clear definition of the scope of the work to be entrusted to the contractor. If with reference to the principle underlying this decision, the Railway Administration had made specific provision in the contract at Wadi Bunder for the handling of goods, which under the rules were to be handled by the consignors or consignees themselves, but which had to be undertaken by the Railway itself for operational reasons, the dispute with the contractor, which led to an extra payment of Rs. 3.5 lakhs could have been avoided. The Administration has stated that the question, whether in view of the working needs for Wadi Bunder, more care should have been exercised by the Railway officials concerned before adopting the revised agreement form at this station, is under examination.

20. North Eastern Railway—Loss owing to delay in finalising tenders.

The North Eastern Railway invited open tenders on 11th May, 1956 for building 65 bogies FS (First and Second class), 21 bogies ST (Second and Third Class) and 4 TLRs (Third, Luggage and Brake van).

The lowest rates tendered for the FSs and STs were higher than the previous year's rate for FSTs (coaches with First, Second and Third Class) and were also subject to the condition that any increase in the rates of excise and sales taxes and in the cost of steel would be borne by the Railway. The Tender Committee, therefore, negotiated with all the tenderers on 3rd and 4th July, 1956. As a result, five of the tenderers (one of whom was later eliminated on account of delay in the execution of a pending contract) agreed to build the FS coaches at the lowest rate of Rs. 59,650 and Rs. 850 for dynamo suspension, without any condition regarding fluctuations in the cost of steel or in the rates of taxes.

On the 27th July, 1956, however, the Railway Board intimated their decision to provide only First and Third class accommodation in all composite coaches. As this involved a change in specification, the four tenderers, amongst whom the work was proposed to be distributed, were asked on 8th August, 1956 to quote revised rates for FTs. The Tender Committee negotiated with them on 17th August, 1956 and all the four tenderers agreed to reduce their original rates by Rs. 250 per coach and to construct each FT coach for Rs. 59,400 with an addition of Rs. 850 for dynamo suspension. The tenderers were requested to keep their quotation open till December, 1956 as the Railway Board's approval thereto was likely to take some time. They, however, refused to keep the quotations open beyond the original specified date *i.e.*, 16th October, 1956. The Railway Board were requested, on 5th September, 1956, to accord their approval to letting out the contract at the negotiated rate to the above four tenderers so that the work could be started as early as possible in order to complete the construction of the coaches by 31st March, 1957. But, the material fact that the negotiated rate was open only upto 16th October, 1956 was not intimated to the Board, with the result that their decision was not conveyed till the 5th February, 1957. The Tender Committee, which met on 9th January, 1957, recorded that the tenderers refused to abide by the previously negotiated rate and insisted that whatever rate is settled in respect of a second lot of 38 FT coaches, tenders for which had been invited on 9th November, 1956 and opened on 18th December, 1956 and for which all of them had tendered at the uniform rate of Rs. 63,500 plus Rs. 900, should apply to the earlier lot of 86 coaches. The negotiated rate for these 38 coaches was settled at Rs. 62,300 plus Rs. 800 for dynamo suspension per coach. The contract for building the earlier lot of 86 FT coaches was also allotted at this rate with the approval of the Railway Board.

Had the Railway Board been apprised of the fact that the negotiated rate of Rs. 59,400 plus Rs. 850 was open only upto 16th October, 1956

and their approval obtained before that date, the Railway could have got the work done at this lower rate instead of the rate of Rs. 62,300 plus Rs. 800. This has resulted in an avoidable extra expenditure of Rs. 2,45,100 at the rate of Rs. 2,850 per coach.

The Railway Board dealt with the case on the basis that when the tenderers were asked to revise their quotations owing to the change in specifications, the date of validity of the original offers was no longer strictly enforceable; the case was thus virtually a fresh tender. Even when the Railway Board made a demi official enquiry from the Administration as late as the 3rd October 1956 regarding the reasonableness of the rates, the Administration did not draw the attention of the Railway Board to the fact that the negotiated rate was open only up to the 16th October, 1956. The Railway Board have, however, recently (February, 1960) issued general instructions to Railway Administrations for not losing sight of the date of validity of tenders.

21. *South-Eastern Railway—Delay in the construction of coaches by a contractor.*

In September, 1956, an order of the value of about Rs. 45 lakhs for the construction of 60 Broad Gauge T.L.R. (Third, Luggage and Brake Van) coaches was placed with a firm which submitted the lowest tender (Rs. 74,900 per coach excluding sales tax). The coaches were to be built on underframes to be supplied by the Railway. The work-site, which was at the Railway siding at Garden Reach (Calcutta), was handed over to the contractor on 7th November, 1956. The work was taken in hand by the contractor in December, 1956, subject to the execution of the agreement.

The stipulated date for the completion of the work was not described precisely in the tender documents. According to Schedule IV of the tender, the work was required to be completed "within a period of 15 months of acceptance of the tender". Schedules II and III of the tender, mentioned the period of completion of delivery differently as "15 months from the date of execution of the agreement", and "15 months from the date of commencement of the contract." Although the letter of acceptance was issued to the firm on the 17th September, 1956, the firm's requests in connection with the amount and form of the security deposit to be made by them were under consideration and the agreement incorporating the changes finally agreed upon was signed by the firm in July, 1957. After getting certain legal formalities cleared with the firm, the agreement was forwarded to the Railway Board in January, 1958, and was signed by them on the 9th May, 1958.

had been made by the upgrading of the classification of the earth-work executed.

Further investigation carried out by an officer of the rank of Chief Engineer appointed by the Railway Board showed that the total overpayment in this project amounted to Rs. 2.41 lakhs.

The matter is under further investigation by the Special Police Establishment. The contractors were, however, finally paid up and their security deposits were refunded by December, 1958. Pending finalisation of the investigation by the Special Police Establishment, the dues of the contractors in respect of some other contracts have been held back by the Railway Administration, corresponding to the overpayments assessed as having been made to them.

- (ii) On another doubling project where also the earth-work classifications were reviewed by the vigilance cell, it was noticed that the total "on account" payments for two sections exceeded by Rs. 5 lakhs the amounts payable on the basis of certain pencil entries in earth-work registers presumed to represent the District Engineer's provisional classification. On another section the overpayments as assessed by the vigilance cell amounted to Rs. 3.78 lakhs.

The classification of earth-work in the entire project has since been reviewed by a team of two administrative officers and the total amount of overpayment has been assessed as approximately Rs. 9 lakhs.

In finalising the bills, action has been taken by the Administration to adjust the amount of overpayment made in the "on account" bills. The District Engineer concerned has been placed under suspension.

- (iii) Overpayments which occurred in another construction project by an upward revision of earth-work has been assessed at Rs. 7.56 lakhs by the team of two administrative officers referred to in the preceding sub-paragraph. The District Engineer who ordered the reclassification was a temporary employee. He resigned from service with effect from 25th October, 1958. The Administration has stated that action has been taken to recover the amount overpaid from the final bills and security deposits of the contractors.

The Railway Administration has explained that steps have been taken to adjust the overpayments while preparing the final bills and finalising

the accounts of these contractors. They have further explained that administrative instructions have been issued with a view to reducing the chances of irregularities in regard to classification of soils and ensuring the maintenance of detailed records.

23. *Western Railway—Infructuous expenditure in connection with the construction of a sub-way at Jaipur.*

During 1957-58, the Railway Administration prepared an estimate for remodelling the Railway Yard at Jaipur station at a cost of Rs. 55,76,754 which included Rs. 9 lakhs for providing a sub-way in lieu of the existing level crossing near the station. The estimate was sanctioned by the Railway Board in December, 1957, and the detailed estimate was sanctioned by the General Manager in April, 1958.

The work was commenced in November, 1957 without waiting for the formal acceptance of the plan by the Rajasthan Government. A reference was made in December, 1957 to the Chief Engineer, Public Works Department of that Government who suggested, in February, 1958, the construction of an extended sub-way, which was estimated to cost about Rs. 3 lakhs more. The site was inspected by the officers of the Rajasthan Government in June, 1958 and they pointed out that as the approach roads would be in cuttings, there should be no curves therein and that the sub-way should, therefore be built on a straight alignment.

At this stage the work was suspended, as the issues raised by the Rajasthan Government were likely to take some time to settle. In September, 1958, the Chief Engineer, Western Railway, sent to the Rajasthan Government a revised plan for comments and approval and also asked for alternative suggestions, if any. The Rajasthan Government did not agree to the revised plan and reiterated that the sub-way be constructed along a straight alignment. The Railway Administration was not in a position to accept this suggestion, which, in their opinion, would have reduced the goods facilities to be provided. The whole plan was then reviewed keeping also in view the necessity for curtailing expenditure and effecting economies to the maximum extent possible, which had become apparent in the context of the earnings of the Railway not conforming to expectations. It was decided to adopt a revised layout by omitting the sub-way and curtailing certain other facilities. This was expected to result in a saving of about Rs. 10 lakhs.

The Railway Board approved of the revised layout in February, 1959. The infructuous expenditure in connection with the original layout, the work on which was started before receiving the final approval of the Rajasthan Government, was about Rs. 60,733.

STORES

24. *Central and Western Railways—Supply of inferior quality timber.*(i) *Central Railway.*

Eight orders for the supply of 2,736 tons of hard wood bottom boards, valued Rs. 8.73 lakhs, to certain workshops on the Central Railway were placed by the Director General, Supplies and Disposals, between December 1953 and March, 1956, on two suppliers in Bombay. The supplies were inspected by a Railway Officer.

Late in 1956 the Special Police Establishment intercepted and seized 58,134 bottom boards supplied against two of these orders placed in July, 1955 and March, 1956. By this time, timber valued at Rs. 3.79 lakhs supplied against the other 6 orders had already been received, accepted and consumed. The technical examination of the seized timber showed that most of the supplies did not conform to the species and specifications laid down in the Acceptances of Tender. Legal action has been launched against the two suppliers, and one Railway official who inspected the supplies. The latter was suspended from service with effect from 16th January, 1957. The estimated loss incurred by the Railway Administration in respect of the defective supplies against the two orders is Rs. 1,97,083. It has, however, not been possible to establish whether the supplies already received against the other orders and consumed were of the same inferior quality. An amount of Rs. 1,02,692 due to the two contractors against certain other Purchase Orders placed direct by the Administration has been withheld and it is proposed to set it off against the loss which may eventually arise.

Both the firms have served notice on the Railway Administration for immediate payment of their bills and have sought arbitration under clause 25 of the Indian Railway Standard Conditions of Contract.

(ii) *Western Railway.*

Two orders for the supply of 729 tons of hard wood bottom boards valued Rs. 3,02,032 to a workshop on the Western Railway were placed by the Director General, Supplies and Disposals, on the 10th October, 1955 and 31st January, 1956 on the same two firms in Bombay. The inspection was entrusted to the Sleeper Control Officer, Southern Railway and the Assistant Track Supply Officer, Western Railway. The supplies were received and accepted between October, 1955 and September, 1956. It was noticed by the Works Manager, Carriage and Wagon Shops during the course of his rounds on the 17th April, 1957, that some broken floor boards were being carried by a few khallasies for burning in a boiler.

This unusual incident was reported to the Chief Mechanical Engineer, who instituted a preliminary investigation through the Vigilance Branch. The investigation indicated that the supplies were inferior, unsuitable and not to the specification. The investigating officer also reported that consequent upon the raid carried out by the Special Police Establishment on the Central Railway in September, 1956 in connection with the supply of floor boards by these very contractors, certain officers and staff of the Western Railway workshop were anxious to destroy the stocks and to manipulate the records to cover up the acceptance of inferior timber. Actual instances of wagons being fitted with inferior quality floor boards were also noticed.

As a result of the preliminary investigation, charge-sheets were issued to four gazetted and four non-gazetted officers. A Departmental Enquiry Committee was appointed on the 23rd August, 1957, to investigate the matter and to examine the replies to the charge-sheets. The Committee finalised their proceedings in May, 1958. Based on the findings of this committee and the examination of 1732 impounded floor boards as well as 120 pieces extracted from wagons already fitted with them, it was concluded by the General Manager that out of the entire lot supplied by the two contractors, not more than 2 per cent. of the quantity supplied by one was of the correct species. The entire supply made by the other contractor was below specification. The loss suffered by the Railway Administration on account of acceptance of floor boards of inferior quality could not be estimated as sufficient data was not available at the time of the enquiry. The bulk of the supply had already been either consumed or destroyed. The financial loss on a presumptive proportionate basis, as estimated by the General Manager, was Rs. 56,169.

It was also observed by the General Manager, on the basis of an overall appreciation of the evidence, that certain officers of the workshop connived at the acceptance and disposal of the inferior species floor boards. The General Manager, in his report to the Railway Board, has stated that the Works Manager dissuaded the Timber Ward Keeper from showing the remarks regarding decayed floor boards in the weekly statement, instructed the Wagon Repair Foreman to accept inferior and unserviceable boards along with good ones, and took no action on receipt of a complaint about the bad quality of the floor boards from a Divisional Mechanical Engineer. The Committee's recommendations were forwarded by the General Manager to the Railway Board suggesting the removal of the four gazetted officers from service. The Railway Board have agreed with this suggestion. Three of the officers have been removed from service with effect from the 3rd September, 1959. The punishing authority for the

in May, 1951 by the Special Police Establishment, was promoted as officiating Chief Commercial Superintendent in October, 1951 and was re-posted in the same higher capacity on his return in 1956 after a long spell of leave for over one year on medical certificate. He continued to officiate as Chief Commercial Superintendent until he proceeded on long sick leave from 24th September 1957.

The Administration has explained that, after disciplinary action had been decided upon, two years were taken in conforming to the procedure to be adopted in disciplinary cases and that the delay has not in any way affected the quantum of the loss. The Administration has also pointed out that disciplinary action in the cycle-stand case was not pursued in view of the knowledge that severe disciplinary action was being contemplated in the vegetable ghee case.

26. *Avoidable expenditure on handling and other charges on imported rails.*

The Indian Railways Purchase Mission sent abroad in May, 1957, entered into 10 contracts during July-August, 1957 with firms in 7 different countries in Europe for the supply of 2.13 lakh tons of rails. One of these contracts was with an Italian firm for the supply of 35,000 tons of 90 lbs. rails. The Director General, India Store Department, London, was responsible for inspection and shipping arrangements. All the firms except the Italian firm were shipping the rails loose whereas the Italian firm was sending them in bundles of 5 rails each.

On receipt of a consignment of about 1677 tons from the Italian firm in Calcutta Port in May, 1958, the Controller of Stores, Eastern Railway, addressed the Director General, India Store Department, London on the 24th May, 1958, complaining that the rails were shipped in bundles of 5 rails weighing Tons 2-16-1-0 each instead of in pieces as shown in the invoice and the shipping specification, and that as a result, the consignment was treated as a heavy lift item by the Port authorities. The Railway had to make an extra payment of Rs. 35,046 on this account representing the difference in handling, hoisting and river charges between a package weighing over 35 cwts. and a package below 35 cwts. It was suggested by the Controller of Stores that this additional expenditure of Rs. 35,046 should be recovered from the supplying firm. A copy of this letter was endorsed to the Ministry of Railways and the local agents of the firm. The Ministry of Railways recorded the letter of the Controller of Stores, Eastern Railway, with a note that necessary action will be taken by the Director General, India Store Department, London.

The Director General, India Store Department, London, who received this letter on the 28th May, 1958, did not issue immediate instructions

to the supplying firm not to ship the rails in bundles, but made a reference on 25th June, 1958 to the local representatives of the Italian firm inviting their reaction to the complaint. They informed the Director General in their letter dated 3rd July, 1958, that as the contract did not provide for any special method or way of shipping, and it being customary in Italy to ship rails in bundles to prevent bending during loading and discharging operations, the rails were shipped in bundles and as such no claim for the extra expenditure of Rs. 35,046 incurred by the Indian Railways lay against the Italian firm.

On the 18th July, 1958, the Director General, India Store Department, London forwarded a copy of this letter to the Ministry of Railways and the Controller of Stores, Calcutta for instructions. The Controller of Stores directed the Director General through a cablegram dated 26th July, 1958, to advise the manufacturers to send the future consignments loose. The Director General accordingly instructed the Italian firm on 29th July, 1958 to despatch all future consignments of rails in loose condition. The firm in their reply dated the 7th August, 1958 agreed to do so, but sought permission to ship 1700 tons of rails lying ready with them in bundles at that time. Thereupon, the Director General made another reference to the Ministry of Railways and the Controller of Stores, Calcutta, through a cablegram dated the 19th August, 1958. On 21st August, 1958, the Ministry of Railways advised the Director General to arrange to ship the rails loose in future and added that the 1700 tons lying with the firm in bundles should also be shipped loose. In the meantime, the firm had shipped another consignment weighing about 323 tons in bundles on 15th August, 1958.

Apart from the consignments received in India prior to the 24th May, 1958, involving an additional expenditure of Rs. 35,046, five other consignments of rails from the Italian firm were shipped in bundles during the period 24th May, 1958 to 26th August, 1958, involving the Railways in further additional expenditure of Rs. 1,08,481.

27. Eastern Railway—Delay in the settlement of a firm's bill for locomotive spare parts.

The final settlement with a firm which supplied certain locomotive components in September, 1950 is stated to have been reached in March, 1960, after having been held up for over nine years and a part of the materials purchased, costing about Rs. 40,000 has remained unutilised in the circumstances indicated below:

The Works Manager, Loco Workshop, Lucknow, placed a requisition on the Controller of Stores, ex-E. I. Railway in 1946 for the import of certain Lentz Valve parts for 12 months' requirements. The Controller of Stores placed an order for these parts with the manufacturers' agents in India on the 16th September, 1947 and covered it by a formal order for Rs. 1,89,924 through the Director General, Supplies & Disposals on the 25th July, 1950, after the materials had reached India and the prices became known.

Among the parts ordered was an Assembly (No. LV-487) consisting of a Roller (No. LV-489), a Pin (No. LV-488) and a Floating Bush between the two (No. LV-490). The firm pointed out to the Chief Mechanical Engineer on the 29th November, 1947 that a Floating Bush had ceased to be a standard fitting on the E. I. Railway and enquired if they could supply instead a plain Roller and a modified Pin without the Floating Bush. This change was accepted by the Railway Administration.

On the 3rd March, 1948, the firm further enquired whether they were to supply in addition 444 Nos. of plain Pin with collar in lieu of 444 Nos. of Floating Bush ordered on them. This was confirmed by the Deputy Chief Mechanical Engineer, who added that the Works Manager was being asked to confirm the quantities in view of the change made. But the Works Manager wrote to the firm on the 6th May, 1948 confirming the quantities, he had originally asked for, of the Roller and the Pin and the Floating Bush; this reply did not take into account the fact, which had been intimated to him, of the change from the Roller with the Pin and the Floating Bush to Roller with the plain Pin and was, therefore, not to the point raised by the firm.

The firm, however, supplied 444 Roller and 444 plain Pins with collar in lieu of 444 Floating Bush and also 380 Assemblies of Roller with Pin on the 21st September, 1950. These were accepted and taken to stock but eight months later the Works Manager rejected the supplies; the Stores Depot attached to the Workshop returned these to the Receiving Depot as not conforming to the indent since the Floating Bush was not supplied, in spite of the fact that the Works Manager had already been advised of the acceptance by the Chief Mechanical Engineer of the revised Assembly without the Floating Bush.

The rejection was pointed out to the suppliers on the 31st August, 1951 and the Deputy Accountant General, Industries and Supplies was asked on the 21st May, 1952 to withdraw the debits for the rejected items. The suppliers protested against the rejection stating that the supplies had been made with the prior acceptance of the Railway.

Meanwhile it was decided in September, 1949 to condemn H. P. C. 2 Class engines for which these fittings were intended and these engines were put out of service by the end of December, 1952. The components therefore, remained unutilised.

On the 18th June, 1954, the Deputy Accountant General, Industries & Supplies informed the firm and the Railway Administration that a sum of Rs. 40,260 representing the cost of 380 Assemblies of Roller with Pin (No. LV-487) and 444 Inter Lever Pin (No. LV-490), had been recovered from another "on account" bill of the suppliers. The firm protested against the rejection and pressed for the reimbursement of the amount recovered. The matter remained under correspondence between the Eastern and the Northern Railway Administrations as the Stores Depot holding the stock came under the control of the Northern Railway as a result of the regrouping of the Railways. The case was ultimately reported to the Railway Board on the 10th February, 1958.

The present position is that, after discussions with the firm, they have finally agreed to accept half the cost of the entire lot (Rs. 20,130) in full settlement of the claim (Rs. 40,260). The Administration has stated that since 380 of the articles had been correctly supplied, the settlement means that the firm has withdrawn its claim for 412 out of the additional 444 numbers incorrectly supplied.

On the disciplinary aspect of the case, the General Manager observed that the Works Manager was responsible for slackness in replying to the firm's relevant letter and for unnecessary delay in rejecting the supplies. The final decision of the Railway Board is awaited.

28. *Chittaranjan Locomotive Works—Purchase of locomotive components without inviting open tenders.*

The Administration of the Chittaranjan Locomotive Works expected that for locomotives to be manufactured from January, 1959 onwards, they would be able to dispense with the use of imported superheater elements. The possibility of the Chittaranjan Locomotive Works themselves undertaking the manufacture of superheater elements was under consideration and negotiations were also being carried on with a private firm in India for taking up the manufacture of this component. The item was, therefore, left out of the list of the articles to be imported which was submitted by the Administration in May, 1957, for obtaining release of foreign exchange.

The Administration, however, realised in October, 1957, that it would be necessary to continue the import of this component. In November,

1957, an enquiry for the procurement of 85 sets of superheater elements for the 8th order of locomotives was sent to a British firm who were the Technical Associates of the Chittaranjan Locomotive Works. This was followed by another enquiry in December, 1957, for another 36 sets required for the next order placed on the Works. Only one quotation from a British firm was received by the Technical Associates at £645 per set, F.O.B. British Port, delivery to be completed at the rate of 16 sets per month commencing 6 months from the receipt of the order.

Although the Administration considered this offer to be on the high side (the same British firm had previously supplied the elements during 1955 and 1956 at £464 per set) it was accepted because:

- (a) the Technical Associates had not received any other quotation;
- (b) there was no time left to route the order through the Director General, Supplies & Disposals, with a view to see if other favourable quotations were available, as the Director General, Supplies and Disposals generally took more time for procurement than the Technical Associates; and
- (c) the supplies against the orders placed by the Director General, Supplies and Disposals, in 1955 and 1956 came from the same firm.

An order for the supply of 121 sets required for the 8th and 9th orders at the rate of £645 per set less a discount of 2½% was accordingly placed on this firm on the 24th February, 1958.

On the 26th February, 1958 an indent was sent to the Director General, India Store Department, London, for the procurement of another 165 sets of this component required for the next batch of locomotives to be manufactured at the Chittaranjan Locomotive Works. These were required at the rate of 20 sets per month commencing from January/February, 1959. In response to open tenders invited by the Director General, India Store Department, the lowest offer was received from a German firm which quoted (i) £618-7-7 F.O.B. per set to Indian Railway Specification, and (ii) £550-15-2 per set F.O.B. to their own specification. This was conveyed to the Chittaranjan Locomotive Works Administration in June, 1958. The German specification being technically acceptable to the Administration, an order for the supply of 165 sets at £550-15-2 per set F.O.B. German port, delivery being 13/15 weeks from the date of the order, at the rate of approximately 33 sets per month, was placed on the German firm on the 27th June, 1958.

The British firm supplied the components in monthly batches during the period from October, 1958 to May, 1959. The utilisation of these components did not begin until March, 1959, by which time the supply from the German firm had already started. 58 sets were received in January and February, 1959 from the German firm. Of the total of 121 sets received from the British firm, only 35 sets were issued from stock during March, 1959 to May, 1959.

Had the purchase of 121 sets required against the earlier order been made through the Director General, India Store Department, instead of by limited enquires through the Technical Associates, it would have given an opportunity to the German firm to submit their offer. The difference in the total expenditure would then have been Rs. 42,973 (£3,223) if the German firm had been required to supply superheater elements of the same specification as were purchased from the British firm, or Rs. 1,26,027 (£9,452) if the alternative German specification could have been considered and accepted. The time taken by the Director General, India Store Department, for procurement was not more than what it took the Technical Associates in the case under consideration, but the Administration have observed that in the light of past experience, they had reasons to apprehended that the Director General, India Store Department, would have taken more time for procurement than that required by the Technical Associates.

29. *Eastern Railway—Loss due to supply of defective stores.*

A loss of Rs. 25,885, representing the cost of certain stores rejected in 1949 and returned to the suppliers in 1950, was formally written off by the Railway Administration after nine years in May, 1959, as a result of failure to recover the cost from the suppliers. The facts of the case are given below.

A number of orders were placed with a firm during 1947-48 for the supply of taps and dies of various sizes. The supplies against 17 orders were received and accepted during May to July, 1948. On being put to use towards the end of 1948, some of the materials were found defective, and by July, 1949, 54 taps and 650 sets of dies valued at Rs. 25,885 were returned by the Stocking Depot to the Receiving Depot as rejected materials. Meanwhile, the firm was asked in June, 1949 to arrange replacement of the rejected materials, but there was no response despite reminders. The receipts were written back during October to December, 1949 and copies of the write-back vouchers were sent to the firm indicating that they would have to refund the value of the rejected stores. The firm's acknowledgment of the receipt of the write-back vouchers is not, however, available.

Railway had to rebook these materials from Shakur Basti to Jodhpur. The extra freight charges in these two cases came to Rs. 8,926.

In another case, on the basis of the instructions issued by the Controller of Stores, Central Railway, on the 21st June 1956, 16 Inner Fire Boxes for boilers were sent to Shakur Basti on the Northern Railway in July, 1956, although according to the Railway Board's allotment, only 14 of these Fire Boxes were meant for the Northern Railway. The receipt of 2 Fire Boxes in excess was reported by the Deputy Controller of Stores, Shakur Basti, in October, 1956, and the Controller of Stores, Central Railway, then asked the Deputy Controller of Stores, Shakur Basti, to despatch these two extra Fire Boxes to the Western Railway at Dohad. The avoidable extra expenditure on freight in rebooking these two Fire Boxes to Dohad was Rs. 1,280.

The Administration has stated that explanations of the staff responsible for the misdespatches were received in October, 1959 and that charge-sheets have been issued to them.

31. *Western Railway—Excessive indenting of cement for a project.*

In terms of a provision in the Indian Railway Code for the Engineering Department, the Railway Administration has to order stores required for a particular construction after the approval of the "Abstract Estimate". In accordance with this provision, the Assistant Engineer-in-charge of the Fatehpur-Churu Project indicated his requirements of cement for the project as 560 tons. The Engineer-in-Chief, however, placed indents with the Controller of Stores for a total of 970 tons. It has been stated that the increased quantity was indented for in view of the uncertain supply position of cement and in order to have the work completed by the target date.

The final allotment made by the Engineer-in-Chief totalled 600 tons on the basis of the requisitions actually placed by the Assistant Engineer-in-charge. In the detailed estimates prepared subsequently during the period July, 1956 to March, 1957, the requirement of cement was, however, indicated as 294 tons.

Deliveries were made as under against the orders placed by the Railway Administration between March, and July, 1956:—

24 tons in September 1956.
46 tons in October, 1956.
44 tons in December, 1956.
156 tons in January, 1957.
330 tons in July—August, 1957.

Total 600 tons.

As the pace of delivery from the supplying firms in the early stages was inadequate, orders were placed for 258 tons of cement from the Railway's own stock at other places, and supplies against these orders were received as under:—

207 tons in January, 1957.

10 tons in May, 1957.

Out of a total quantity of 817 tons of cement received on the Project, 606 tons were surplus to requirements and were transferred to other projects during the period from January, 1957 to August, 1957. The outward freight on these 606 tons booked to other projects and the handling charges thereon are under verification, and represent expenditure which could have been avoided had the Railway Administration not over-indented and over-stocked cement on this project.

The Railway Administration state that the cross movement of cement from one project to another had to be resorted to in order to avoid delay in completion of the works due to scarcity of cement. It has also been stated that some allowance had to be made for contingencies arising out of the possible failure of contractors to supply the cement.

32. *Central Railway-Extra expenditure on air-lifting of spare parts for locomotives*

For want of certain essential spare parts, *viz.*, springs and hubs, a large number of electric freight locomotives was immobilised on the Central Railway during the period November, 1954 to April, 1956. To prevent damage to the locomotives and also dislocation in service, 1,000 springs and 20 pairs of inner and outer hubs had to be air-lifted from the U.K. and Japan respectively between October, 1955 and August, 1956 involving additional expenditure of about Rs. 90,000 on freight and incidentals in the circumstances stated below.

2. On the 12th February, 1951, the Traction Department requested the Stores Department to take immediate steps to obtain 1,000 springs units. The consuming department recommended that the springs should be purchased from the original makers of the locomotives, an U.K. firm, which supplied these springs in the past, because the Railway Workshop had no capacity to undertake the manufacture of new springs and the requisite quality of spring steel was not available in this country.

The Controller of Stores, however, did not accept the justification for import and placed an order on the Railway Workshop at Parel for the manufacture of the springs. This order had to be off-loaded from the

The overpayment for the period from 1st April, 1953 to 30th November, 1958 works out to about Rs. 7,67,000. The amount that was overpaid after the date of the audit objection is estimated to be over Rs. 4 lakhs.

The Administration explained that the waiving of the adjustments for past payments was on the consideration that there was some reason for doubt in the matter and the position on another railway also had to be ascertained. It is, however, to be noted that the Railway Administration took nearly 18 months to report the audit objection to the Railway Board and the Railway Board took another 17 months to communicate their decision.

35. Central Railway—Abnormal delay in the regularisation of payments to certain staff

In 1944, the Railway Board issued certain orders regarding the reorganisation of the Section Controller's grade in the Transportation Department of the Railways. In 1945, they approved of a proposal that a certain percentage of the posts in this grade should be filled by direct recruitment and that such recruits should be given a scale of Rs. 100-10-200 during the period of training. No specific orders were issued at this stage about the pay to be given to the departmental candidates selected for training from the lower grades.

In 1947, the Railway Administration created 61 supernumerary posts in the scale of Rs. 200-10-300 applicable to duty posts of Section Controllers to accommodate the departmental candidates. 44 candidates were selected against these posts and allowed, even during the initial period of training for six months, pay, in the scale of Rs. 200-300 instead of restricting it to the pay which they would otherwise have normally received in the lower posts as laid down in the Fundamental Rules.

Similarly, in 1949, 18 supernumerary posts were created for the second batch of departmental trainees. The sanction to these posts, however, contained a clear reference to the observation made by the Financial Adviser and Chief Accounts Officer while agreeing to the creation of the posts, that the departmental candidates should be allowed during the training period only the pay which they would have received in the lower posts but for their selection for training. In spite of this, the departmental candidates were paid the pay of the working posts in the grade of Rs. 200-300 and not the pay as admissible under the rules. When this was pointed out by Audit in 1950, the Railway Administration immediately initiated action to recover the overpayment of Rs. 6,490 in respect of the 1949 batch.

As regards the 1947 batch, however, the General Manager approached the Railway Board in July, 1954 for the regularisation of the pay already allowed to them, as it was considered that recovery at that stage would cause hardship to the employees. In October, 1954, the Railway Board asked the Railway Administration to forward a statement giving particulars of the amount overpaid in each case. This statement was sent to the Railway Board in June and October, 1956. There was further correspondence with the Railway Administration over a period of about 16 months. The Railway Board finally issued orders in July, 1959 holding that there was no justification for regularising the overpayments, and directed that suitable action should be taken against the staff responsible for the overpayment. They added however that recoveries need not be made from the staff at that stage and indicated that the waiver might be sanctioned under the powers delegated to the General Manager. The overpayment amounting to Rs. 23,572 has not yet been formally written off.

It will be noticed that the Railway Administration reported the case to the Railway Board four years after the overpayment relating to the 1949 batch was brought to their notice. Another three years and four months were taken in correspondence between the Railway Board and the Railway Administration to ascertain details of the irregular payments involved. Thereafter, the Railway Board took one year and seven months to issue final orders.

The Administration's explanation is that the decision to allow pay in the scale of Rs. 200-300 to departmental trainees so far as the 1947 batch was concerned, was taken at the highest level of the Railway. This decision was reached after taking into account the specialised nature of the training and the importance of the duties and responsibilities of the newly reorganised cadre of Section Controllers, with a view to make it attractive to the best amongst the staff. The Administration admit however that the prior sanction of the Railway Board should have been obtained even at that stage for the departure from the normal provision in the rules and that the omission to do so rendered the payments irregular, though only in the technical sense, requiring their regularisation. The Administration also admit that there was some delay in ascertaining and verifying the overpayments made to the staff trained in 1947 and who had been dispersed in the various divisions after the training. It has been stated, that effective steps have been taken to avoid the delays such as those which occurred both at the Railway level and in the Railway Board's office.

EARNINGS

36. *Loss due to non-utilisation of B. G. Hopper Wagons (BOBS type) purchased against 1956-57 and 1957-58 Rolling Stock Programme.*

To meet the heavy traffic in iron ore and lime stone, which was expected to materialise between June, 1957, and May, 1958, according to forecasts received from a steel manufacturing firm in the private sector and from the Ministry of Iron & Steel in respect of the steel plants at Rourkela and Bhilai, the Ministry of Railways decided to purchase 974 special bogie hopper wagons (BOBS type) of high carrying capacity, 62 to 64 tons each, at an estimated cost of Rs. 6 crores.

Two orders covering 604 of these wagons were placed on an Indian firm in April, 1956, and March, 1957. The delivery in respect of the first batch of 200 wagons was to be spread over the period July, 1956 to June, 1957, and that of the remaining 404 wagons over the period from July, 1957 to June, 1958. Another order for 370 wagons was placed in West Germany in June, 1956, the delivery of which was to be spread between March, 1957 and September, 1957.

The wagons ordered on the German firm began to arrive from July, 1957. Of the first batch of 200 wagons on order with the Indian firm, none was received by the original delivery date, (30th June, 1957.) Delivery started in August, 1957, and 158 wagons were delivered by December, 1958.

Although a sufficient number of wagons were then available during 1958, they could not be put into service to any appreciable extent upto December, 1958, as shown below:

Period	Forecast of demand	No. of wagons available.	No. in actual use
April to June, 1958	334	360	13
July to September, 1958	416	456	119
October to December 1958.	645	506	236

By October, 1959, all the wagons received, excepting 120 wagons, which were temporarily out of service owing to damages, accidents, etc., had been put into service.

The design of the new type of wagons was evolved and finalised at the request of a firm in the private sector on the understanding that the wagons would be supplied in time to fit in with the expansion scheme of the firm. The firm requested the Railway Administration in March, 1956, that the complete change over to the new type of wagon should be made by June, 1957. It was estimated that 334 wagons would be required by them during the period April to September, 1958, and 480 wagons thereafter but they could not be so utilised on account of the special facilities required for handling these wagons not being ready in

the firm's works and at the loading points. The corresponding requirements of the Rourkela and Bhilai Plants for the period July to September, 1958 and September to December, 1958 were 82 and 165 wagons respectively, but the actual utilisation was insignificant.

The cost of the wagons intended for the use of the three steel plants in the private and public sectors was of the order of Rs. 6 crores. The loss of interest on an outlay of this magnitude would amount to about Rs. 2 lakhs per month if the equipment provided remained unutilised.

The Ministry of Railways have stated that the non-utilisation of the wagons was inevitable owing to the inability of the steel works to handle such wagons both at the loading and unloading points and that the programme of development of all the steel works was delayed. It has also been stated that particularly when introducing a new type of wagon it is not feasible to provide for complete synchronisation. Further, the Ministry are of the view that the Railway, as carriers, will have to work on whatever forecasts are obtained in advance from their clients. They hold that the Railways should normally be ready to carry all traffic offered. In the Ministry's opinion there can be no question of demanding guarantees merely because some of the anticipations of the clients in regard to traffic did not synchronise precisely with the availability of the wagons meant for this traffic.

While, as a general principle, the Railways must face the risks attendant on the non-realisation of traffic anticipations, the question is whether in future cases of this nature, they should not ask for suitable guarantees, in accordance with commercial practice, to obviate the locking up of substantial capital funds for the provision of special facilities at the specific request of and for the benefit of a particular industrial unit or group of units.

37. Western Railway—Reduction in fees recoverable from refreshment room and ice and aerated water contractors.

In response to tenders invited for the issue of licence to sell ice and aerated water at specified rates to passengers and to the stall keepers and refreshment room contractors on the Pratapnagar District of the ex-BB&CI Railway, 17 offers were received, of which seven were for more than Rs. 4,000 and three for more than Rs. 10,000 a year. The highest offer of Rs. 10,152 a year was accepted and the contract was let out from 1st August, 1950 subject to the execution of an agreement in due course. The agreement was executed in December, 1954 covering the period from 1st August, 1950 to 31st July, 1957 and was further extended beyond that date, for one year. It provided for the termination of the contract on three months' notice by either party.

On the 3rd August, 1951 the licensee applied for a reduction of the licence fee on the ground that up to the 31st July, 1950 she had been paying only Rs. 3,350 a year and that the increased licence fee had affected her financial position adversely. The request was rejected by the Traffic Superintendent as the licence fee was voluntarily offered by the contractor. In April, 1954, the contractor again requested the Administration to reduce the licence fee to Rs. 3,350 a year. The Chief Commercial Superintendent reduced the fee to Rs. 4,000 a year from the 1st August, 1954 on considerations of very poor business on the narrow gauge section and the need for an efficiently managed service.

The Administration has explained that the system of letting out catering and vending contracts on the basis of open tenders was discontinued as a result of the policy directive issued by the Railway Board in December, 1950 and May, 1951. According to these instructions, licence fees are to be determined taking into account local conditions and other relevant factors, such as the volume of business and the margin of profit. The need to ensure a satisfactory service had to be clearly kept in mind. It has also been stated by the Administration that a comparison was made with the licence fees paid by other contractors before deciding the reduction and that a fall in passenger traffic had been noticed after the initial licence fee, based on tenders had been fixed. There is nothing on record, however, to show how the figures of volume of business of the contractor were compiled and verified by the Administration and whether the margin of profit of the contractor was examined. On the Southern Railway, however, similar reductions in licence fees were allowed in some stations and the data on which this was done have been kept on record.

Reductions in licence fees for 21 out of 30 refreshment rooms on the Bombay and Ajmer Regions were also effected in February, 1954 by the Chief Commercial Superintendent. In many of these cases, the fees were initially fixed on the basis of open tenders. The factual data on which the reductions were decided are also not available. The Administration has stated that the reductions were effected in pursuance of the Railway Board's general policy of levying reasonable licence fees, after taking into account local conditions, volume of business, margin of profit etc., so as to maintain efficiency of service. It has also been stated that although the details of the volume of business and the margin of profits have not been recorded in the files, the Chief Commercial Superintendent must have taken them into consideration, based on his general knowledge of the position while ordering the reductions.

The Ministry of Railways have observed that licence fees initially fixed on the basis of tenders had been very high on the Southern Railway also,

that substantial reductions therein were in fact made on the orders of the Government, and that the extent of reductions on the Western Railway do not in themselves indicate that they were excessive.

Audit is of the view that when rates and any important conditions of a contract, fixed on the basis of open tender or otherwise, are liberalised, the precise reasons and the data on which such liberalisation is decided upon should be kept on record.

38. *Western Railway—Avoidable loss owing to incorrect recovery of the charges for carriage of ice and aerated waters.*

In March, 1950, the Railway Board issued orders that free carriage of aerated water and ice by the vending contractors should be restricted to supplies actually carried on trains for *bonafide* sale to passengers, and that the stocks required for replenishing other trains *en route* or for sale at the station stalls of the contractors should not be carried without payment of the usual freight charges. In May, 1951, they further directed that in respect of the stocks required for replenishing other trains *en route* or for sale at restaurants, refreshment rooms and stalls at stations, a charge of 6 pies per bottle of aerated water and 2 annas per maund of ice from the station where the contractor's factory or the nearest approved factory is situated, should be levied with permission for free return of empties.

On the Western Railway, prior to the receipt of the Board's orders of May, 1951, the initial supplies of aerated waters and ice for trains starting from terminal points, which were away from the station where the factory was situated, were allowed to be carried free. On receipt of the Railway Board's orders in May, 1951, all the ice and aerated water contractors were informed that the existing practice would be stopped with effect from July, 1951. The orders, were not, however, enforced in actual practice and in January, 1953 the Railway Administration issued orders interpreting the Railway Board's orders to mean that free carriage of initial stocks was permissible for trains starting from stations other than that at which the factory was situated.

The correctness of this order of the Railway Administration in the face of the Railway Board's orders of March, 1950 and May, 1951, was questioned by the Accounts and Audit Departments in August, 1955. The Administration made a reference to the Railway Board in December, 1956, and in the meantime continued the free carriage of ice and aerated waters from the factory to the train-starting stations. The Railway Board replied after nearly two years in November, 1958, that the practice was

not correct but condoned the past irregularity "as a special case". The free carriage of ice and aerated waters from the factory to the train-starting stations was discontinued from 15th December, 1958.

It is difficult, in the absence of data, to estimate the avoidable loss to the Administration on account of the continuance of the concession after January, 1955, when it was questioned by the Accounts and Audit Departments, upto December, 1958; but the theoretical figure on the basis of the maximum permissible limits for free carriage, in respect of the six contractors on the Railway is over Rs. 18 lakhs. The Administration, however, explain that actual experience shows that replenishments represent only a small percentage of the maximum quota, variable during the hot and cold weather seasons. No data is available for estimating the loss for the period prior to January, 1955, from the date of the orders issued by the Railway Board in 1950 and 1951.

39. *Northern Railway—Loss owing to the destruction of used Railway tickets.*

On the recommendations of the Director General, Supplies and Disposals, the Railway Board issued instructions to the Railways in July, 1952 that used Railway tickets, which constitute useful raw material should instead of being destroyed, be sold to the firm which supplied ticket boards to the Railways, at a price to be negotiated on the basis of the highest market rate. In March 1954, the Board issued general orders that the collected tickets should not be destroyed by burning, but should be sold in the normal manner after being pulped, shredded or cut into small pieces provided the change did not entail any financial loss.

On the Northern Railway, however, the practice of burning the tickets continued upto November, 1955 on the Metre Gauge and upto September 1957 on the Broad Gauge inspite of the fact that by March, 1953, three ticket-cutting machines were available with the railway. The machine at Lucknow, which came under the control of the Railway in 1952 after regrouping, was engaged in cutting 30,000 spoilt and surplus tickets daily against a capacity of 1½ lakh tickets, while the other two machines obtained respectively from the Eastern Railway and a Calcutta firm in March, 1953, were installed at Jodhpur (Metre Gauge) in November 1955 and Delhi Kishenganj (Broad Gauge) in September, 1957. The delayed implementation of the Railway Board's orders has resulted in an avoidable loss of about Rs. 50,000.

The Administration state that the machine at Lucknow was very old and that any extra load was likely to have resulted in the break-down of

the entire machine. The other two machines could not be put into commission before November, 1955 and December, 1957 at Jodhpur and Delhi Kishenganj respectively as the Administration was unable to procure suitable motors in time. It, however, transpires that tenders for the motor required for working the machine at Jodhpur were invited in January, 1955, that is about 2 years after the machine was purchased. On receipt of the quotations it was found that the type of motor specified in the tender was not correct. Fresh tenders were called for again in April, 1955 and orders were placed in June, 1955. The tenders for the motor required for working the machine at Delhi Kishenganj were invited on the 23rd October, 1956, that is, 3½ years after the machine was purchased. The motor was received on the 1st December, 1956, but the machine was put into commission in December, 1957, one year after the receipt of the motor.

40. *Central Railway.—Delay in the recovery of interest and maintenance charges for a siding.*

Certain additions and alterations were made in 1946 to a colliery siding originally constructed in 1924 on the usual assisted siding terms. The work was completed by stages and different phases were opened for traffic between April and August, 1946 but complete bills for interest and maintenance charges were rendered only in January, 1958.

Upto the 31st March, 1949 the bills continued to be submitted on the basis of the capital cost of the old siding (Rs. 20,885). On the mistake being pointed out by the firm, the first bill, taking into account the construction of the new siding, was preferred in April, 1950. This bill was based on a capital cost of about Rs. 19,000 which was the expenditure brought to account upto that date, against an estimated capital cost of Rs. 51,823.

For the period from the 1st April, 1951, the claim was made on the basis of a capital cost of about Rs. 68,000, as a consequence of further debits having been booked in the accounts of the work. The arrears on this basis for the period prior to the 31st March, 1951 were, however, claimed only in a bill sent to the firm in October, 1953. The claims upto the 31st March, 1951 were not marked "provisional" pending revision after preparation of the completion report.

The capital cost of the work was again revised to Rs. 81,422 as a result of an audit objection when the completion report which was prepared in June, 1953, came up for check. The further claim against the firm on the basis of this revised cost was not, however, made until January, 1958.

The arrears claimed from October, 1953 were not paid by the firm inspite of reminders nor the further increase in the claim made in January, 1958. The total amount outstanding against the firm on this account, including interest on the unpaid amounts for the period upto the 31st December, 1957 was Rs. 45,282. The firm also withheld payment of actual maintenance charges on the portion of the siding lying within their premises amounting to Rs. 30,009 and relating to the period 1st October, 1955 to the 31st March, 1959. They represented that the delay in the presentation of the Railway's bills had adversely affected them in the calculation of taxes payable by them. They suggested arbitration by the General Manager in July, 1955. The arbitration could not, however, be taken up until February, 1960 and the award was given on the 11th March, 1960.

According to the award, the firm are required to pay the entire amount claimed by the Railway except interest claimed for the delayed payment amounting to Rs. 8,059 upto the 31st December, 1957.

The failure of the Administration in correctly assessing the claims against the company within a reasonable time of the completion of the work in 1946 has been responsible for the settlement being delayed for a very long period. The fact that the capital cost of the siding had to be revised on more than one occasion during the period 1946 to 1958 shows that there was inordinate delay in finalising the accounts of the work.

The responsibility of the staff for the delays and lapses in this case is stated to be under investigation. The Ministry of Railways have observed, however, that there has been no loss in this case since the arbitrator has asked the firm to pay the entire amount claimed by the Railway.

41. South Eastern and Eastern Railways—Delay in the recovery of demurrage charges.

In Para 28 of the Railway Audit Report, 1950, mention was made of the partial waiver by the Railway Board of heavy amounts of demurrage charges outstanding against two big steel concerns on the former B. N. (now South-Eastern) and the E. I. (now Eastern) Railways. The Board at that time impressed on the Railway Administrations concerned the necessity for prompt settlement of the demurrage bills. The realisation of demurrage charges from the two concerns has, however, not been prompt and there has again been partial waiver of these dues as indicated below:—

South Eastern Railway: The outstanding demurrage charges against one concern amounted to Rs. 8.25 lakhs for the period

December, 1956 to November, 1958, and against the other Rs. 51·83 lakhs for the period October, 1956 to August, 1953. The firms did not pay up the charges, because, according to them, the orders of the Railway Board curtailing, from 1st Dec. 1956, the free time allowed to them for releasing the wagons had resulted in the accrual of heavy demurrage charges. The matter was brought to the notice of the Railway Board who in turn asked the firms to clear the arrears. At the request of the firms, the case was discussed in October, 1958 and January, 1959, with their representatives who pointed out that the demurrage charges were partly attributable to reasons beyond the firms' control, namely, strikes, unusual bunching of inward wagons and stabling of special type wagons in the premises of the firms for the convenience of the Railway. They claimed that the demurrage that accrued on account of these causes should be fully waived. They also pleaded that since there was large scale expansion and remodelling of their works during the period, which considerably interfered with their yard working, adequate consideration should be shown for these factors as well.

The Railway Board decided in June, 1959, to waive the demurrage resulting from the causes mentioned above and also agreed to waive 10 percent of the balance, subject to the specific condition that the estimates of the Railway in regard to the demurrage charges attributable to the various causes should be accepted as final.

The first concern was informed on the 9th September, 1959, that against the amount of Rs. 8·25 lakhs relating to December, 1956 to November, 1958 already billed for, Rs. 7·43 lakhs was payable after deduction of 10 percent waiver sanctioned by the Railway Board. The firm paid Rs. 3·79 lakhs in October, 1959 and have continued to press for the waiver of the balance which they attribute to bunching of traffic.

As regards the other concern, the amount due upto June, 1959, after allowing for the portion to be waived, was Rs. 64·73 lakhs, against which a sum of Rs. 38·82 lakhs was paid in May and August, 1959. The balance of Rs. 25·91 lakhs is still unrealised.

Eastern Railway.—The outstanding demurrage charges on this Railway refer to only one of the two concerns mentioned above and amounted to Rs. 36·53 lakhs for the period from March,

1956 to November, 1958. In this case also the Railway Board decided in June, 1959, to waive the demurrage partially in similar circumstances and to the same extent as on the South Eastern Railway. The firm has so far paid Rs. 18 lakhs towards the outstanding dues (Rs. 8 lakhs in August, 1958 and Rs. 10 lakhs in July, 1959.).

A Committee consisting of the Chief Commercial Superintendent and the Financial Adviser and ~~the~~ Chief Accounts Officer of the Eastern Railway was set up in June, 1959, to assess the demurrage charges attributable to strikes, unusual bunching of inward wagons and stabling of special type wagons in the firms' premises on both the Railways for the purpose of arriving at the quantum of the waiver. The Committee has submitted its report to the Railway Board and the final orders thereon are awaited.

MACHINERY AND PLANT

42. Southern Railway—Delay in the installation and/or putting into commission of Plant and Machinery.—

Some instances of delay in bringing into profitable use items of expensive plant and machinery purchased by the Railway are mentioned below:—

(i) Coke fired furnace—cost Rs. 23,028.

The furnace was received in April, 1953 but could not be erected as the Smithy and Spring shop, for which it was meant, was congested. It was decided in April, 1955 to erect it in the extension to the Smithy shop. The Works Branch was asked in June, 1955 to take up the work of extension on top priority, and subsequently the Divisional Engineer was asked in March, 1956 to provide a temporary shed for its erection. The Divisional Engineer stated in August, 1956 that it was not worthwhile providing a temporary shed which would cost Rs. 6,500. The furnace was ultimately erected in the extension to the Smithy shop in August, 1958.

(ii) Electrical overhead travelling crane—50 tons capacity—cost Rs. 2,75,000.

The order for this crane was placed by the Director General, Supplies and Disposals, in 1954. The hoist mechanism and other special parts were to be imported from Denmark, and structural work was to be fabricated in India. The imported parts were received in July, 1956 but the structural portion was fabricated only in 1959.

In the meantime, the pattern of outturn in the workshops changed, it having been decided by the Administration in October, 1956 and confirmed by the Railway Board in January, 1957 that workshops should only undertake periodical overhaul of locomotives, while intermediate overhauls and repairs should be undertaken in running sheds. In the changed context, the 50 ton crane was reallocated in December, 1956 for erection in a proposed Carriage Lift shop at another place. The crane has not yet been erected as the remodelling works at this place are still in progress.

(iii) Hegenschiedt Multi-purpose Wheel Lathe—cost Rs. 2,25,712.

The Wheel lathe was received in November, 1956. It required a deep foundation costing nearly Rs. 10,000. Since the remodelling of the shed, for which the lathe was earmarked, was still on hand, it was decided in May, 1957 to instal it in another shed. The lathe was put into commission only in March, 1959.

(iv) Car bottom furnace—cost Rs. 53,350.

The furnace was received in December, 1956. Considerable excavation and construction work over a large area was needed for its erection. The foundation work was completed in October, 1958, but a pipe line, found crossing the pit, had also to be diverted. The work was said to have been delayed on account of difficulty in obtaining C.I. bands by the Engineering Department. The work was completed by February, 1959 and the furnace was put into service in May, 1959.

(v) "Beche" German Pneumatic Power Hammer—cost Rs. 85,135.

The power hammer was received in April, 1955. As it was a heavy hammer of one ton capacity and required heavy foundation, its erection inside the Smithy shop involved considerable re-siting of the existing machines. It was decided finally to erect it in the extension to the Smithy shop, but as a temporary measure it was decided to erect a shed for the temporary erection and utilisation of the machine. The machine was erected and put into commission in May, 1959.

(vi) Electric Hoist-120 tons capacity—cost Rs. 65,854.

The electric hoist, required for a shed which was proposed to be expanded and remodelled, was received in August, 1954. It could not, however, be erected as the plans for remodelling and expansion of the shed underwent repeated changes in 1954-55 and 1955-56. A final integrated plan for overall development of the shed was ultimately sanctioned early in 1957, and the Administration expected that by the end of the year 1957-58, the remodelling of the shed, according to the final plan, would

be well under way and that the hoist would be erected and brought into operation. This however, has not materialised as yet. It is now stated that the work is in progress and that the hoist will be put into operation as soon as the necessary engineering and electrical works are completed.

(vii) Flanging Press No. B. 168—cost Rs. 2·78 lakhs.

The Press was received in March, 1955. Being heavy, it required deep and solid foundation. The contractor who was entrusted with the work in 1955, was not successful in reaching the required depth by ordinary excavation method as this would have affected the foundations of other heavy machines in the boiler shop where this machine was to be installed. It was therefore decided in July, 1957 to complete the foundation by driving sheet piles. The pile driver was arranged and the foundation was completed by about June, 1958. In the meantime, the electrical parts of the machine, which were kept stored in the workshop, were destroyed by fire in March, 1958. The loss on his account has been estimated at Rs. 7,300.

The Committee which enquired into the causes of the accident could not fix any staff responsibility, because it could not be established which workman or workmen had carelessly thrown lighted cigarette or beedi butts in the workshop.

COMPENSATION CLAIMS

43. *Western Railway.—Ineffective arrangements for dealing with a court case.*

The Railway Administration had to pay Rs. 22,691 as damages with costs and interest, in pursuance of a court decree of 30th July, 1956, in favour of a claimant whose consignment of American cotton had been damaged by fire. Particulars of the case are indicated below:—

In February, 1952, a consignment of 148 bales of American cotton in three covered wagons was booked ex. Carnac Bunder to New Delhi. One of the wagons containing 48 bales caught fire *en route*. The fire was detected at Kurlasi station, 503 miles from Bombay. After taking steps to extinguish the fire, the consignment was transhipped into another wagon and sent on to the destination. The Station Master, Kurlasi reported that in his opinion the approximate cost of the damage to the cotton was about Rs. 3,000. No joint enquiry was instituted to determine the cause of the fire. At the destination, a firm of surveyors of good reputation, assessed the damages at Rs. 19,930 in the presence of the representatives of the Railway and the consignee.

The consignee's claim for compensation for damages was repudiated on the ground that the packing was defective, that the fire was due to external causes beyond the control of the Railway, and that all possible steps had been taken by the Railway to minimise the loss. The consignee filed a suit for Rs. 19,930, against the Railway in 1953 and it came up for hearing in 1956. After the first hearing on 9th July, 1956, when no evidence was recorded, the Railway Pleader stated in a letter dated 13th July, 1956, that in suits of this nature it was generally easy for the party to prove negligence on the part of the Railway on some point or the other. He, therefore, counselled an out of court settlement of the case for Rs. 10,000 which was stated to be acceptable to the plaintiff. The Administration were requested to communicate a decision on the compromise proposal by 18th July, 1956 at the latest, as the suit was posted for the next hearing on 24th July, 1956. As no reply was received by the pleader, he came to see the Deputy Chief Commercial Superintendent (Claims) personally on 21st July, 1956. The officer was, however, not available and the matter could not be discussed with him.

The pleader's letter of 13th July, 1956 containing the compromise proposal was put up for orders only on 24th July, 1956, the date fixed for hearing of the case. On 25th July, 1956, when it was learnt that the case was actually coming up for hearing on that very date, the following orders were recorded by the Deputy Chief Commercial Superintendent:

"Return the file to the Advocate; obtain file from C. B. Sub-Section and show it to the Advocate. The plaintiff actually has to prove his loss by facts and figures and not to base his claim on mere assessment. Advise Pleader accordingly. It would not be possible to get any orders on suggested compromise today".

Two files pertaining to similar suits, where the Administration had either actually won the case or got the claim of the party substantially reduced, were sent to the Pleader for his guidance. The Court passed a decree against the Railway on 30th July, 1956, awarding the plaintiff Rs. 19,479 as damages with costs and interest. The total amount paid was Rs. 22,691.

In the course of the judgment, the Court observed that no evidence was led by the Railway to prove the alleged defective packing or to show that the wagons were in proper condition before commencement of the journey. The Court considered the evidence by the Railway as meagre, and the mode of giving it, casual.

The Administration has stated that it is difficult to forecast in advance the result of such suits. The advocate in charge of the case had, at no

earlier stage, indicated any weaknesses in the railway's defence and, further, the suggestion to compromise when the suit came up for hearing was based merely on the general consideration of difficulty in defending such cases. The officer who dealt with this case based his decision to defend the suit on the fact that the Western Railway had succeeded in similar cases in the past. In fact, the officer had ordered that the files pertaining to the cases in which they had succeeded should be passed on to the advocate for his guidance. It has been further submitted by the Railway Administration that had the Railway Pleader followed the instructions given to him and pressed the plaintiff to prove the actual loss suffered, even if the case was lost on the basic question of liability, the decree would have been passed for a much less amount. The Administration also observes that opinion is naturally bound to differ on whether a particular suit should be compromised out of court or not and that the action of the concerned officer should not be judged on the basis of the ultimate results of the particular case. The officer was in no position to know at that time that one of the principal witnesses would be unable to attend the court due to sickness and that some contradiction would creep in the evidence of the other witnesses.

In the view of Audit, the observations of the court in regard to the conduct of the case by the Railway indicate the absence of an arrangement for the issue of precise instructions to the lawyer engaged by the railway, sufficiently in advance of the hearing. Further, the direction given to the Pleader on the date of the final hearing of the case that he should insist on the plaintiff proving the loss with facts and figures and not base his claim on mere assessment was not consistent with the fact that the damages had been assessed at the destination station at Rs. 19,930 by a firm of surveyors in the presence of the Railway representative and the consignee. The files relating to previous cases, which were ordered to be shown to the Pleader for guidance, were also made available to him only on the date of the final hearing of the case.

FRAUDS

44. *South-Eastern Railway—Fraudulent payments.*

(i) An attempted fraud involving a sum of Rs. 2,022, purporting to be the claim of a Railway pleader, was detected before payment in the Expenditure Section of the Accounts Office in May, 1958. A special investigation following the incident showed that another fraudulent claim amounting to Rs. 1,247 had been paid in March, 1958, by utilising the duplicate copy of an abstract of pleaders' bills, payments against

which had already been made by the Accounts Office. The Police, to whom a report was sent on the 9th June, 1958, have registered a criminal case against a clerk who is under suspension. The Accounts Officer, who signed the final payment order in this case retired from service on the 28th February, 1959. Departmental action against the sub-head and the clerk found responsible is being taken.

(ii) It was brought to light in February, 1959 that a claim for compensation amounting to Rs. 15,889 on account of goods lost or damaged, decreed against the Railway, had been paid twice. The first payment had been correctly made in December, 1956 to the Railway's Solicitors by the Traffic Accounts Branch of the Accounts Office. The payment for the second time in respect of the same claim was made in February, 1957 by the Expenditure Section of the Accounts Office, which was not authorised to deal with such claims. Further enquiries revealed that the pay order passed by the Expenditure Section was not issued by the Commercial Department, but was issued from a pay order book in use in the Expenditure Section itself and that the signature of the Commercial Officer recorded thereon was not genuine. No departmental action could be taken against the Accounts Clerk who initially checked the pay order, and the Accounts Officer who signed the order, as both of them had retired from service in April, 1958 and February, 1958 respectively before the detection of the irregularity. The Sub-head of the section has been removed from service. The case has been referred to the Special Police Establishment for investigation.

(iii) Further scrutiny of the payments made by ^{the} Expenditure Section of the Accounts Office during the period 1955-56 to 1958-59 disclosed another irregular payment of compensation claim amounting to Rs. 8,977 in July, 1956 under similar circumstances. The payee ~~both~~ in this as well as the case cited in sub-paragraph (ii) above was the same. The Accounts Clerk who is said to be involved in the case is already under suspension in connection with the irregularity mentioned in sub-paragraph (i) above. The claim in this case was passed by the same Accounts Officer as had signed the fraudulent pay order referred to in sub-paragraph (ii). The case has been handed over to the Special Police Establishment for investigation; no departmental action can be taken by the Railway Administration against the staff at fault for the present as the relevant papers are with the Special Police Establishment.

Procedural instructions have been issued by the Railway Administration to guard against such irregular payments in future.





45. *Eastern Railway—Payment of salary on spurious pay-sheets.*

Investigations following the receipt of an anonymous letter showed that the Railway Administration had been defrauded to the extent of Rs. 57,797 by false muster rolls of gangmen in the office of a Permanent Way Inspector over a period of 30 months from January, 1957 to June, 1959.

A fact finding committee appointed on 2nd July, 1959 investigated the case and found that the fraud was planned and committed by the staff of the office of the Permanent Way Inspector in collaboration with the Accounts and Pay Office staff.

Some non-gazetted staff who are suspected to be concerned in the fraud have been placed under suspension and charge-sheets have been issued to them on 3rd August, 1959. The findings of the enquiry committee appointed on 26th September, 1959 are awaited.

46. *Southern Railway—Suspected misappropriation of the freight charges by station staff.*

Following an anonymous report alleging leakage of revenue, a surprise check of the accounts of a Goods shed was carried out by the Administration in March, 1959. The investigations brought to light cases of misappropriation of freight collected by the station staff to the extent of about Rs. 28,577, besides several instances of temporary misappropriation by delaying the remittance of the amounts collected. The staff concerned have been suspended and the case is under investigation departmentally as well as by the Special Police Establishment.

OTHER TOPICS OF INTEREST

47. *Fuel economy on Railways.*

The importance of fuel economy on the Railways is evident from the fact that during 1956-57 the total cost of coal consumed by Indian Railways was over Rs. 44 crores. About 15 per cent of the working expenses of Railways is on account of coal. An expert committee was appointed by the Ministry of Railways in November, 1957 to examine the causes of increased fuel consumption by the Railways and to assess the future requirements of high grade coal and the prospect of adequate supplies. In addition to suggesting certain long term measures to meet the situation likely to arise from deficiencies in future supplies, such as, development of dieselisation, electrification, and establishment of coal washeries etc.,

the committee stressed the urgent need for improving the quality of supplies and for effective control on consumption by prevention of losses and wastages. The main observations of the committee are as follows:—

- (i) The existing price structure of Bengal and Bihar coals is unrelated to their calorific value or useful heat and is therefore unrealistic.
- (ii) The coals of outlying fields being ungraded, the consumer has to pay the same price for coal varying considerably in quality.
- (iii) Supplies of coal are not upto the specified grade. Complaints made by Railways indicate that nearly 1/3rd of the supplies contain an excessive quantity of smalls and dust ranging from 25 to 35 per cent., and in some cases even more, resulting in an increase in consumption of about 1.5 per cent of the total supplies.
- (iv) Increase in annual expenditure, arising from inferior quality of coal supplied from the Bengal and Bihar coalfields amounts to about Rs. 4 crores.
- (v) There is urgent need for improving the quality of supplies by the adoption of various measures, for example tightening up the checks by setting up railway inspection organisation at loading points, progressive reduction in the number of supplying collieries from which to draw supplies, prompt imposition of penalties for supply of inferior coal.
- (vi) Another factor affecting the fuel bills of Railways is the loss due to pilferage of coal in transit as well as from sheds and locomotive tenders etc. *owing to inadequate security arrangements*, insufficient lighting in yards, absence of enclosures round the sheds and ineffective control over trip rations etc. It is difficult if not impossible, to determine the extent of this loss, but a general review showed that about 1 per cent. of the coal despatched to Railways is lost in transit through pilferage. Apart from strengthening security arrangements, other remedial measures will be to have periodical reweighment checks of coal wagons at receiving sheds, to assess coal consumed in shed services separately from that consumed in train working, to improve the calibration of locomotive tenders to enable accurate assessment of balances and to carry out periodical trials for fixing correctly trip rations for various services.

The action taken on the recommendations of the committee is as follows:—

- (i) Recommendations regarding the revision of grades and price structure have been referred to the Ministry of Steel, Mines and Fuel who control the grading and pricing of coals. That Ministry have already completed the grading and pricing of coal produced in Madhya Pradesh, Bombay and Orissa States with effect from the 18th November, 1959. In regard to grading of West Bengal and Bihar coals, the Coal Board will continue, as before, a systematic checking of grades of collieries, and revising them, where necessary, while in regard to revision of prices for Bengal and Bihar coals, the Ministry do not consider the revision of grading on the basis of heat content alone a practical step. The committee's recommendation in this regard is under further consideration.
- (ii) In regard to the Committee's estimate of the effect of inferior quality on the railway's fuel bill, the Ministry of Steel, Mines and Fuel consider that the assessment is based merely on two rapid quality surveys, and that there are other factors, as observed by the expert committee, which also affect coal consumption.

The Ministry of Railways propose to set up an Inspection organisation to cover the collieries of the National Coal Development Corporation in Bokaro and Karaunpura Coalfields, in the first instance, and to extend it as found necessary and feasible. Negotiations are also being carried out with the General Working Committee of Colliery Associations, and on their successful conclusion, the procurement of coal will be governed by contracts which will, *inter alia*, provide for suitable deductions when the quality is below the specification in the contract. The Ministry of Steel, Mines and Fuel have also agreed in principle to the selection of collieries from which the Railways are to draw their supplies subject to field-wise and grade-wise allocation by the Coal Controller.

The Ministry of Steel, Mines and Fuel do not consider a substantial reduction in the number of collieries supplying loco-coal desirable in the interests of production. It has been agreed that for the present, the results achieved by giving the Railways the right to select the collieries from which they may draw their supplies, and to procure coal under contract, may be watched. It may be stated that with the diversion of coking coal to steel plants, and inadequate provision of high-grade non-coking coals, Railways are not getting their requirements of high grade

coal. The Ministry of Steel, Mines and Fuel, who control the grade-wise production and distribution of coal, have been requested to take suitable measures including the setting up of washeries to meet the Railway's grade-wise requirements.

(iii) In regard to other recommendations requiring action by the Railways, the Railway Administrations have been directed by the Railway Board to take necessary action for their implementation.

48. *Railway Development Fund.*

As a result of the recommendation of the Railway Convention Committee 1949, the Railway Development Fund was constituted from 1st April, 1950, with an initial balance of Rs. 13.80 crores which was transferred thereto from the former Betterment Fund. The annual net revenue surplus of the Railways has been credited to the Fund as also the interest on the balances in the Fund.

Expenditure incurred for the following purposes is financed from this Fund:—

- (i) Amenities for passengers and other Railway users.
- (ii) Labour welfare works costing individually more than Rs. 25,000.
- (iii) Unremunerative works costing more than Rs. 3 lakhs each, relating to operative improvements and
- (iv) Quarters for Class III staff.

The expenditure from the Fund has generally exceeded the accretions to the Fund as shown below:—

Year	Opening Balance	Amount credited to the Fund	Expenditure	Closing Balance
(In lakhs of Rupees)				
1953-54	27.13	3.30	9.81	20.62
1954-55	20.62	9.70	12.78	17.54
1955-56	17.54	7.57	12.14	12.97
1956-57	12.95 (a)	20.64	19.84	13.75
1957-58	13.75	13.64	25.54	1.85
1958-59	7.26 (b)	19.11	28.06	(-)1.69

- (a) Difference of Rs. 2 lakhs as compared with the closing balance for the previous year is due to the revision of the *ad hoc* balances as on 15th August, 1947.
- (b) Difference of Rs. 5.41 lakhs as compared with the closing balance for the previous year is due to
- (i) transfer of the outlay of Rs. 7.60 lakhs in respect of Chunar-Robertsganj-Chirk and Deesa-Gandhidham lines from Development Fund to Capital in 1958-59, partly counter-balanced by
 - (ii) a reduction of Rs. 2.19 lakhs on account of a further revision of the *ad hoc* balances as on 15th August, 1947.

At the time the fund was constituted, the intention was that it should be fed from the revenue surplus alone and utilised for such items of work (including expansion of railway transport) as were dictated by overall economic considerations of the country and not necessarily justified on commercial considerations of the railway system. The underlying idea was that such works should not add to the interest and other liabilities of the Railways.

The Railway Convention Committee recommended, however, in 1954, that in the event of the Development Fund not being in a position to meet the programme of expenditure from its own resources, monies should be advanced from General Revenues as temporary loans on which the Railways would be required to pay interest at the average borrowing rate chargeable to commercial departments. Advantage of this facility was taken during 1958-59 when a loan of Rs. 10.98 crores was taken from General Revenues to cover the anticipated deficit in the Fund. The expenditure from the Fund in the year 1958-59 was Rs. 28.06 crores (including Rs. 19 lakhs as interest on the loan taken from General Revenues). The Fund closed with a *minus* balance of Rs. 1.69 crores on the 31st March, 1959. Withdrawals from the Fund during the year 1959-60 are expected to be Rs. 32.07 crores, which is to be found from the estimated Revenue surplus of Rs. 21.19 crores and a further loan of Rs. 10.88 crores from General Revenues.

The Ministry of Railways have explained that in the execution of the Second Five Year Plan of the magnitude of Rs. 1121.5 crores, the expenditure falling on the Development Fund was very heavy. They have added that during a period of execution of large development projects, which will not bring sufficient returns for some years, such temporary loans from

General Revenues to finance the Development Fund cannot be avoided altogether and that this temporary phase will alter with the growth of traffic in future plan periods. The Ministry, however, will bring this matter among others, to the notice of the next Convention Committee. The Ministry have also observed that the position regarding this Fund was explained at length by the Minister of Railways in the Lok Sabha and Rajya Sabha during the debates on the Railway Budget for 1960-61.

49. *Railway Depreciation Reserve Fund*:—

The Railway Depreciation Reserve Fund was started with effect from the 1st April 1924 to meet the cost of renewals and replacements of wasting assets as and when they became necessary. The replacement cost of complete units up to the extent of the 'Original Cost' of the units replaced was met from the Depreciation Reserve Fund, any expenditure in excess of such 'Original Cost' being charged to Capital.

The annual contributions to the Fund from Railway Revenues were worked out with reference to the assumed normal life of the different categories of wasting assets. This procedure was followed upto the end of March 1935. The basis of calculation was then simplified after consultation with the Public Accounts Committee and the Auditor General, and, from 1935-36 onwards, contributions to the Fund were made at 1/60th of the Capital at charge at the end of the previous financial year. The average annual contribution on this account during the 5 years period ending 31st March, 1950 was Rs. 12.56 crores. In addition, a portion of the annual revenue surplus was also credited to the Fund during 1948-49 and 1949-50; the amount thus added to the Fund amounted to Rs. 19.40 crores for these 2 years.

On the recommendations of the Railway Convention Committee, 1949, it was decided, as a measure of avoiding undue over-capitalisation, that with effect from the 1st April 1950, the full cost (including the improvement and the inflationary elements) of replacement of Capital assets should be met from the Depreciation Reserve Fund. It was also decided that the minimum contribution to the Depreciation Reserve Fund should be Rs. 15 crores per annum for the next five years.

The actual contributions to the Fund during the quinquennium beginning from 1950-51 was, however, raised to Rs. 30 crores per annum, with the approval of Parliament, to meet increased replacement costs and also to accord with the trend of withdrawals from the Fund which were expected to be of the order of Rs. 35 crores a year.

The question of contribution to the Depreciation Reserve Fund was again considered by the Railway Convention Committee, 1954. The Ministry of Railways proposed that the cost of replacement of assets created out of the Development Fund should also be charged to the Depreciation Reserve Fund and that the rate of contribution to the Depreciation Reserve Fund should be enhanced to Rs. 35 crores per annum for five years commencing from 1955-56. It was pointed out that the withdrawals from the Fund during the period 1955-56 to 1959-60 would be of the order of Rs. 50 crores per annum, and that even after the back-log in rehabilitation was cleared, the total cost of normal replacement of Railway assets at the existing level of prices would not be less than Rs. 35 crores a year. The Ministry's proposals aimed at securing at any time a minimum balance in the Fund adequate to meet at least one year's replacement expenditure as a safety margin.

The Railway Convention Committee, 1954, endorsed the proposals made by the Ministry of Railways. The Ministry of Railways, however, subsequently decided with the approval of Parliament, to increase the annual contribution to Rs. 45 crores per annum for the quinquennium commencing from 1955-56.

The expenditure from the Fund from 1950-51 onwards has exceeded the annual contributions to the Fund from Railway Revenues, except during 1950-51, 1955-56 and 1956-57 as shown below:—

Year	Capital at charge to end of the year	Depreciation Reserve Fund			Closing balance
		Opening balance	Accretions	Expenditure	
(In crores of Rupees)					
1950-51	827.04	116.68	33.59	26.62	123.65
1951-52	850.11(a)	124.10(a)	33.79	35.87	122.02
1952-53	857.38	122.83(b)	34.42	40.89	116.36
1953-54	869.30	116.84(c)	33.97	38.02	112.79
1954-55	910.58	112.79	33.72	45.82	100.69
1955-56	968.98	100.69	48.67	45.89	103.47
1956-57	1071.71	99.09(d)	47.73	43.68	103.14
1957-58	1222.44	103.13(e)	49.38	63.62	88.89
1958-59	1356.59	89.02(f)	48.40	80.72	56.70

(a) Includes Rs. 0.45 crore on account of increase in the balance of ex-Gaekwar Baroda, Cutch & Scindia State Railways, taken over during 1950-51.

- (b) Includes Rs. 0.81 crore on account of increase in the balance of ex-Scindia State Railway (Rs. 0.07 crore) and ex-Bhavnagar State Railway (Rs. 0.74 crore) on 1st April, 1950.
- (c) Includes Rs. 0.48 crore on account of increase in the balance of ex-Bikaner State Railway as on 1st April, 1950.
- (d) Excludes Rs. 2.76 crores on account of revision of *ad hoc* balances as on 15th August, 1947, and Rs. 1.62 crores on account of dropping of balance of ex-Mysore State Railway.
- (e) Excludes Rs. 0.01 crore on account of revision of *ad hoc* balances as on 15th August 1947.
- (f) Includes Rs. 0.13 crore on account of revision of *ad hoc* balances as on 15th August, 1947.

The Fund closed with a balance of Rs. 56.70 crores on the 31st March, 1959. The contributions to and the withdrawals from the Fund during the year 1959-60 are likely to be Rs. 47.01 crores and Rs. 68.83 crores respectively, and the balance on 31st March, 1960 will be about Rs. 33.97 crores. According to the Budget Estimates for 1960-61 the Fund is likely to close with a balance of Rs. 17.75 crores on the 31st March, 1961.

At the current level of contribution to and withdrawal from the Fund the original anticipation that there should normally be a balance in the Fund sufficient to meet at least one year's replacement expenditure has not materialised. The Ministry of Railways have explained that in the execution of the Second Five Year Plan of the magnitude of Rs. 1121.5 crores, the expenditure falling on the Depreciation Reserve Fund was very heavy. Against the current contribution aggregating about Rs. 225 crores for the five year period, a sum of Rs. 320 crores is estimated to be charged to this Fund. The Ministry have added that they are fully alive to the situation and that they will place the whole matter before the next Convention Committee. The Ministry have also observed that the position was explained at length by the Minister of Railways during the debates in the Lok Sabha and the Rajya Sabha in connection with the Railway Budget for 1960-61.

50. Points Outstanding from previous Reports

(i) *Non-availability of vouchers for audit.*—It was reported in para 21 of the Audit Report, Railways, 1958 that the position of the supply of vouchers and records requisitioned by Chief Auditors for conducting audit was unsatisfactory on several Railways and that there were arrears in Railway Audit Offices owing to non-completion of certain items of work in the Accounts Offices. The Public Accounts Committee suggested that

the Financial Commissioner, Railways should impress upon his accounting officers the importance of producing vouchers and records called for by Audit without any delay and desired that the progress in this matter should be reported through the subsequent Audit Reports.

Necessary instructions were issued by the Ministry of Railways in November, 1958 to the Railway Administrations for the prompt supply of vouchers and other records required by Audit.

Vouchers outstanding upto October, 1957 mentioned in the Audit Report, Railways, 1958 have since been mostly made available to Audit on all the Railways except the North Eastern and the North-East Frontier Railways where the position as on the 31st October, 1959 was as follows:—

Railways	No. of vouchers etc., not made available				No. of Stations or units for which returns are outstanding partially.			
	Pertain- ing to 1954-55	1955-56	1956-57	1957-58 upto October 1957	Pertain- ing to 1954-55	1955-56	1956-57	1957-58 upto October 1957
North East and North East Frontier Railway	24	250	159	358	7	6	6	19

The number of vouchers and returns relating to the period subsequent to October, 1957 not made available to Audit upto the end of October, 1959 was as follows:—

Railways	No. of vouchers etc., not made available		No. of stations or units for which returns are outstanding partially	
	1957-58 after October, 1957	1958-59	1957-58 after October, 1957	1958-59
Central	2	1	..	..
Eastern . . . . .	..	6	2	12
Northern	14	98	..	3
North-Eastern	163	1100	53	85
North East Frontier	310	932	71	141
Southern	4	36	..	..
South Eastern	17	58	4	14

The position of arrears in audit upto October, 1957 as a result of non-completion of certain items of work in the Accounts Offices, mentioned in the Audit Report, Railways 1958, has improved except in regard to the following items:—

Capital & Revenue Accounts of residential buildings (Annual)	cc	Northern Railway. From 1953-54	North East & North Frontier Railways From 1952-53	
Refunds sanctioned by the Chief Commercial Supdt. (No. of months)				1954-55 (2) 1955-56 (12) 1956-57 (4) 1957-58 (3)

The main items of arrears in audit during the period subsequent to October, 1957 and upto the end of October, 1959 as a result of non-completion of certain items of work in the Accounts Offices are indicated below:—

	Central Railway	Eastern Railway	Northern Railway	North Eastern Railway	North Frontier Railway	Southern Railway	South Eastern Railway
1. Capital & Revenue Accounts of residential buildings (Annual)	1957-58	1957-58	1957-58	1957-58		1957-58	..
2. Provident Fund—							
(a) Bonus Contribution (half yearly)	..	..	..		1957-58	1957-58	1956-57 1957-58
(b) Interest Credits (Yearly)	..	..	..		1957-58	1957-58	1956-57 1957-58
(c) Annual reconciliation of Provident Fund ledgers with general books	..	1957-58	..	1956-57 1957-58	1956-57 1957-58	1956-57 1957-58	1955-56 1956-57 1957-58
3. Review and reconciliation of suspense Accounts with general books (Yearly)	..	1957-58	..	..	..	1957-58	..

(ii) *Delay in the preparation of Completion Reports.*—Delays in the preparation of Completion Reports of works were referred to in paragraph 20 of the Audit Report (Railways), 1958. The Public Accounts Committee urged the Railway Board to pursue the matter vigorously and to expedite the clearance of the back-log of arrears as early as possible (vide paragraph 108 of their Fifteenth Report, 1958-59, Vol. I). They also suggested that the reasons for the inordinate delay in the preparation of these

Reports should be assessed in with a view to taking immediate steps to remove the procedural or other obstacles. They wanted to be apprised of the progress made by the different Railways in this regard through subsequent Audit Reports.

The Ministry of Railways issued instructions in June, 1958, to the Railway Administrations for the preparation of Completion Reports as quickly as possible.

Information regarding the number of Completion Reports which were still outstanding on each Railway on the 31st March, 1959 out of those reported in Annexure I to the Audit Report, Railways, 1958, as well as information regarding the number of Completion Reports which have since fallen overdue by more than one year on the 31st March, 1959, is indicated in the Annexure I to this Report. On all the Railways other than the Central and the South Eastern Railways, there has been substantial improvement in regard to the preparation of Completion Reports which were reported as overdue upto the 31st March, 1956.

OTHER CASES OF LOSSES

51. The following is a summary of the cases of losses, mentioned below the Appropriation Accounts of the grants concerned.

(Figures in units)

Page of the App. A/cs. for 58-59 (Pt. II) Detailed App/ A/cs.	Number and name of the grant	Total number of losses or irregularities	Total amount of losses etc. under each grant	Brief subject
1	2	3	4	5
			Rs.	
15-17	4—Revenue—Working Expenses—Administration.	101	1,01,478	Losses of cash and stores due to thefts, fire and in transit; losses due to frauds, misappropriations and embezzlement; and write off of irrecoverable pay and allowances etc.
21-24	5—Revenue—Working Expenses—Repairs and Maintenance.	46,404	40,70,933	Losses of cash and of stores due to thefts and pilferages; losses due to accidents, fires, floods and storms; waiver of irrecoverable amount due from a firm, and charges for a bus run for children of Railway employees; writes off of charged off stores; irrecoverable freight charges and royalty charges from a Contractor; overpayment of wages and overtime allowances, and miscellaneous losses such as leakages, breakages, damages in transit.
27	6—Revenue—Working Expenses—Operating Staff.	16	1,360	Writes off of irrecoverable amounts of pay and allowances and advances; losses of stores due to thefts etc.
37-41A	8—Revenue—Working Expenses—Operation other than staff and fuel.	2,490	2,87,035	Losses of stores due to thefts, breakages, leakages and damages in transit; losses due to accidents, fires, floods and storms; losses of station earnings due to thefts and fraudulent use of station cash orders and writes off of irrecoverable amounts due from staff.

1	2	3	4	5
46-47A	9—Revenue—Working Expenses—Miscellaneous Expenses.	319	4,50,407	Losses due to payment of compensation claims arising out of major accidents; losses due to frauds in grainshops, writes off of irrecoverable advances granted to refugee staff; overpayments of pay and allowances to staff; losses of station earnings and of stores owing to thefts and in transit etc. and loss owing to the rejection of claim for refund of town duty charges.
49	10—Revenue—Working Expenses—Labour Welfare.	138	6,079	Loss of stores owing to thefts, breakages and write off of irrecoverable hospital charges.
54	13—Open Line Works—Revenue—Labour Welfare.	1	2,266	Write off of infructuous expenditure on construction of foundation and basement of a rest house.
55	14—Open Line Works—Revenue—Other than Labour Welfare.	1	175	Losses due to floods.
59	15—Construction of New Lines.	121	55,848	Losses due to fire, floods rain and gale etc.; losses of stores owing to thefts and in transit, shortages noticed on stock verification etc. and write off of overpayment of wages to casual labour.
68-70	16—Open Line Works—Additions.	137	2,37,460	Losses due to accidents, fire, floods, and cyclones etc., losses of stores owing to theft, damages in transit; writes off of irrecoverable amounts due from staff and a contractor and of cost of un-serviceable stores; waiver of over-payment of daily and compensatory allowances to certain trainees on deputation abroad, of travelling and daily allowances to a Works Manager, and of the recovery of cost of training given to an apprentice who joined some other department.

1	2	3	4	5
75	17—Open Line Works— Replacements.	12,216	4,28,511	Losses due to accidents, fire, floods and storms and to premature condemna- tion of assets, losses of stores owing to thefts and damages in transit.*
78	18—Open Line Works— Development Fund.	143	17,781	Losses due to accidents, fire, floods and storms, and losses of stores owing to thefts and damages in transit.
TOTAL		62,087	56,59,333	

*Excludes loss of Rs. 1,02,589 relating to Central Railway which appeared in para 17 of Railway Audit Report, 1957.

New Delhi
The 2nd April, 1960

G. SWAMINATHAN
Director of Railway Audit.

Countersigned

New Delhi
The 2nd April 1960

A. K. CHANDA
Comptroller and Auditor General of India.

ANNEXURE I

[Cf. Paragraph 50(ii)]

STATEMENT SHOWING THE POSITION ON 31-3-1959 OF OUTSTANDING COMPLETION REPORTS OVERDUE BY ONE YEAR OR MORE ON 31-3-1958.

Years in which Completion Reports were due	Central Railway			Eastern Railway			Northern Railway			Southern Railway			South Eastern Railway			Western Railway			North Eastern Railway			North East Frontier Railway			
	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	No. of Completion Reports	Estimated cost	Actual Expenditure	
I	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	
<i>I. Position as on 31-3-1959 in regard to Completion Reports which fell due before 31-3-1956.</i>																									
1941-42 .	1	0.68	0.53																						
1942-43 .	5	7.59	6.80																						
1943-44 .	3	73.21	73.37																						
1944-45 .	15	38.44	28.17																						
1945-46 .	26	202.02	214.76	1	0.14	0.06																			
1946-47 .	21	573.91	570.20																						
1947-48 .	59	81.94	72.16																						
1948-49 .	56	22.16	29.56	2	118.65	93.70				1	0.18	0.30	3	3.84	2.90										
1949-50 .	115	26.90	24.04	3	301.06	150.37							8	16.03	14.01	2	2.79	2.83							
1950-51 .	94	197.75	186.93	2	3.52	(—)0.19							15	59.14	50.50	2	3.07	2.80	4	1.07	0.82	39	33.84	27.14	
1951-52 .	84	263.91	259.13	2	4.94	3.84	1	103.19	27.46	13	35.44	28.17	20	45.38	50.10	5	0.56	0.95	7	10.39	8.37	34	20.04	15.00	
1952-53 .	109	222.44	208.43	5	0.32	0.23	1	0.99	0.73	14	72.57	63.20	21	22.78	21.00	7	66.25	65.54	8	15.58	15.09	43	37.08	19.54	
1953-54 .	182	620.95	578.11	11	9.48	8.05	2	0.33	0.24	17	46.73	38.50	39	62.41	51.44				33	8.95	3.32	32	25.90	17.84	
1954-55 .	266	545.51	522.43	42	80.31	70.97	7	4.11	1.51	63	172.59	122.88	71	58.87	42.13	3	1.76	1.83	54	33.59	9.63	75	94.99	58.73	
1955-56 .	386	335.28	280.40	62	617.55	450.58	12	400.53	369.01	107	270.31	177.26	112	151.09	111.85	16	10.99	8.61	128	58.21	28.09	75	40.58	37.40	
TOTAL I .	1422	3213.69	3055.02	130	1135.97	777.61	23	509.15	398.95	215	597.82	430.31	289	419.54	343.93	35	85.42	82.56	234	127.79	65.32	298	252.43	175.65	
<i>II. Position as on 31-3-1959 in regard to Completion Reports which fell due after 1955-56 and were overdue by one year or more on 31-3-1959.</i>																									
1956-57 .	480	348.01	289.93	117	77.34	63.72	55	100.88	66.05	265	137.68	136.89	109	101.75	109.63	38	37.12	20.03	242	111.83	54.82	44	37.72	29.23	
1957-58 .	393	237.71	210.45	128	125.51	93.68	112	483.99	93.01	396	198.61	149.56	185	104.80	83.11	45	40.07	33.73	508	207.16	179.82	79	61.85	56.30	
TOTAL II	873	585.72	500.38	245	202.85	157.40	167	584.87	159.06	661	336.29	286.45	294	206.55	192.74	83	77.19	53.76	750	318.99	234.64	123	99.57	85.53	
GRAND TOTAL I and II .	2295	3799.41	3555.40	375	1338.82	935.01	190	1094.02	558.03	876	934.11	716.76	583	626.09	536.67	118	162.61	136.32	984	446.78	299.96	421	352.00	261.18	

[* Revised figures as compared with those quoted in Annexure I to the Audit Report (Railways) 1958]

