





rechecked  
4/5/58

CENTRAL GOVERNMENT

---

AUDIT REPORT  
RAILWAYS  
1953

---



सत्यमेव जयते

PRINTED IN INDIA BY THE MANAGER  
GOVERNMENT OF INDIA PRESS SIMLA 1954





## TABLE OF CONTENTS

	Paragraph Numbers	Page Numbers
Prefatory Remarks .. .. .	..	(i)
<b>CHAPTER I—Comments on the Appropriation Accounts and connected documents and the Railway Board's Review thereof—</b>		
Introductory .. .. .	1—2	1
General Review of the Results of Audit—		
Review of the Demands placed before the Parliament ..	3	2
Supplementary grants and appropriations .. ..	4	2
General results of appropriation audit .. .. .	5	3
Control over expenditure .. .. .	6	4
Comments on individual grants—		
Instances of incorrect provision, or omission to make provision .. .. .	7	7
Instances of injudicious surrenders .. .. .	8	8
Instance of incorrect adjustment to utilise funds .. ..	9	9
Uncovered excesses over the final grant .. .. .	10	9
Avoidable lapse of funds at the end of the year .. ..	11	13
Grant No. 9—Revenue—Miscellaneous Expenses .. ..	12	18
Grant No. 16—Open Line Works—Additions .. .. .	13	18
Grant No. 17—Open Line Works—Replacements .. .. .	13	18
<b>CHAPTER II—Losses, Nugatory Expenditure, Financial Irregularities, and other Topics of Interest—</b>		
(i) Rolling Stock & Ferry Service .. .. .	14—18	21
(ii) Stores .. .. .	19—20	28
(iii) Grainshops & Canteens .. .. .	21—22	30
(iv) Pay and Allowances .. .. .	23—25	32
(v) Contracts .. .. .	26—28	34
(vi) Earnings .. .. .	29—30	43
(vii) Revenue Expenditure .. .. .	31—33	45
(viii) Summary of Losses for 1951-52 .. .. .	34	48
(ix) Other Topics of Interest .. .. .	35—40	51



## PREFATORY REMARKS

The Audit Report on the accounts of the Railways in India, including the Appropriation Accounts, is prepared in accordance with paragraph 13(1) (i) and (iii) of the Government of India (Audit and Accounts) Order, 1936, as adapted under the India (Provisional Constitution) Order, 1947, read with Article 149 of the Constitution of India and Article 151(1) of the Constitution of India. It includes also such comments as are considered to be necessary on the accounts of receipts and of stores and stock audited with reference to paragraph 13(2) of the Order in Council. The Audit Report is submitted by the Comptroller and Auditor General of India to the President to be laid before each House of Parliament.

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

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

4. The Block Accounts (including Capital Statements comprising the Loan Accounts), Balance Sheets and Profit and Loss Accounts of Railways appended to the Appropriation Accounts of Railways in India have been certified by the Director of Railway Audit and the Balance Sheets of individual railways and Railway Collieries, have been certified by the Audit Officers of the railways concerned and the Controller of Coal Accounts respectively.

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

6. Comments have been confined, as far as possible, to audit points of outstanding interest or importance. Cases of irregularities, etc., included in the Audit Report relate ordinarily to the year 1951-52. The Report includes also cases relating to previous years which could not be dealt with in the earlier reports, as well as some matters relating to a later year than 1951-52. Every effort has been made to obtain an agreement on the statements of facts from the Ministry of Railways to whom draft paragraphs are sent for the purpose.





## CHAPTER I

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

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

#### INTRODUCTORY

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

2. The budget for the year 1951-52 was the second of a complete year under the provisions of the new Constitution of India. In the budget estimates, the gross traffic receipts were placed at Rs. 279.50 crores, while the working expenses, including appropriation to Depreciation Reserve Fund, and payment to worked lines, were estimated at Rs. 216.97 crores. As against this, the gross traffic receipts came to Rs. 290.82 crores and the working expenses to Rs. 224.35 crores. After taking into account the dividend payable to General Revenues and net miscellaneous expenditure, there was a surplus of Rs. 28.34 crores, as against Rs. 21.85 crores anticipated in the budget estimates and Rs. 22.06 crores in the Revised Estimates. Out of the anticipated surplus of Rs. 21.85 crores, at the time of original budget, it was proposed to appropriate Rs. 10.00 crores to the Development Fund and the balance of Rs. 11.85 crores to the Railway Revenue Reserve Fund. This decision was, however, changed in the Revised Estimates, wherein it was provided that out of the then anticipated surplus of Rs. 22.06 crores, Rs. 10.00 crores should be credited to the Development Fund, as in the original budget, and the balance of Rs. 12.06 crores to the Railway Revenue Reserve Fund. As the year actually closed with a surplus of Rs. 28.34 crores, the Development Fund was credited with Rs. 10.00 crores and the balance of Rs. 18.34 crores was credited to the Railway Revenue Reserve Fund. It will be seen that both receipts

and expenditure exceeded the anticipations. The rise in the traffic receipts was mainly under 'Goods' to the extent of Rs. 13.07 crores and under 'Other Coaching' earnings amounting to Rs. 4.17 crores. This was partly offset by a decrease under 'Passenger' earnings which was of the order of Rs. 5.74 crores. The increase under 'Goods' earnings was chiefly due to an increase in the traffic as a result of improvement in the agricultural and industrial production of the country and continuance of India's overseas trade at a high level. The decrease in 'Passenger' earnings was mainly due to a general decline in the number of passengers in all the classes, except the air-conditioned. The increase in working expenses was due largely to more repairs to rolling stock, machinery, electrical equipment and structural works and increase in the prices of locomotive spares, components and miscellaneous stores, additional payments of compensation for goods lost or damaged, increase in the contribution to Provident Fund in respect of temporary staff, since confirmed, and more expenditure on gratuities and special contribution to Provident Fund.

#### GENERAL REVIEW OF THE RESULTS OF AUDIT

3. *Review of the total demand placed before the Parliament.*— Twenty-two demands for grants aggregating 3,46,28,35 were presented to the Parliament, which passed them without any cut. No appropriation was made for any charged expenditure on the Railways.

4. *Supplementary grants and appropriations during the year.*— During the year, 16 supplementary demands for grants aggregating 16,33,46 were placed before the Parliament, which were also passed without any cut. The number and magnitude of the supplementary grants and their proportion to the original grants during the year, as compared with the previous two years, were as under :—

Year	No. of original demands	No. of supplementary demands	Amount of original grants	Amount of supplementary grants	Percentage of supplementary to original grants
1	2	3	4	5	6
1949-50 .. ..	20	7	2,48,06,24	24,16,52	9.74
1950-51 .. ..	22	26	2,78,64,64	46,42,48	16.66
1951-52 .. ..	22	16	3,46,28,35	16,33,46	4.72

No supplementary charged appropriation was sanctioned during the year.



## GENERAL RESULTS OF APPROPRIATION AUDIT

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

Particulars 1	(Figures in Units)		
	Charged 2	Voted 3	Total 4
1. Original grants and appropriation—			
(a) Voted by the Parliament ..	..	3,46,28,35,000	3,46,28,35,000
(b) Appropriation to meet charged expenditure of Railways.	..	..	..
2. Supplementary grants and appropriations—			
(a) Supplementary grants ..	..	16,33,46,000	16,33,46,000
(b) Supplementary appropriations to meet charged expenditure of Railways.	..	..	..
3. Net aggregate grant or appropriation.	..	3,62,61,81,000	3,62,61,81,000
4. Aggregate disbursements ..	52	3,57,85,34,302	3,57,85,34,354
5. Less (—) more (+) than granted	+52	—4,76,46,698	—4,76,46,646
6. Percentage of 5 to 3 .. ..	..	—1.31	—1.31

(ii) *Savings on voted grants.*—Savings occurred in fifteen out of twenty-two voted grants. A list of important cases is given below :—

(Figures in Units)

No. and name of the grant 1	Original grant 2	Supplementary grant 3	Final grant 4	Expenditure 5	Saving 6	Percentage of saving 7
3—Revenue—Miscellaneous Expenditure.	77,84,000	..	77,84,000	39,73,575	38,10,425	48.95
4—Revenue—Working Expenses—Administration.	24,23,71,000	71,57,000	24,95,28,000	24,62,16,472	33,11,528	1.33
6—Revenue—Working Expenses—Operating Staff.	38,36,16,000	1,45,56,000	39,81,72,000	38,93,39,318	88,32,682	2.22
7—Revenue—Working Expenses—Operation (Fuel).	30,55,20,000	1,29,88,000	31,85,08,000	30,99,94,954	85,13,046	2.67

(Figures in Units)

1	2	3	4	5	6	7
9A—Revenue—Working Expenses—Labour Welfare.	3,39,95,000	31,89,000	3,71,84,000	3,60,12,703	11,71,297	3·15
12A—Open Line Works—(Revenue)—Labour Welfare.	2,28,04,000	..	2,28,04,000	1,41,22,789	86,81,211	38·07
12B—Open Line Works—(Revenue)—Other than Labour Welfare.	3,83,31,000	..	3,83,31,000	2,56,94,744	1,26,36,256	32·97
14A—Withdrawal from Revenue Reserve Fund.	..	..	..	—18,16,807	18,16,807	100·00
15—Construction of New Lines	2,61,33,000	..	2,61,33,000	1,88,03,732	73,29,268	28·05
17—Open Line Works—Replacements.	40,24,93,000	2,92,88,000	43,17,81,000	36,70,04,684	6,47,76,316	15·00
18—Open Line Works—Development Fund.	8,28,68,000	..	8,28,68,000	7,70,38,174	58,29,826	7·04
19—Capital outlay on Vizagapatam Port.	16,30,000	..	16,30,000	9,05,725	7,24,275	44·43

(iii) *Excesses over voted grants.*—Six cases of excesses over voted grants, as against 4 cases in the previous year, are detailed in paragraph 54 of the Railway Board's Review. The more important ones are given below :—

(Figures in Units)

No. and name of the grant	Original grant	Supplementary grant	Final grant	Expenditure	Excess	Percentage of excess
1	2	3	4	5	6	7
10—Revenue—Payments to Indian States and Companies.	29,98,000	..	29,98,000	39,37,703	9,39,703	31·34
14—Revenue—Appropriation to Revenue Reserve Fund.	11,84,83,000	..	11,84,83,000	18,34,06,795	6,49,23,795	54·80
16—Open Line Works—Additions.	15,18,76,000	4,21,25,000	19,40,01,000	20,50,17,104	1,10,16,104	5·68

There was an excess of Rs. 52 under charged expenditure under Grant No. 3—Revenue—Miscellaneous Expenditure.

### CONTROL OVER EXPENDITURE

6. (a) *General Remarks.*—The figures below have been compiled in the form in which these are usually presented to the Public Accounts Committee. The accounts of the year show a net excess (over the total grant) of about Rs. 2,18 lakhs or 0.75 per cent. under Revenue



expenditure. Under Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund there was a saving of about Rs. 6,94 lakhs or 9.42 per cent. These compare with the results achieved in the preceding year as under :—

Year	Total grant and appropriation	(In lakhs of Rupees)	
		Saving (—) or Excess (+)	Percentage of Column 3 to 2
1	2	3	4
<i>Expenditure met from Revenue.</i>			
1950-51 .. .. .	2,63,74	—44	0.17
1951-52 .. .. .	2,88,98	+2,18	0.75
<i>Expenditure met from Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund.</i>			
1950-51 .. .. .	61,33	—3,96	6.46
1951-52 .. .. .	73,64	—6,94	9.42

(b) *Excessive supplementary grants or appropriations.*—The following are the more important cases where supplementary grants proved excessive :—

No. and name of the grant	Supplementary grant	Final saving
1	2	3
4—Revenue—Working Expenses—Administration ..	71,57	33,12
6—Revenue—Working Expenses—Operating Staff ..	1,45,56	88,33
7—Revenue—Working Expenses—Operation (Fuel) ..	1,29,88	85,13
9A—Revenue—Working Expenses—Labour Welfare ..	31,89	11,71
17—Open Line Works—Replacements .. .. .	2,92,88	6,47,76

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

No. and name of the grant 1	Amount surrendered 2	Final saving 3
3—Revenue—Miscellaneous Expenditure .. ..	36,16	38,10
4—Revenue—Working Expenses—Administration .. ..	12,87	33,12
6—Revenue—Working Expenses—Operating Staff .. ..	39,35	88,33
7—Revenue—Working Expenses—Operation (Fuel) .. ..	59,07	85,13
12A—Open Line Works—(Revenue)—Labour Welfare .. ..	66,85	86,81
12B—Open Line Works—(Revenue)—Other than Labour Welfare.	48,44	1,26,36
15—Construction of New Lines .. ..	48,88	73,30
17—Open Line Works—Replacements .. ..	2,97,48	6,47,76
18—Open Line Works—Development Fund .. ..	59	58,30
19—Capital outlay on Vizagapatam Port .. ..	6,12	7,24

(ii) In the following cases, the amount surrendered at the time of final grant was injudicious :—

No. and name of the grant 1	Amount surrendered 2	Final excess or saving 3
5—Revenue—Working Expenses—Repairs & Maintenance	60,15	90 (Saving)
9—Revenue—Working Expenses—Miscellaneous Expenses	36,77	11,93 (Excess)
16—Open Line Works—Additions .. ..	3,65,53	1,10,16 (Excess)
20—Revenue—Dividend payable to General Revenues .. ..	2,99	3,05 (Excess)

## Chapter II

(iii) The following are the more important instances on individual railways, where provision of funds by re-appropriation proved to be unnecessary :—

Railway 1	No. and name of the grant 2	Amount obtained 3	Saving on final grant 4
Assam ..	7—Revenue—Working Expenses— Operation (Fuel).	1,60	5,61
East Indian ..	9A—Revenue—Working Expenses— Labour Welfare.	44	2,56
Eastern Punjab ..	Do. ..	3,41	4,45
East Indian ..	15—Construction of New Lines ..	65	3,09
Jodhpur ..	17—Open Line Works—Replacements ..	3,49	5,45
Assam ..	18—Open Line Works—Development Fund.	3,40	8,19
Oudh Tirhut ..	Do. ..	1,71	2,39

## COMMENTS ON INDIVIDUAL GRANTS

The following are the instances of defective control under various grants :—

## 7. Instances of incorrect provision or omission to make provision.

Serial No. 1	No. and name of the grant 2	Railway 3	Head affected 4	Amount 5
1	7—Revenue—Working Expenses—Operation (Fuel).	Western ..	Cost of Coal ..	Rs. 2·51 lakhs (Omission)

The excess occurred due to adjustment in March 1952, of debits on account of certain pending bills, contrary to expectations. Since the bills had been received in the Accounts Office between January 1952 and 1st March 1952, necessary provision for the same could have been made in the final grant towards the close of the year.

2	8—Revenue—Working Expenses—Operation other than Staff and Fuel.	Western ..	Stationery, forms and tickets.	Rs. 4·12 lakhs (Incorrect provision)
---	---	------------	--------------------------------	---

The saving occurred due to adjustment of lesser debits towards the close of the year, and could have been avoided if the provision at the time of final estimates had been made in consultation with the Stores Department with reference to the debits expected to be raised and not on the actuals for the previous year as done in this case.



7-8]

[Chapter I

1	2	3	4	5
3	16—Open Line Works—Additions.	Central ..	Stores Suspense	Rs. 6.26 lakhs (Omission)

The excess was due to the receipt of manufactured stores from Engineering Workshops and the Printing Press of ex-Nizam's State Railway, for which no provision was made in the past according to the ex-State Railway procedure. As these stores had been received in the Stores Department at the time of framing the final estimates, necessary provision should have been made for their cost in the final grant.

4	16—Open Line Works—Additions.	East Indian ..	Stores Suspense	Rs. 6.80 lakhs (Omission)
---	-------------------------------	----------------	-----------------	------------------------------

The excess has been explained as due to the payment at the end of the year of certain bills of a State Government for supply of food-grains to the Railway, during 1947-48. No provision for these bills was made in the final estimates on the ground that they included procurement charges which were not acceptable to the Railway. As, however, the State Government agreed in January 1952 to exclude these charges from their bills, necessary provision could have been made in the final estimates for the agreed liability.

#### 8. Instances of injudicious surrenders.

Serial No. 1	No. and name of the grant 2	Railway 3	Head affected 4	Amount 5
1	5—Revenue—Working Expenses—Repairs & Maintenance.	Bengal Nagpur	Maintenance of Way & Works.	Rs. 7.93 lakhs

A sum of Rs. 8.44 lakhs was surrendered in the final estimates, but the actual expenditure was in excess of the final grant by Rs. 7.93 lakhs. The excess was due mainly to more work having been found necessary in the course of repairs to service and residential buildings, etc. It has been explained that this could not be estimated accurately before the works had been completed and billed for. This large excess, or at least a major portion of it, could have been avoided, if the extent of repairs had been assessed more accurately at the time of final estimates.

2	15—Construction of New Lines	Assam Rail Link Project.		Rs. 3.57 lakhs
---	------------------------------	--------------------------	--	----------------

The saving is explained as due to credit received for stores supplied to Assam Railway for which the provision had been surrendered in the final estimates as the Assam Railway objected to the prices charged for. Provision to the extent of prices acceptable to the Assam Railway should not have been surrendered. Lack of proper liaison between the two Railway Administrations is also indicated.

## 9. Instance of incorrect adjustment to utilise funds.

Serial No. 1	No. and name of the grant 2	Railway 3	Head affected 4	Amount 5
	18—Open Line Works—Development Fund.	Western ..	New Lines ..	Rs. 1.75 lakhs

Against the final grant of Rs. 2.45 lakhs for the construction of the Kaira-Nadiad-Pihij Railway, the actual expenditure at the end of the year was Rs. 2.50 lakhs, which included an amount of Rs. 1.75 lakhs relating to the cost of land taken over on 10th March 1952 by the Railway for the above construction. Though the usual procedure is to adjust the charges for the land acquired on the basis of the actual debits raised by the State Government and though the District Collector had pointed out, in February 1952, that it was impossible to declare the award for the land before the close of the financial year, the provision for the cost of the land was not surrendered in the final grant. Instead, the amount was credited to the State Government account as a Revenue Deposit and adjusted against the construction. The finalisation of land acquisition proceedings did not materialise even upto the end of March 1953, when the amount was credited back to the Railway by the State Government.

## 10. Uncovered excesses over the final grant.

(i) Instance, indicating lack of co-ordination amongst the various Departments of the Railway.

Serial No. 1	No. and name of the grant 2	Railway 3	Head affected 4	Amount 5
	16—Open Line Works—Additions.	Bengal Nagpur	Stores Suspense	Rs. 24 lakhs

The excess was mainly due to more receipts of released materials and other miscellaneous stores than was anticipated. This could have been avoided by proper co-ordination between the Stores Department and the Departments returning the material.

(ii) Excesses which could have been avoided by timely contact with suppliers or Departments.

1	9—Revenue—Working Expenses—Miscellaneous Expenses.	Bengal Nagpur	Other Expenses	* Rs. 8.33 lakhs
---	--	---------------	----------------	------------------



1	2	3	4	5
---	---	---	---	---

The provision of 4.95 lakhs in the original estimates was increased to Rs. 17 lakhs in the final estimates, but this proved inadequate to the extent of Rs. 8.33 lakhs (Inspection charges Rs. 2.84 lakhs and freight charges Rs. 5.49 lakhs). Administration have stated that more accurate estimating of Inspection charges, passed on by the Railway Board, in respect of materials purchased through the India Stores Department, London, is not possible due to the absence of suitable data, that it is difficult to determine in advance the amount of freight charges payable for those materials in the absence of particulars regarding the port of landing, etc., and that the whole policy of purchases through the Supply and Disposals Department together with the aspects of correct estimating are under examination by Government.

2	9—Revenue—Working Expenses—Miscellaneous Expenses.	Oudh Tirhut ..	Other Expenses	Rs. 3.25 lakhs
---	--	----------------	----------------	----------------

The excess occurred due to adjustment of heavier debits on account of freight, insurance and incidental charges, etc., owing to receipt of more stores.

3	16—Open Line Works—Additions.	Bengal Nagpur	Stores Suspense	Rs. 38 lakhs
---	-------------------------------	---------------	-----------------	--------------

The excess was due to adjustment of a debit raised by a Civil Accounting Officer. Administration have stated that final provision was not made in consultation with the Supply Department, as such consultation is not fruitful, and that the provision in such cases is usually made according to the delivery position of machines and estimated cost.

4	16—Open Line Works—Additions.	East Indian ..	Stores Suspense	Rs. 116.37 lakhs
---	-------------------------------	----------------	-----------------	------------------

Against the final provision of *minus* Rs. 75.98 lakhs, there was an excess of Rs. 185.31 lakhs at the end of the year, out of which an excess of Rs. 116.37 lakhs occurred largely on account of the receipt of abnormally heavy debits from a Civil Accounting Officer in the accounts for March 1952, without previous intimation. It is explained that arrangements have since been made by the Railway Board with the Civil Accounting Officer for the submission of timely intimation regarding the debits likely to be raised in the accounts for March.

5	16—Open Line Works—Additions.	Oudh Tirhut ..	(i) Machinery (ii) Stores Suspense.	Rs 2.73 lakhs Rs. 5.47 lakhs
---	-------------------------------	----------------	--	---------------------------------

## Chapter I]

[10

1	2	3	4	5
---	---	---	---	---

These excesses have been attributed to the unexpected receipt of certain machines and materials respectively, supplies of which were arranged by the Director General, Supplies and Disposals, Delhi, against old indents. Administration explain that provision was made in accordance with anticipations.

(iii) Instances in which excesses over the final grant could have been avoided completely, or to a large extent, by a careful review of the position at the time of final estimates, or by the 20th March 1952.

1	9—Revenue—Working Expenses—Miscellaneous Expenses.	Southern	..	Other expenses	Rs. 6·03 lakhs
---	--	----------	----	----------------	----------------

The excess occurred due to the booking of heavy amounts of freight, etc., on stores in the accounts for March 1952. Administration explain that due to unsettled conditions following the integration of Railways, correct provision based on the supplies ordered and expected to be received, could not be made. The integration having taken place in April 1951, provision based on the supplies ordered and expected could have been made in the final estimates.

2	16—Open Line Works—Additions.	Oudh Tirhut	..	Stores Suspense	Rs. 5·00 lakhs
---	-------------------------------	-------------	----	-----------------	----------------

The excess was due to less issue of materials under this head, consequent on curtailment of works, than was anticipated in the final estimates.

3	16—Open Line Works—Additions.	Jodhpur	..	Stores Suspense	Rs. 5·31 lakhs
---	-------------------------------	---------	----	-----------------	----------------

The excess was explained as due to (i) abnormal receipts of stores in March 1952 (Rs. 2.75 lakhs) and (ii) small increase in issue of stores, necessitating more purchases than anticipated under various regular items (Rs. 2.56 lakhs).

4	16—Open Line Works—Additions.	Jodhpur	..	Stores Suspense	Rs. 6·93 lakhs
---	-------------------------------	---------	----	-----------------	----------------

The excess was explained as due to heavy clearance of outstanding bills by affording anticipatory credits, the decision in regard to which is said to have been taken after preparing the final estimates. Although it was decided by the Administration as early as on 27th February 1952, to make lump-sum payment before the close of the year for the stores already received, the fact was not taken into account in making provision in the final estimates.

5	17—Open Line Works—Replacements.	Southern	..	Track Renewals	Rs. 5·08 lakhs
---	----------------------------------	----------	----	----------------	----------------



1	2	3	4	5
---	---	---	---	---

The excess occurred due to late receipt of debits for materials supplied during the year, which the Administration agree should have been provided for in the final estimates.

6	17—Open Line Works—Replacements.	Southern	..	Track Renewals	Rs. 12·74 lakhs
---	----------------------------------	----------	----	----------------	-----------------

The excess occurred due to expenditure on rail and sleeper renewals, which were carried out more extensively in the interest of safety of track when the position with regard to availability of sleepers improved considerably after the 1st week of March 1952. The Administration explain that it was not possible to ask for additional provision on this account even on 20th March 1952. Audit, however, considers that a major portion of the material, to permit of its being laid on track by 31st March, would have been received prior to 20th March and it should have been possible for the Railway Administration to estimate the expenditure more accurately.

(iv) Other cases.

1	16—Open Line Works—Additions.	Bengal Nagpur	..	Stores Suspense	Rs. 39 lakhs
---	-------------------------------	---------------	----	-----------------	--------------

The excess is explained as due to more clearance under "Purchases", as a result of a special drive for clearance of debits under "Reserve Bank Suspense". Although this drive was started long before the preparation of final estimates, provision for the clearance of the amounts from Suspense was considerably under-estimated.

2	(i) 16—Open Line Works—Additions.	Central	..	Manufacture Suspense.	Rs. 17·60 lakhs
	(ii) 17—Open Line Works—Replacements.	Central	..	Track Renewals	Rs. 12·02 lakhs

The excess in both these cases was due to receipt of more debits for customs and clearing charges on imported stores than was anticipated at the time of final estimates. The procedure for budgeting of expenditure on account of customs duty has recently been tightened up by the Railway Board.

3	16—Open Line Works—Additions.	East Indian	..	Manufacture Suspense.	Rs. 28·50 lakhs
---	-------------------------------	-------------	----	-----------------------	-----------------

The excess was due to a failure to distribute in time Rs. 28.50 lakhs to the other railways concerned.



11. *Avoidable lapse of funds at the end of the year.*—(i) Instances showing lack of co-ordination amongst the various Departments of the Railway or between different Railways.

Serial No.	No. and name of the grant	Railway	Head affected	Extent of amount un-surrendered
1	2	3	4	5
1	5—Revenue—Working Expenses—Repairs & Maintenance.	Eastern Punjab	Maintenance of Carriage and Wagon stock.	Rs. 2·13 lakhs

The saving was due to non-adjustment of charges on account of periodical overhauls done for this Railway in the workshops of the East Indian, Bengal Nagpur, Southern and Great Indian Peninsula Railways, although most of the stock had been received duly repaired during the year.

2	8—Revenue—Working Expenses—Operation other than Staff and Fuel.	Assam	..   Payments to other Railways.	Rs. 1·37 lakhs
---	---	-------	----------------------------------	----------------

The saving was due to non-receipt of debits, following intimations by other Railways, in respect of payments to Budget and non-Budget lines. Administration explain that due to the regrouping of Railways and the changes arising therefrom, no action was taken to call for the debits before the close of the accounts for the year.

3	12 A—Open Line Works—(Revenue)—Labour Welfare.	Bengal Nagpur	Amenities for Staff.	Rs. 4·54 lakhs
---	--	---------------	----------------------	----------------

Against the final provision of Rs. 9·87 lakhs, there was a lapse of funds to the extent of Rs. 4·54 lakhs or 46 per cent. This is explained as due to slower progress of works spread over the various Districts of the Railway, owing to non-receipt or late receipt of materials.

4	15—Construction of New Lines.	Western	..   Sanganer Town Deoli Extension.	Rs. 7·82 lakhs
---	-------------------------------	---------	-------------------------------------	----------------

The saving was due mainly to the transfer of new Permanent Way materials to urgent track renewal works, non-receipt of debits for materials received and less expenditure on Stores. The saving was not taken into account due to lack of proper liaison between the construction staff and the Regional Office and also due to the inexperience of staff of the ex-Jaipur State Railway.

5	17—Open Line Works—Replacements.	Oudh Tirhut	..   Boilers	..   Rs. 3·89 lakhs
---	----------------------------------	-------------	--------------	---------------------

1	2	3	4	5
---	---	---	---	---

The saving was due to non-receipt of full debits from the Chittaranjan Locomotive Works.

6	17—Open Line Works— Replacements.	Oudh Tirhut ..	Carriages ..	Rs. 5·16 lakhs
---	--------------------------------------	----------------	--------------	----------------

The saving was due to non-receipt of full debits from the Jodhpur Railway.

7	17—Open Line Works— Replacements.	Oudh Tirhut ..	Wagons ..	Rs. 43·31 lakhs
---	--------------------------------------	----------------	-----------	-----------------

The saving has been explained as due to non-receipt of full debits from the East Indian Railway (Rs. 35.29 lakhs) and less debits from the Jodhpur and Assam Railways, the Defence Department and a private firm (Rs. 8.02 lakhs).

8	17—Open Line Works— Replacements.	Oudh Tirhut ..	Bridges ..	Rs. 2·29 lakhs
---	--------------------------------------	----------------	------------	----------------

The saving was mainly due to non-receipt of timely debits for the cost of girders received from the Assam Railway.

9	17—Open Line Works— Replacements.	Oudh Tirhut ..	Carriages ..	Rs. 14·87 lakhs
---	--------------------------------------	----------------	--------------	-----------------

The saving was due to non-receipt of debits for underframes received from the Bombay, Baroda and Central India, Jodhpur and East Indian Railways.

(ii) Instances in which savings over the final grant could have been avoided completely or to a large extent by a careful review of the position at the time of final estimates or by the 20th March 1952.

1	6—Revenue—Working Ex- penses—Operating Staff.	Central ..	(i) Power. (ii) Carriage & Wagon. (iii) Traffic. (iv) Dearness Al- lowance.	Rs. 1·93 lakhs
---	--	------------	--	----------------

The saving was explained as due to non-payment of arrears, arising out of Central Pay Commission recommendations, to the staff of the ex-Scindia and Dholpur State Railways before the close of the year owing to unavoidable delay, on account of the transfer of relevant records to other offices, in setting right the discrepancies pointed out by the Accounts Office. The provision could have been surrendered on or about the 20th March 1952.

2	8—Revenue—Working Expen- ses—Operation other than Staff and Fuel.	Oudh Tirhut ..	Compensation for goods lost or damaged.	Rs. 6·35 lakhs
---	---	----------------	---	----------------



## Chapter I]

[11

1	2	3	4	5
---	---	---	---	---

The saving was due to non-utilisation of provision, which was retained in the final estimates on account of payments made for compensation claims involving inter-railway liability, expected to be adjusted before the close of March accounts.

3	12 B—Open Line Works— (Revenue)—Other than Labour Welfare.	Bengal Nagpur	Unremunerative Operating Works costing not more than Rs. 3 lakhs each.	Rs. 3.81 lakhs
---	--	---------------	--	----------------

Out of the additional provision of Rs. 14.80 lakhs made in the final grant for certain works, Rs. 3.81 lakhs lapsed due to non-completion of a number of works undertaken towards the close of the year. Administration explain that the progress of works was reviewed in March 1952, but closer estimation was not possible because of delays in according sanctions to plans and estimates, and in the receipt of materials, etc.

4	12 B—Open Line Works— (Revenue)—Other than Labour Welfare.	Western ..	Unremunerative Operating Works costing not more than Rs. 3 lakhs each.	Rs. 9.47 lakhs
---	--	------------	--	----------------

Out of the final grant of Rs. 66 lakhs, savings occurred to the extent of Rs. 13.49 lakhs. A large part of the saving (Rs. 9.47 lakhs) was due to non-receipt or late receipt of sanctions to works, less expenditure than anticipated on works, and non-receipt or non-accountal of materials.

5	15—Construction of New Lines	Assam Rail Link Project.		Rs. 13.66 lakhs
---	------------------------------	-----------------------------	--	-----------------

The saving was due to the write-back of freight charges under orders issued by the Railway Board on 19th February 1952. Administration explain that the amount of the exact write-back could not be ascertained and surrendered in time owing to the need to consult the Assam Rail Link Project records at Kurseong.

(iii) Savings which could have been avoided by timely contact with suppliers or Departments.

1	4—Revenue—Working Expenses—Administra- tion.	East Indian ..	Other General Departments and Miscellane- ous Expenses.	Rs. 1.85 lakhs
---	--	----------------	--	----------------

1	2	3	4	5
---	---	---	---	---

The saving was due to the supply of clothing having fallen behind the schedule.

2	5—Revenue—Working Expenses—Repairs & Maintenance.	Oudh Tirhut ..	Maintenance of Carriage and Wagon stock.	Rs. 5·21 lakhs
---	---	----------------	--	----------------

The saving was due to omission to adjust the debits received from the Director General, India Stores Department, London.

3	7—Revenue—Working Expenses—Operation (Fuel).	Eastern Punjab	Freight and handling charges on fuel.	Rs. 3·82 lakhs
---	--	----------------	---------------------------------------	----------------

The saving was due to less despatches of coal from mines, mainly during March 1952, than anticipated. Under the existing procedure, demands for the supply of coal are placed on the Coal Commissioner, who, in turn, places orders on collieries. The Railway Board have explained that as the despatches of coal by collieries depend on a number of variable factors, such as wagon availability and operating conditions prevailing on railways over which the wagons have to move, etc., the Coal Commissioner, even if consulted in the matter, would not be in a position to give an accurate forecast. As this factor has frequently caused appreciable variations in the final grant even in the past, a suitable machinery to reduce such variations needs to be evolved.

4	7—Revenue—Working Expenses—Operation (Fuel).	Southern ..	Freight and handling charges on fuel.	Rs. 10·00 lakhs Rs. 20·26 lakhs Rs. 4·31 lakhs Rs. 11·00 lakhs
				Rs. 45·57 lakhs

The savings have been explained as due to (a) non-receipt of debits, in spite of the issue of reminders, from the Coal Commissioner, for extra freight charges for the chartering of a ship, and from the East Indian and Bengal Nagpur Railways, and the Coal Commissioner, for freight charges on rail-borne and sea-borne coal, (b) non-adjustment of final bills of handling and incidental charges on coal shipments, due to these bills having been received late from the shipping agents through the Chief Mining Engineer, and (c) less charges incurred on freight and handling on account of less receipts of Bengal sea-borne and rail-borne coal.

5	12 B.—Open Line Works—(Revenue)—Other than Labour Welfare.	Oudh Tirhut ..	Unremunerative Operating Works costing not more than Rs. 3 lakhs each.	Rs. 10·40 lakhs
---	--	----------------	--	-----------------



## Chapter I]

[11

1	2	3	4	5
---	---	---	---	---

Against the final grant of Rs. 29.87 lakhs, a saving of Rs. 13.38 lakhs occurred at the end of the year. A large part of the saving, viz., Rs. 10.40 lakhs, was due to less expenditure on account of non-receipt of certain materials from the Director General, Supply and Disposals (Rs. 7.10 lakhs) and non-receipt of tanks and stagings from a certain firm (Rs. 3.30 lakhs) against expectations.

(iv) Instances in which savings arose for want of prompt action on the part of Departmental Officers in the verification and acceptance of debits.

1	8—Revenue—Working Ex- penses—Operation other than Staff and Fuel.	Ex-	Oudh Tirhut ..	Stationery, forms and tickets.	Rs. 1.30 lakhs
---	---	-----	----------------	-----------------------------------	----------------

The saving was due to debits for the cost of tickets supplied to stations, not having been adjusted to the final head of account during the year, owing to delay in the receipt of debit schedules duly accepted and allocated, from the Traffic Department.

2	9—Revenue—Working penses—Miscellaneous penses.	Ex- Ex-	Assam ..	Loss on grain- shops.	Rs. 11.32 lakhs
---	--	------------	----------	--------------------------	-----------------

The saving was due to non-receipt of debits from a State Government for the cost of cereals supplied to certain Railway Grainshops prior to February 1950. Although the relevant bills were received from the State Government long before the close of accounts for 1951-52, they were not verified in time to enable the State Government to raise necessary debits in the accounts for 1951-52.

## (v) Miscellaneous cases.

	8—Revenue—Working Expen- ses—Operation other than Staff and Fuel.		East Indian ..	Other Expenses	Rs. 11.33 lakhs
--	---	--	----------------	----------------	-----------------

The saving was due to heavier credits from "Stock Adjustment Account" than anticipated. Large variations also occurred on this account in the previous three years. This points to the need for more careful budgeting for the adjustments relating to the "Stock Adjustment Account".

12-13]

[Chapter I

## 12. Grant No. 9—Revenue—Miscellaneous Expenses.

The budgeting under the head "Suspense", both in the original and final estimates, was widely off the mark on almost all the Railways, as shown below :—

Railway	Original Grant	Final Grant	Actual expenditure	Excess (+) Saving (—)	Percentage of excess or saving (columns 3 and 5)
i	2	3	4	5	6
Assam .. .. .	—2,00	—10,13	—8,50	+1,63	16·1
Bengal Nagpur .. .. .	—40,56	—16,43	—35,97	—19,54	118·9
Central .. .. .	..	—78,54	—46,48	+32,06	40·8
Eastern Punjab .. .. .	—11,81	—16,22	—20,77	—4,55	28·1
Oudh Tirhut .. .. .	—5,65	—3,00	—45	+2,55	85·0
Southern .. .. .	..	—28,78	—21,53	+7,25	25·2
Western .. .. .	..	—8,56	23,71	+32,27	377·0
Bikaner State .. .. .	—7,50	1,30	—13	—1,43	110·0
Jodhpur .. .. .	4,58	—2,73	—7,22	—4,49	164·5

## 13. Grant No. 16—Open Line Works—Additions.

## Grant No. 17—Open Line Works—Replacements.

The budgeting under the heads "Stores Suspense", "Rolling Stock", "Works", "Manufacture Suspense" and "Credits for Released Materials" continued to be unsatisfactory, like in the previous years, as indicated below :—

## (i) Stores Suspense—Additions—(Grant No. 16).

The budgeting was widely off the mark on almost all the Railways.

Railway	Original Grant	Final Modified Grant	Actual expenditure	Excess over Col. 3	Saving over Col. 3
1	2	3	4	5	6
Assam .. .. .	31,28	17,12	53,33	36,21	..
Bengal Nagpur .. .. .	—10,96	1,57,65	2,87,99	1,30,34	..
Central .. .. .	..	—81,32	—36,68	44,64	..
East Indian .. .. .	29,59	—75,98	1,09,33	1,85,31	..
Eastern Punjab .. .. .	10,97	20,80	—6,47	..	27,27
Oudh Tirhut .. .. .	30,02	65,71	1,03,58	37,87	..
Southern .. .. .	..	13,97	73,02	59,05	..
Western .. .. .	..	35,13	1,05,79	70,66	..
Bikaner State .. .. .	50	—2,55	2,11	4,66	..
Jodhpur .. .. .	3,37	—79	6,89	7,68	..
Chittaranjan Locomotive Works ..	75,00	75,00	1,03,01	28,01	..



(ii) (a) *Rolling Stock—Additions*—(Grant No. 16).

The actual expenditure (7,07,05) was less than the final modified grant of 8,07,03 by about 12.39 per cent. Important variations occurred on the following railways :—

Railway	Final Modified Grant	Actual expenditure	Saving	Percentage of saving
1	2	3	4	5
Assam .. .. .	19,58	14,02	5,56	28.40
Oudh Tirhut .. .. .	10,75	6,72	4,03	37.49
Southern .. .. .	28,04	22,29	5,75	20.51
Western .. .. .	2,38,40	1,58,29	80,11	33.60

(b) *Rolling Stock—Replacements*—(Grant No. 17).

Savings occurred on all the Railways. Their high percentage on the following Railways was mainly due to non-receipt and lesser receipt of debits for Rolling Stock on bulk orders placed abroad by the Railway Board.

Railway	Final Modified Grant	Actual expenditure	Saving	Percentage of saving
1	2	3	4	5
Bengal Nagpur .. .. .	4,60,68	4,05,06	55,62	12.07
Central .. .. .	3,24,67	2,69,46	55,21	17.00
Oudh Tirhut .. .. .	4,07,66	3,06,88	1,00,78	24.72
Western .. .. .	4,89,80	4,36,08	53,72	10.97
Bikaner State .. .. .	40,72	32,92	7,80	19.16
Jodhpur .. .. .	27,10	22,08	5,02	18.52

(iii) *Works—Additions—(Grant No. 16).*

There were wide variations over the Final Modified Grant on the following Railways :—

Railway 1	Final Modified Grant 2	Actual expenditure 3	Excess (+) Saving (—) 4	Percentage of excess or saving 5
Assam .. .. .	66.95	52.49	—14.46	21.60
East Indian .. .. .	43.93	36.37	—7.56	17.21
Eastern Punjab .. .. .	21.83	18.61	—3.22	14.75
Southern .. .. .	26.55	13.90	—12.65	47.65
Controller of Coal Accounts .. .. .	—43.78	—3.79	+39.99	91.34

(iv) *Manufacture Suspense—Additions—(Grant No. 16).*

There was a saving of 2.51.03 over the original grant of 85.89 and of 5.04 on the final provision of (—)1.60.10 amounting to about 292.27 per cent. and 3.15 per cent. respectively. Although the percentage of variation over the total final grant was small, higher percentages were noticed on the following Railways :—

Railway 1	Final Grant 2	Actual ex- penditure 3	Excess (+) Saving (—) 4	Percentage of excess or saving 5
Assam .. .. .	—2.64	7.37	+10.01	379.17
Central .. .. .	—1.94	56.93	+57.97	2,988.14
East Indian .. .. .	—78.36	—1,01.66	—23.30	29.73
Eastern Punjab .. .. .	—10.29	—3.36	+7.03	67.66
Oudh Tirhut .. .. .	20.59	—5.27	—25.86	125.59
Southern .. .. .	—28.61	—51.81	—23.20	81.09
Western .. .. .	—5.23	—9.05	—3.82	73.04
Bikaner State .. .. .	—12.71	—17.90	—5.19	40.83
Jodhpur .. .. .	6	—1.27	—1.33	2,216.67

(v) *Credits for Released Materials—Replacements—(Grant No. 17).*

The budgeting, both in the original and the final estimates, was widely off the mark on the following Railways :—

Railway 1	Original Estimate 2	Final Estimate 3	Actuals 4	Excess (+) Saving (—) 5	Percentage of excess or saving 6
Assam .. .. .	—6.67	—5.20	—3.31	+1.89	36.35
Oudh Tirhut .. .. .	—18.00	—15.00	—2.18	+12.82	85.47
Bikaner State .. .. .	—47	—37	—1.87	—1.50	405.41



## CHAPTER II

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

#### (i) ROLLING STOCK AND FERRY SERVICE

14. *Inclusion of initial and additional normal depreciation in the cost of production of Locomotives and Boilers.*—In paragraph 22 of the Railway Audit Report, 1949, it was reported that payments made to a firm in respect of boilers manufactured since the commencement of the contract continued to be on a provisional basis pending settlement of a number of disputed items of cost. The Railway Board have since decided to admit one item, involving a substantial amount, as covered by the terms of the contract. According to the terms of the contract, the price to be paid during the initial periods known as periods 'A' & 'B' is the actual cost of production, and there is to be no element of profit whatever, during these periods. In the subsequent period, known as period 'C', the price to be paid is to be based on the estimated cost of production during period 'A' or period 'B', and a profit of 7 per cent. on the total capital employed in the business. It is, therefore, very important that the actual cost of production during the first period should be accurately assessed. The cost includes depreciation and, according to the terms of the agreement, depreciation shall be charged "at rates allowed by the Income-tax authorities in ascertainment of income, profits or gains subject to Income-tax under the provisions of Indian Income-tax Act." At the time the agreement came into force, *viz.*, 1st June 1945, the scheduled rates for depreciation allowance were based on commercial considerations. Since then the Indian Income-tax (Amendment) Act, 1946, (Act No. VIII of 1946), which came into force on 4th May 1946, provided for initial depreciation ranging from 10 per cent. to 20 per cent. on machinery, plant and buildings. A further amendment (Act No. LXVII of 1949) to the Act allowed double depreciation in respect of buildings, plant and machinery, installed after 31st March 1948. These amendments are of the nature of income-tax relief to encourage rehabilitation of industry and to combat inflation. It would not be correct to allow the increased depreciation allowance (which is given as an incentive to stimulate production by setting up new industries, or expanding existing industries), to be included as an element of cost, as it will inflate the prices payable by the Government in respect of 'cost plus' contracts. Income-Tax relief, even though it may be given in the form of an increased allowance for depreciation, should not interfere with the ascertainment of costs on accepted accounting principles. Costs are built up by selecting only those items of expenses which are relevant to the purpose for which particular cost is needed. Normal depreciation charges only should be included in the costs.



The Agreement was signed on 20th August 1947, but was effective from 1st June 1945. In November 1947, the Railway Board, by exchange of letters, agreed to treat any special or additional depreciation or other allowances, allowed during the pendency of the Agreement, for tax purposes or in connection with any proposals for encouragement of new industries started at the instance of Government or for any other similar purposes as part of the cost of production of boilers and locomotives under this Agreement. The Railway Board, therefore, hold that, whatever the technical position might be with regard to actual cost of production, Government has a contractual obligation to treat the enhanced allowance towards depreciation as part of the cost of production. The total amount involved to end of 1952-53, in respect of initial and additional normal depreciation is about Rs. 1.31 crores, consisting of initial depreciation at about Rs. 86.20 lakhs and additional normal depreciation at about Rs. 44.73 lakhs.

It has, however, since been felt by the Ministry of Railways that the existing arrangement of including the initial and double normal depreciation of a year in the cost of production of that year has resulted in an unduly high incidence of depreciation charges on a very low level of production. In a meeting held in December 1951 with the representatives of the firm this question was, therefore, reopened, and it has since been agreed that there should be an even spread of these charges over a period in order to achieve as reasonable a rate of cost of production as possible. The actual formula, however, is yet to be mutually agreed upon. In the meantime, a sum of Rs. 8.09 lakhs has been paid by Government to the firm as the share of initial and additional normal depreciation debitable to the cost of boilers delivered to end of 1948.

#### *Audit Comments*

(i) When the principle underlying this contract was that only actual cost of production should be paid during the initial period, the Railway Board should not have committed itself to treat the tax allowances as depreciation, as it did in November 1947.

(ii) The Central Board of Revenue who were consulted on this matter in July 1945, gave their opinion, in August 1945, that far from allowing this initial depreciation to enter into production costs, it should be specifically provided that the normal rates on the basis of the expected life of the plant, etc., should be the rates that should enter into production costs.

(iii) No legal opinion was obtained on the specific question of the admissibility of initial and double depreciation as an item of cost, as defined in the original Agreement.



(iv) These special allowances considerably inflate the price in the initial period, and unless specifically excluded, under clause 5(v) of the First Schedule to the Agreement as special factors operating in that period, will also inflate the price for the later period when firm prices have to be fixed.

15. *Agreement for the purchase of Locomotives of indigenous manufacture.*—Some aspects of the Agreement entered into by the Government with an Indian Company for the manufacture and sale of Locomotive boilers and Locomotives, required by the Government, were commented upon in paragraph 22 of the Railway Audit Report, 1949 (post-partition), and in paragraph 17 of the Fifth Report of the Public Accounts Committee on the accounts for 1949-50. It has since been further noticed that Clause 13 of that Agreement provided for "provisional payments against bills to be submitted by the Company for work done". The Company, in turn, entered into a contract with a German firm in November 1950, for manufacture by the latter of parts and components required in connection with Government's orders for Locomotives with the former, and made "advance payments" under that contract to the German firm, for which they demanded reimbursement from Government under Clause 13. The Indian Company further desired that the commercial risk involved in these advance payments should be borne by Government, who should also assume the ownership of the parts and components. An advance of Rs. 27,27,379/- was made to the Company on 6th December 1950, by way of reimbursement, treating it as an 'on account' payment against an order for 50 Y.G. Locomotives placed by the Railway Board, in May 1950. Audit pointed out in April 1951, that this payment could not be regarded as one for "work done", being really a payment for work which was yet to be done. It was observed that payments made in India for components of indigenous manufacture purchased by the Company had been and were being made only against the delivery of such components at the works, and not in advance of such delivery; and similar was the position in regard to components imported or to be imported by the Company from other foreign manufacturers. Government were, therefore, advised by Audit on 23rd April 1951 against such advance payments, as they constituted in effect a major type of financial assistance, to the Company, *outside the terms of the Agreement*, and without any *quid pro quo*. Audit also expressed the view that it was not desirable to undertake any commercial risk as proposed by the Indian Company in respect of these advance payments. In any case, it was absolutely necessary to obtain a banker's guarantee as a cover against these payments, to watch the actual despatch of parts and components to this country and to secure the lien for Government on those parts and components.



The Railway Board held the view that although these advances were not strictly covered by the letter of Clause 13 of the Agreement with the Company, they were within the spirit of that Agreement; that an industry in its infancy could not be expected to finance such a heavy expenditure; that it was the recognised practice for foreign suppliers of Locomotives to be given advance payments; that the payments had not involved Government in any loss and were justified in view of the special circumstances and the standing and reputation of the Company. They, however, asked the Indian Company to obtain from the firm a German Bank's guarantee for £375,000 (equivalent to Rs. 50,08,676/9/-), and assign the same to Government. Pending the receipt of the assignment of this Banker's guarantee, Government on 6th February 1952, authorised a further advance payment of Rs. 50 lakhs which was raised to Rs. 58,48,680/- after a corresponding increase in the German Bank's guarantee. The latter sum was, thereafter, treated as a revolving credit to the Indian Company upto 31st March 1953, to be replenished to the extent of the value of the bills presented for the parts and components received.

In regard to the ownership by Government of the parts and components received, it was found that the Indian Company's stocks of raw materials, stores parts and works in progress stood hypothecated to the Imperial Bank of India in terms of the Company's agreement with that Bank in respect of cash credit and Debenture Trust Deed, securing  $1\frac{1}{2}$  crores 5 per cent. Mortgage Debentures. Although the Railway Board were aware of this position, it was only on 9th April 1952, that they requested the Company to make a distinction between such parts and components and other goods against which provisional payments had been received by them from Government and other assets that had been or were being hypothecated to the Imperial Bank of India, and not to offer the former as a security to the Bank. The Company agreed to this arrangement on 2nd May 1952 and also undertook to prepare separate statements of assets hypothecated to the Bank, and of all goods against which provisional payments had been received from Government, and to submit them to the Railway Administration.

#### *Audit Comments*

(i) The arrangements relating to the grant of a revolving credit amount to the virtual supply of free capital to the Indian Company, outside the terms of the Agreement and without any corresponding benefit to Government. The Agreement only provided for provisional payments for *work done* and not in anticipation thereof.

(ii) The return of the revolving credit to Government by the Company has not been fully safeguarded by Government by securing an assignment in their own favour of the guarantee given to the Indian Company by the German Bank. As pointed out by the Ministry of



Law, the banker's guarantee may not in certain contingencies, such as war or conditions akin to war, protect Government from loss arising from any exchange or trade regulations governing the trade and payments exchange between the Republic of India and the Bank at the time of refund; and that it seemed necessary, therefore, to obtain from the Indian Company an Indemnity Bond as a cover against such loss. The Indemnity Bond has not been obtained so far.

(iii) The amount of adjustable advance against the Indian Company stood on 31st March 1953, at Rs. 36.45 lakhs.

16. *Vehicles reserved for the exclusive use of other Government Departments.*—The rules require that *pro forma* Capital and Revenue Accounts of Vehicles, reserved by the Railway Administration for the exclusive use of other Departments of the Central or State Governments, should be maintained to see that recoveries made from such Departments do not fall short of the actual expenditure incurred by the Railway Administration on the maintenance and depreciation of such vehicles and by way of interest on their capital cost.

In paragraph 32 of the Railway Audit Report, 1941, it was brought to notice that the recoveries made on the basis of the prescribed percentage on the ex-North Western Railway had proved inadequate and losses, aggregating Rs. 2.16 lakhs, were incurred during the years 1936-37 to 1939-40. The Railway Board then informed the Public Accounts Committee, *vide*, paragraph 83 of the Report of the Public Accounts Committee on the accounts of 1939-40, that the percentage recovery, which had proved sufficient on other Railways, should also have been adequate on the ex-North Western Railway, and that the reasons for its being otherwise would be investigated.

In July 1943, the Railway Board decided to discontinue the preparation of the above *pro forma* accounts for the duration of war. Special statistics were, however, called for by them from the Railways in May 1946, to review the position, but considering that these statistics related to the period of war, when the conditions were abnormal, they decided in April 1947, to postpone the preparation of *pro forma* accounts till the costs of labour and materials had stabilised. The position was again reviewed by them in 1949 on the basis of the figures furnished by the various Railways for the period 1945-46 to 1947-48, and as a result it was found that taking all Railways collectively there was no loss on account of the recovery of maintenance charges at 4 per cent. in respect of the Saloons and Carriages reserved for the exclusive use of the Departments of the Central and State Governments, but that a loss of Rs. 6.4 lakhs was incurred on the Military Cars. Similar losses in respect of these cars were incurred for the years 1948-49 to 1951-52.



To cover such losses, the Ministry of Defence was asked in April 1948 to reimburse the actual charges incurred by the Railways on the maintenance of these cars. The Ministry of Defence did not agree to this proposal, but suggested in January 1949, that the rate of 4 per cent. for the recovery of maintenance charges might be suitably enhanced for *future* transactions. This suggested increase in rates was not considered necessary by the Railway Board, who made a fresh proposal in June 1952, to the Ministry of Defence suggesting that the maintenance charges hereafter would be at 4 per cent. on the present day cost of construction of similar coaches instead of on the capital cost of the vehicles as on the books of the Railways. The recoveries for interest and depreciation charges were, however, to continue at the existing rates on the booked capital cost as in the past. The financial implications of the new proposal were enquired into by the Ministry of Defence from the Railway Board, but the same have not been communicated so far (9th February 1954), as the particulars in connection with the same called for from the Railways on 18th November 1952, have not been received. No final decision has, therefore, been arrived at.

The maintenance of the *pro forma* accounts has, however, been re-introduced by the Railway Board with effect from the accounts for 1953-54.

#### *Audit Comment*

A considerable portion of the loss incurred from the years 1945-46 to date on Military Cars could have been avoided, if the Railway Ministry had taken quicker action, specially since 1949 when the loss was located.

17. *Eastern (ex-Bengal Nagpur) Railway—Disposal of surplus assets of the Garden Reach-Shalimar Ferry Service.*—Consequent on the closing down of the Garden Reach-Shalimar Ferry Service with effect from October 1949, four ferry steamers, amongst other assets, became surplus. One of them which was in a bad condition, was sold by public auction as scrap for Rs. 90,000/- and two others were transferred to the ex-Oudh Tirhut Railway. The fourth, named "Sir T. Wynne", was recommended by the Administration for conversion into a floating workshop for the ex-Oudh Tirhut Railway, as it was of no further use as a power unit. This was approved by the Railway Board in January 1950. Negotiations were entered into with a firm for the supply of machinery and equipment to be installed on the vessel. A reference was also made by the ex-Oudh Tirhut Railway to the Government of Bihar, enquiring whether power could be supplied at Barari Ghat where the floating workshop was to be established. When the detailed justification and estimate for the Workshop were prepared and submitted to the ex-Oudh Tirhut Railway, it was recommended by that Railway that the floating workshop, instead of being built on the Steamer "Sir T.



Wynne", should be built on the Steamer "Kidderpore", in consideration of the fact that, with the arrival of the new ferry stock on the Railway, the Steamers "Shalimar" and "Kidderpore" had been rendered surplus and were considered to be beyond economical repairs as power units. A saving of about Rs. 50,000/- could also be effected since the Steamer "Kidderpore" was already at site. The Railway Board in June 1951, provisionally accepted this proposal for inclusion in the Rolling Stock Programme for 1952-53. Meantime, the Steamer "Sir T. Wynne" had to be beached in April 1950, at the instance of the Calcutta Port Trust to avoid further heavy silting in the channel. It was suggested in September 1950, that the Steamer "Sir T. Wynne" should be converted into staff quarters and, in February, 1951, it was provisionally decided that it should be converted into residential quarters for the ex-East Indian Railway Ferry staff employed on the Maniharighat-Sakrigalighat Ferry. The Board confirmed this decision in March 1951. Tenders were called for the work and opened in August 1951. After considerable correspondence with the tendering firms to ascertain their resources and capacity to undertake this work, it was decided in February 1952, to entrust the work to a suitable firm. It was then found that the vessel, which had been beached since April 1950, had stuck hard in the ground and deteriorated owing to abnormal silting, that refloating operations were likely to break its back and that, in any case, the vessel required repairs at a prohibitive cost. In view of this, the proposal for conversion was abandoned. The vessel was condemned by the Railway Board in November 1952. The West Bengal Government then expressed an interest in the vessel but intimated, in April 1953, that they were no longer interested. The Administration decided in July 1953, to dispose of the vessel as scrap. It has not, however, so far been disposed of pending a decision as to whether a new cylinder for the vessel obtained in 1950 and an anchor bearing boat should also be disposed of along with the vessel. Expenditure amounting to about Rs. 1 lakh has been incurred on staff to look after this vessel since the abolition of the ferry service. The Administration, however, expect that, owing to the rise in the prices of scrap since 1949, the proceeds will be more than what would have been realised in 1949.

#### *Audit Comments*

The deterioration to the vessel would have been avoided had it not been beached at one place for a long time. The comparison with the price of scrap in 1949 is not relevant as the vessel was not declared as scrap then.

18. *Southern Railway—Loss in the working of the Ferry Service.*—The Ferry Service worked by the Southern Railway between Dhanushkodi and Talaimannar, connecting India with Ceylon, has been



working at a loss for some years. The losses, after deducting interest charges from net earnings, have been as under :—

	Rs.
1946-47 .. .. .	56,714
1947-48 .. .. .	2,56,647
1948-49 .. .. .	11,941 (Profit)
1949-50 .. .. .	2,70,806
1950-51 .. .. .	3,49,900
1951-52 .. .. .	1,62,434
1952-53 .. .. .	2,07,892

With a view to reduce the loss, the daily service was curtailed to six days a week from June 1951, resulting in a saving of Rs. 52,500/- per annum in fuel oil and Rs. 2,685/- per annum in staff. Further, the Railway Board decided in 1952 to utilise the Dry Dock repair facilities, available at Mandapam, during the comparatively slack season, by undertaking repairs to private and Government vessels, which are expected to yield an income of about Rs. 1 lakh per annum. In spite of these economies, however, the service is not expected to be self-supporting. Moreover, it is stated that two existing steamers, which cost Rs. 8.9 lakhs each, having become old, may have to be replaced in a few years, one after the other, at a cost of about Rs. 50 lakhs each.

#### (ii) STORES

19. *Northern Railway—Loss of Sleepers.*—The Railway Administration reported to the Railway Board in 1952 that as a result of stock verification and of the overhauling of accounts, after the disturbances in 1947 and subsequent to the unprecedented flood during that year, a shortage of 1,500 wooden sleepers valued at about Rs. 9,000/- was noticed. The shortage was accounted for, *ex-post-facto*, by the Store Keeper in charge, by showing the sleepers as issued to work. The Permanent Way Inspector in charge of the work, who had joined about six months after the floods and disturbances, accepted the issues as a charge to the work concerned, but accounted for the consumption, as follows :—

(i) Lost during communal disturbances .. .. .	500
	sleepers
(ii) Used in constructing two temporary diversions during heavy rains on a newly laid bank, subsequently rendered useless, and converted into scrap	1,000
	sleepers

A Departmental Enquiry Committee appointed to investigate the matter observed that the Stores and Materials-at-site accounts of the work were maintained in a haphazard manner, and issues were not accounted for, as and when they occurred. As such, a



stock verification by the usual method of tallying the ground balance with the book balance was not possible, and it was done by counting the sleepers in the track and yard, etc. On the evidence produced, the Committee were of the opinion that in the conditions then prevailing there was a possibility of pilferage and loss of sleepers by floods, but the extent thereof could not be assessed. The Executive Engineer had also subsequently accepted the reasonableness of the use of scrap of 1,000 sleepers as centre line pegs, etc. The Committee were, therefore, unable to challenge the genuineness of the transactions, as accounted for, or to establish "malafides". They, however, remarked that the Store Keeper was responsible for a serious dereliction of duty in issuing material without requisitions from the consuming department, in not preparing Issue Notes, as and when the transactions occurred, in not reporting the possibility of pilferage during the period of disturbances, and in not taking stock of the material in his charge after the disturbances. They also held that the Permanent Way Inspector had abetted the Store Keeper in committing the irregularities by not accounting for the material in his Materials-at-site accounts, as and when the transactions occurred, and in the subsequent accounting of the transactions, which had occurred prior to his taking over charge of the work.

The increments of the Store Keeper and the Permanent Way Inspector were withheld for one year, in the case of the former with the effect of postponing future increments. On appeal, the punishment of the Permanent Way Inspector was reduced to the 'Stoppage of the concession of Passes and Privilege Ticket Orders' for 12 months.

20. *Western Railway—Theft of Electrical Material from Coaches.*—Certain coaches were marked "Sick" between February 1949 and March 1950, at the Bombay Central Station. As they could not be sent to the shops for lack of space, they were sent to a Marshalling Yard at Bandra, in May 1950. There they were stabled in an out of the way siding, unprotected. This resulted in a loss by theft of batteries costing Rs. 6,811/- and other electrical fittings valued at Rs. 4,340/-. The total loss of Rs. 11,151/- was written off under the sanction of the General Manager in June 1951.

These thefts, which seem to have occurred over a period of time, were first noticed on 25th May 1950, and reported to the General Manager on 3rd November 1950. The Police, however, were not informed of these thefts, as required under the rules. On 27th April 1951, the General Manager decided that it was too late to report the case to the Police. He issued instructions in April 1951 to the Department concerned to take adequate precautions to remove the fittings and guard all coaches when they were stabled at out of the way places, but detailed instructions were issued by the Department only on 24th March 1954. In July 1953, the General Manager



reported that for omission to report the case to the Police, the Inspector, Watch and Ward, has been censured, and the Assistant Electrical Foreman and his staff have been warned to be more careful.

*Audit Comment*

The omission to secure protection to the coaches while stabled in an out of the way siding was a serious matter for which no punishment has been given to any one.

(iii) GRAINSHOPS AND CANTEENS

21. *North Eastern (ex-Oudh Tirhut) Railway—Loss due to an incorrect sale rate.*—Railway staff, not entitled to the supply of cereals at concessional rates, were permitted by the Railway Board from 1st January 1949, to draw their requirements from Railway Grainshops at scales and prices fixed by the Rationing Authorities for retail sales to Civil Card Holders. In converting the civil rates, which were quoted as 'per maund' and 'per rupee' into a 'per seer' basis, the Railway Administration rounded off the pies incorrectly; for example, the rate of 6 annas 4-4/5 pies, per seer, for wheat was rounded off to 6 annas 3 pies instead of to 6 annas 6 pies, and the rate of 10 annas 8 pies per seer for rice, was rounded off to 10 annas 6 pies instead of to 10 annas 9 pies.

Even though the inaccuracy in the rates was pointed out by Audit in June 1949, the rates were not fully revised by the Railway Administration till December 1950. The loss sustained between February 1949 and December 1950, during which period the incorrect rates continued, was estimated by the Administration roughly at Rs. 10,735/- and was written off by the Railway Board. The Administration have since reported in that the amount written off was over-estimated, but owing to the destruction of the connected cash memoranda and documents, they have not been able to work out the exact amount.

*Audit Comment*

Had the Railway Administration revised the incorrect rates when pointed out by Audit, a major portion of the loss would have been avoided.

22. *Loss on the working of Railway Canteens.*—In pursuance of Government policy, the Railway Board approved in 1945, the establishment of Canteens to serve light refreshments or cooked food to Railway staff in certain Workshops and at some important stations. The Canteens commenced functioning on different dates at different places. The sale price of articles was required to be so fixed as to make the Canteens self-supporting. In 1946, the Railway Board also permitted the Canteens, to draw their requirements of foodstuffs and fuel, etc., from Railway Grainshops at concessional rates applicable to Railway



## Chapter II]

[22

staff. In January 1949, the concessional supply was withdrawn. The results of working of some of the Canteens showed considerable losses, as indicated below :—

Particulars		Year	Loss
			Rs.
1. ex- Great Indian Peninsula Rail- way.	2 canteens for Workshops at Bombay.	1948-49	52,313
		1949-50	70,528
		1950-51	78,720
	9 canteens at other stations ..	1948-49	9,568
		1949-50	22,023
	1950-51	36,635	
2. ex- South Indian Railway ..	5 canteens at big stations and 1 for Workshop at Golden Rock.	1946-47	7,014
		1947-48	11,929
		1948-49	21,520
		1949-50	17,474
		1950-51	13,053
3. ex- Madras & Southern [Mahratta Railway.	1 at Madras Central .. ..	1947-48	3,065
		1948-49	7,715
		1949-50	10,022
	2 for Workshops at Perambur ..	1946-47	5,288
		1947-48	14,082

Steps taken by the Railway Administrations to reduce these losses were as follows:—

- (i) On the Central (ex-Great Indian Peninsula) Railway, revised selling rates to provide greater margin of profit were adopted from August 1951. The management of three Canteens in Bombay area was transferred from the Mechanical and Stores Departments to the Grainshop Department. Further, the question of placing all the Canteens on a self-supporting basis has been engaging the attention of the Administration and a Canteen Enquiry Committee is going into this question in detail.
- (ii) On the Southern (ex-South Indian) Railway, departmental cleaners were replaced by contract labour, and this resulted in a saving of Rs. 9,000/- per annum with effect from 1st September 1952. The Canteen at Madras Central on the ex-Madras and Southern Mahratta Railway was closed from March 1950, and in respect of two other Canteens at Perambur, the rates for sale were raised from May 1948, whereafter there have been no appreciable losses. The Southern Railway, however, hold the view that in spite of every effort the Canteens cannot be run on a 'no loss' basis.

#### Audit Comment

Adequate measures to reduce the losses should have been taken earlier.

## (iv) PAY AND ALLOWANCES

23. *Southern (ex-Madras and Southern Mahratta) Railway—Loss due to delay in taking action on Audit Objections.*—A Station Master was promoted as Chief Traffic Inspector from 20th July 1944 to 14th June 1946 and attached to the office of the Chief Operating Superintendent at Madras. He continued to occupy his railway quarters at Arkonam, rent-free, even after his promotion. This was not permissible, as the duties attached to the latter post were not analogous to those of Station Masters or other Traffic Inspectors, to whom the concession of rent-free quarters was admissible. He had also been granted a daily allowance at Rs. 6/- per day for his movements from his residence at Arkonam to his office at Madras. Although objections were raised in audit through an inspection report in November 1946 and repeated reminders issued, no action was taken by the Department, until the employee retired from service in 1948, and all his dues had been paid by the Railway Administration. In the meantime, the Travelling Allowance Journals of the employee for the period in question, even though under objection, had been destroyed, under the ordinary time-limits, and the total amount overdrawn could not be computed. The recovery of rent amounting to about Rs. 1,169/- and of the overdrawal of travelling allowance were waived by the General Manager in September and December 1952 respectively.

The Chief Operating Superintendent has explained the long delay in dealing with the Audit objections as being due to several items of objections in the inspection report having to be attended to.

*Audit Comments*

The explanation offered by the Department for the delay in taking proper action on the Audit objections, involving personal claims, specially after repeated reminders, is not satisfactory. Care was also not exercised in taking into account the recoveries due from the employee while settling his claims on retirement, and in preserving the records which contained items under objection. The information regarding disciplinary action taken against the staff responsible is awaited.

24. *Southern Railway—Irregular payment of Dearness Allowance.*—In accordance with the revised Grainshop Scheme, introduced from 1st January 1949, the staff drawing below Rs. 250/- p.m. as basic pay and enjoying the grainshop concessions, were entitled to draw Dearness Allowance at lower rates than the staff who opted out of grainshop concessions.

During the Audit inspection of four offices between 1950 and 1952, 23 cases were detected in which the staff enjoying the grainshop concessions were paid the Dearness Allowance at higher rates, involving an



overpayment of Rs. 9,759/-. A further thorough check arranged by the Accounts Department of one of the three regions of the Railway disclosed a further overpayment of Rs. 12,400/-. A similar review of the position in the remaining two regions of the Railway has also been suggested. Of the overpayment of Rs. 22,159/- already noticed, an amount of Rs. 5,469/- has so far been recovered. As the position in the other two regions of the Railway has still to be reviewed, it is not possible, at this stage, to give a complete idea of the overpayments, or of the amount which may have to be written off as irrecoverable.

25. *Eastern (ex-East Indian) Railway—Overpayments made to the staff, due to non-implementation of certain orders issued by the Railway Board.*—In October 1948, the Railway Board decided, in partial modification of the rules contained in the Railway Services (Revision of Pay) Rules, 1947, that in the case of a Railway servant who drew, on refixation of pay, the initial stage of the scale prescribed under those rules, the date of next increment should be the date when an increment would ordinarily fall due after completion of one year's service, and not the date on which the increment would have fallen due in the old scale of the Railway servant. These orders were made applicable from the date from which the Railway servant concerned elected the prescribed scale (*viz.*, 1st January 1947 or 16th August 1947), but the recovery of the amounts already overdrawn up to the date of issue of these orders was waived. As the orders constituted an important change in the original conditions, the staff affected by them were allowed, in April 1949, to choose the date of election of the prescribed scales; *viz.*, 1st January 1947 or 16th August 1947, whichever was more favourable to them.

The orders issued by the Railway Board in October 1948 were not implemented by the ex-East Indian Railway, who represented forthwith that it would not be correct to withhold increments admissible under the existing rules and that those already sanctioned could not be reduced without an infringement of the Payment of Wages Act. They, therefore, suggested a reconsideration of the orders, which, they said, were not being given effect to. Subsequently, the Railway also reminded the Railway Board a number of times for an early decision, but in the meantime, the payments largely continued, not merely in respect of increments already sanctioned before, but in several cases even after the issue of the aforesaid orders. The irregularity was stopped only on 6th April 1949, when a formal amendment to the Railway Services (Revision of Pay) Rules, 1947, codifying the orders contained in their letter of October 1948 was issued by the Railway Board. Their decision on the reference made to them by the Administration was, however, communicated in November 1951, asking the latter to enforce the earlier orders of



1948, in all cases. On a further representation by the Administration, in December 1951, the Railway Board waived the recovery of the overpayments of about Rs. 15,000/- arising out of increments sanctioned upto 6th April 1949 under the original rule.

#### *Audit Comments*

(i) There was considerable delay on the part of the Railway Board in taking a decision on the reference made by the Administration in October 1948.

(ii) If the Administration on their part had warned the staff that the payments made from 20th October 1948 were to be regarded as provisional, a considerable part of the loss could have been avoided.

#### (v) CONTRACTS

26. *Infructuous expenditure in the purchase of Oil Tank Wagons from a Canadian Company.*—In the course of the review of the accounts of India Supply Mission at Washington, made by the Comptroller and Auditor General, during his visit in June 1950, he came across certain defective contracts. One of these related to an order placed by the Railway Board on a Canadian Company through their agents in India for the supply of 350 Oil Tank Wagons. Further examination of the case in India has revealed that the Railway Board estimated, early in 1947, their additional requirements of these wagons at approximately 650 to be obtained as urgently as possible. Tenders for their manufacture and supply were accordingly invited in India. Quotations were received from three firms. The Wagon Manufacturing Panel of India tendered for 300 wagons at Rs. 15,750/- per wagon, with a *proviso* that fresh price for the additional 350 wagons will be quoted on receipt of the second call. The Indian agents of a Belgian firm quoted for 300 to 650 wagons, at Rs. 16,233/- (Rs. 15,945/- with an alternative pumping arrangement) per wagon, F.O.B., Antwerp. The landed cost in India of these wagons inclusive of insurance, freight, and customs charges was estimated at about Rs. 22,882/- (Rs. 22,476/- with the alternative pumping arrangement). The Indian agents of a Canadian Company submitted a tender for 300 wagons at Rs. 17,655/- (\$5,885 @ Rs 3/- per dollar then current) per wagon F.O.R., Karachi, Bombay or Calcutta. This quotation of the Canadian Company included transit charges from the works at Montreal to Steamer, sea freight, and insurance charges upto \$396 only per wagon equivalent to Rs. 1,188/-, excess over which was to be borne by the Railway Board. The landed cost, inclusive of freight, insurance and customs charges, per wagon in India from this Company came to Rs. 27,278/- per wagon.



## Chapter II]

The tender of the Wagon Manufacturing Panel in India being the lowest, was accepted by the Railway Board for 300 wagons, while the other two were rejected.

On a representation made on behalf of the Canadian Company, in July 1947, the case was, however, reopened by the Ministry of Railways, when the Company offered to supply the remaining 350 wagons, between the second and third quarters of 1949 and reduced their basic price to \$4,962 or Rs. 16,027/- (at Rs. 3.23 per dollar then current) excluding freight, insurance and customs charges, per wagon F.O.B., Montreal. The landed cost inclusive of freight, insurance and customs charges, would have been Rs. 24,202/- per wagon. The important consideration with the Railway Board was, however, the "time factor". The Company was informed during negotiations that before India could be interested in this offer, their deliveries would need to be improved upon.

The Company informed the Railway Board, in December 1947, that it would be possible for them to manufacture wagons in the second half of 1948 by working overtime, but the price per wagon would be raised to \$5,955 or Rs. 19,236/- at Rs. 3.23 per dollar (excluding freight, insurance and customs charges), subject to certain conditions in addition to those ordinarily included in the *Force Majeure* clause, such as stability in the cost of labour and materials, the firm's ability to obtain the necessary Canadian Government export permit, and prior sale of shop space, etc. The Railway Board accepted this offer on 3rd January 1948 with the delivery dates, July-October 1948. The order was placed direct by the Railway Board on the Canadian firm and the India Supply Mission, Washington, were asked to arrange inspection and payments as also to place the formal contract. The Company, however, intimated in July 1948, some difficulty in the priority release of steel quota by the Government. The delivery dates were accordingly changed by the Company to October-December 1948. The total number of 350 wagons was, however, actually supplied by the firm in January-February 1949 and received in India between January to June 1949. The Wagon Manufacturing Panel of Indian firms were able to deliver their quota of 300 wagons between March and April 1950. The payment to the Canadian Company for all the wagons was made in full by the India Supply Mission, in accordance with the terms agreed upon, which worked out to a landed cost in India (including freight, insurance and customs charges) of about Rs. 30,623/- per wagon.

The India Supply Mission pointed out in their letter of 27th February 1948 to the Ministry of Industry and Supply, that the Railway Ministry should, in the matter of this purchase, have brought



the former into the picture and availed themselves of the knowledge of the foreign markets possessed by them by placing orders through them.

The Railway Board have explained that in November-December 1947, the question of the Railways getting tank wagons quickly, in addition to those placed on order in India, assumed importance owing to the partition of the Country, the denial of the port of Karachi and consequent load and lead for Petrol, etc., from the Indian ports. The important factor according to them was the procurement of tank wagons from abroad, as early as possible. The Company's first offer to supply 350 wagons at \$4,962 each, with delivery during the second or third quarter of 1949, was not considered suitable. The offer of the earlier deliveries in July-October 1948, by working overtime and at price increased to \$5,955 per wagon was accepted. When the Firm advised their inability to conform to these delivery dates, because of certain conditions beyond their control, and stated that subject to availability of steel, the delivery would commence only during October-December 1948, the Company were warned by them that if wagons were not delivered strictly according to the promise (July-October 1948) the justification for an extra thousand dollars per wagon would disappear. Ultimately, the Railway Board left it to the India Supply Mission, Washington, to negotiate, if possible, with the firm for a "rebate" on account of the late delivery of the wagons.

#### *Audit Comments*

(i) The Railway Ministry incurred an expenditure of about Rs. 1.07 lakhs on this order of 350 Oil Tank Wagons. Excluding customs duty the cost came to Rs. 25,849/- per wagon. The customs charges amounted to Rs. 16.71 lakhs, or Rs. 4,774/- per wagon. Out of the sum of about Rs. 1.07 lakhs, nearly Rs. 11.23 lakhs represented the payment made merely on account of the promise of advance deliveries in July-October 1948, which actually materialised only in January/February 1949, *i.e.*, about three months in advance of the deliveries promised in the first offer of \$4,962 per wagon. Thus, the actual operation of the contract did not fulfil the purpose for which the increased rate of \$5,955 per wagon was accepted.

(ii) The Wagon Manufacturing Panel of Indian firms had quoted only for 300 wagons of 'TO' design, as the remaining 350 wagons were intended to be of 'TOR' design (revised design of T.Os). The order on the Canadian Company for 350 wagons in January 1948 was, however, placed for wagons of 'TO' design only, but at that stage the Indian manufacturing firms, whose previous quotation was the lowest, were not called upon either to quote afresh for the additional 350 wagons or to increase the number of wagons on order from 300 to 650.



(iii) At the time of purchase of 350 wagons, the original quotation of the Belgian firm, which amounted to a landed cost of Rs. 22,882/- per wagon, was rejected on the ground that their delivery dates were quoted for August 1948 to January 1949 with a further condition in regard to the timely availability of material. Against this, the original offer of the Canadian firm for 350 wagons amounted to a landed cost of Rs. 24,202/- per wagon with delivery dates between the second and third quarters of 1949 and subject to the condition relating to the availability of material. As a result of negotiations with the Canadian firm, order was ultimately placed with it at a landed price amounting to Rs. 30,623/- per wagon with delivery dates July-October 1948 and the wagons were actually supplied between January and February 1949. The offer of the Belgian firm was not unfavourable and it is felt that before finalising the deal with the Canadian firm, negotiations should have also been conducted with the Belgian firm.

(iv) Competitive tenders were not invited from wagon manufacturers in the United States of America and Canada.

(v) The contract with the Canadian Company definitely provided that the latter will, in no circumstances, suffer any penalty on account of delayed deliveries on this order. The reason for this unusual condition is not clear. It was, however, allowed by the Railway Board to remain in the contract even when they agreed to pay an enhanced price on promise of earlier deliveries.

(vi) A copy of the order placed on the Company was, contrary to established practice, not supplied to Audit.

27. *Purchase of defective and unserviceable rails.*—In May 1948, the late Ministry of Industry and Supply, enquired of the India Supply Mission, Washington, about the availability of 10,420 tons of 50 lb. rails and accessories required for a Railway Project in an Indian State. A month later the Ministry cabled to the Mission stating that if 50 lb. rails were not available 65 lb. rails to American Standards and Specifications would be acceptable. In August 1948, the India Supply Mission reported that 65 lb. rails could be procured more easily than 50 lb. ones and that the largest steel manufacturing concern in America had offered these rails @ \$85.28 per net ton F.A.S., New York. The Ministry intimated their acceptance of the quotation, increased the quantity to 15,200 tons and called for the final price and delivery period. At this stage, negotiations were carried on by the India Supply Mission with a new manufacturing firm at Washington who, unsolicited, offered 10,000 tons of 56/60 lb. first quality relaying (second hand) rails, @ \$75 per ton. The financial reliability of the firm was not ascertained, and no other firm was asked to quote for the relaying rails, although, earlier in 1948, the Mission had obtained offers at \$66 per ton for the 65 lb. relaying rails, in another connection, from several manufacturing concerns.

*Free copy sent*



27]

This offer of \$75 per ton for 56/60 lb. was recommended by the Mission to the Ministry in lieu of the 65 lb. new rails. The reasons given were the difficulty of procurement of export quota from the United States Government, and the favourable rate, the new rails of the same potndage costing \$110 to \$120 per ton. The Ministry accepted this offer, and the India Supply Mission placed a contract early in December 1948, on the firm for the relaying rails for \$750,000 and the connected angle bars valued at \$48,220.5 (total \$798,220.5) with delivery dates extending upto December 1949. Without any intimation to the Ministry the India Supply Mission, however, introduced a condition in the contract which was not mentioned in the original offer, that the material would be of first quality mixed with No. 2 quality relaying rails, and that No. 2 rails would not exceed 45 per cent. of the total quantity, every effort being made to supply a majority of the first quality rails. No specifications of the rails or their lengths were shown in the contract. Within a month of the signing of the contract, the Railway for whom the rails were intended raised a doubt about the suitability of relaying rails for the construction of a new railway for which they were being obtained and asked for profiles of the worst rails as well as their lengths and other details. The India Supply Mission replied that the suitability of the rails was assured by inspection. According to the report of the Director, India Supply Mission, on the case, the profile of a new rail instead of the worst rail called for, was sent to India on the 3rd March 1949. The inspection contract was placed on a private firm only on the 19th March 1949. The delivery of the first 3,500 tons had, according to the contract, to be completed by the end of December 1948, but only a total of 3,362 tons was actually received upto August 1949.

The Railway concerned placed a regular indent for only 1,092 tons on the 24th May 1949, which had arrived in May 1949 and refused to commit itself to the purchase of the balance in view of the anticipated transfer of the Railway to the Central Government. Accordingly, the Ministry asked the India Supply Mission to cancel the remaining portion of the contract but the India Supply Mission replied, solely on the basis of the firm's statement and without taking any steps for its verification, that the entire quantity of the relaying rails was at sea-board, or *en route* to sea-board, and cancellation of the contract could be done only at full cost. The balance quantity was actually purchased by the firm subsequently from other petty stockists and was shipped from America and received in India upto February 1950. On arrival at the Indian Port, the rails were stacked at the local Railway Depot.

The final report of the railway authorities showed that out of the 100 track miles received, 37 per cent. were fit for the main line and 23 per cent. for important sidings. Out of the remaining, 21 per cent.



could be made fit for unimportant sidings after straightening and removing kinks, while the balance of 19 per cent. was wholly un-serviceable.

The following observations are made :—

- (i) Although required by the rules, no regular indent was placed by the Railway on the Director General, Industry and Supply, nor was a deposit to cover the cost of the purchase made by the Railway before taking purchase action. After the contract was entered into by India Supply Mission, with the firm, early in December 1948, the Director General, Industry and Supply asked the Railway to place the formal indent for the entire quantity. The Railway, however, placed an indent on 24th May 1949 for 1,092 tons only as stated already. Thus the entire order was placed on the India Supply Mission in violation of the rules. It was explained by the Ministry that purchase action was initiated on the basis of an assurance given by the Prime Minister of Mewar State and the State Railway that an indent would be placed as soon as price and delivery terms were known, but that even after these were known, the indent was not furnished in spite of reminders, till 24th May 1949.
- (ii) The plea of restricted export allocation by the United States of America raised by the India Supply Mission in support of the purchase of relaying rails was not sustainable, as it was not in accordance with facts. An old demand for 90 lb. rails had been pending with the India Supply Mission and although the Ministry advised that no action need be taken on the same, the India Supply Mission curiously placed an order for the 90 lb. rails on the same date on which the offer of second hand rails was received. Further, the Ministry had by this time secured an increased export quota from the United States of America. It was, therefore, possible to meet the demand for the required quantity of 90 lb. rails, as well as 65 lb. rails, within the specified delivery period. The Ministry did not, however, examine the contrary statement made by the India Supply Mission.
- (iii) The firm on which the order for relaying rails was placed was not one that ordinarily did business of the kind on any large scale, and had no stocks of the rails. It was later ascertained that the firm was an attorney's firm in 1948. It had changed its name on several occasions, and when last registered, its authorised capital was

unknown but only \$1,500 had been paid. A contract of the magnitude of \$0.8 million was entrusted to the firm without enquiring into its financial standing.

- (iv) When the firm made the offer, the India Supply Mission did not invite competitive tenders from other firms dealing in second hand rails on the ground that it would cause price increase.

The India Supply Mission was aware that early in 1948, second hand rails had been quoted at \$66 for 65 lb. by some manufacturers in another connection and that on the basis of \$85.25 per ton of new 65 lb. rails the rate of \$75 per ton for relaying rails was exorbitant. The offer was nevertheless recommended to the Ministry for acceptance. The Ministry did not also notice this disparity in prices although they were aware of both the quotations.

- (v) It seems extraordinary that the Ministry accepted second hand rails for an important new line to be constructed. It was left to the Railway Administration to raise the doubt.
- (vi) No arrangement was made by the India Supply Mission for inspection when the order for the supply was placed. When in January 1949, the Ministry raised a doubt about the suitability of relaying rails for a new construction, the India Supply Mission consulted an inspection firm, other than the one to whom the Inspection contract was subsequently given, and replied to the Ministry that suitability was assured by Inspection on the basis of the suitability for track laying purposes in United States of America, where equipment was heavier and speeds much faster. The Inspection contract was placed on the 19th March 1949 on a private firm which had been hired by the supplying firm in connection with its purchases of those very rails which were to be supplied to the India Supply Mission. This Inspection contract was accepted by the firm on the 30th March 1949, but it had inspected part of the rails even prior to the placing of the contract for inspection. No specifications were laid down



in the contract for the guidance of inspectors. Though no conditions were imposed in the contract, the Inspection report contained an unusual type of statement to the effect that it covered the condition of the rails as seen by the Inspector and reflected his best judgment, and no liability whatsoever was accepted for defects that might have been overlooked by him or for error of judgment or for claims that might ensue on the part of the ultimate receiver of the merchandise. The Inspection reports showed that a detailed inspection had not been carried out and dimensions had been taken at random. Some of the reports stated that the rails had slight bends. It is surprising that the India Supply Mission accepted these Inspection certificates.

- (vii) The India Supply Mission agreed to the firm delivering 2nd quality rails upto 45 per cent. This deviation from the original offer was not intimated to the Ministry or the indentor and their concurrence to the departure not obtained though required under the rules. The 2nd quality rails were definitely of lower value, but the India Supply Mission took no steps for revision of the price originally offered by the firm. There should have been a reduction of 40 per cent. in the total price because of the mixture, some of the rails having been rolled and stamped as early as 1881.

The real loss suffered by the State on account of this purchase cannot be computed because of the fact that a manifestly higher rate for second hand rails was paid when compared to the new rails which would have been obtained at an extra expenditure of only \$10.28 per net ton. But the loss on account of defective and wholly unserviceable supplies alone, is about Rs. 9 lakhs.

The condition attached to the contract provided that the firm was responsible for any defect or fault detected by the purchaser in the stores on their arrival in India. A claim for \$200,000 approximately has been lodged against the firm and the case is under arbitration in America. The officer mainly responsible for the purchase has been made to resign with effect from the 31st December 1952. Disciplinary action against other officers of the India Supply Mission, if any,

27-28]

responsible for slackness in supervision, etc., has yet to be taken. A sum of about Rs. 7 lakhs representing the value of totally unserviceable rails is lying outstanding under "Suspense" as the Railways have refused to accept debit for this amount.

28. *Insufficient time allowed for submission of tenders.*—Under the rules, all contracts for amounts above Rs. 5,000/- each are to be generally placed after tenders have been called for in the most open and public manner possible, and with adequate notice, which, in the case of large works, is required to be not less than a month, and in the case of supply of stores, not less than 14 days. A review conducted by Audit of the advertisements for tenders issued by the various Railway Administrations during the period from October 1950 to December 1951, has revealed that these rules had not been followed in practice by many of the Railways and that notice of less than a fortnight was given for the submission of tenders in many cases. The number of such cases was 278 (including 117 cases pertaining to Grainshop commodities) and involved purchases and works valued at Rs. 379.7 lakhs. Some important instances are given below :—

## Works

Railway	Particulars of Contract	Time allowed for submission of tenders	Approximate amount of contract
1	2	3	4
Assam .. ..	1. Construction of 63 units 'A' type quarters at Tinsukia.	9 days	Rs. 2,07,700
	2. Construction of 33 units of 'A' type quarters at Jorhat.	Do.	1,09,900
	3. Construction of a Power House at Dhubri	Do.	1,27,000
ex—Bombay, Baroda and Central India.	4. Reconditioning of 255 tons of non-ferrous scrap.	13 days	4,84,190
East Indian ..	5. Supply of 25 lakhs bricks at stations between Maharajpur and Sultanpur.	11 days	1,13,000
	6. Manufacture and supply of 12 lakhs c. ft. 1½" Stone ballast at Barharwa Railway quarry.	Do.	1,35,000



## Grainshop Purchases

Railway	Time allowed for submission of tenders			
	Upto 7 days		8 to 10 days	
	No. of cases	Amount of Contracts	No. of cases	Amount of Contracts
		Rs.		Rs.
Assam .. .. .	1	1,37,000	9	18,09,695
Bengal Nagpur .. .. .	2	9,47,184	7	26,29,320
East Indian .. .. .	3	18,16,998	20	1,14,63,330
ex-Great Indian Peninsula .. .. .	..	..	2	8,11,657
ex-Nizam's State .. .. .	6	7,91,556	5	6,51,937

*Audit Comment*

Want of adequate notice to intending tenderers carries the risk of a poor response and of the Railways not securing sufficiently competitive rates. Thus the main purpose of calling for tenders is defeated.

## (vi) EARNINGS

29. *North Eastern (ex-Assam) Railway—Non-payment of Railway dues by a Commercial concern.*—A certain Roadways Company were appointed as out-agents for the Railway and on its behalf allowed to collect its earnings for the Railway traffic booked by it. The Railway's share of these earnings was paid to them when accounts were presented to the Company. There was, as such, a time-lag between the date of collection of earnings and the payment thereof to the Railway. No security deposit had, however, been taken from the Company to cover the outstandings.

From 1st January 1949, the State Government, in whose jurisdiction the Roadways Company were working, took over the operation of Roadways without giving timely notice to the Railway, with the result that a sum of about Rs. 2.56 lakhs pertaining to the accounts from June 1948 onwards remained outstanding with the Company at the time of the change-over. Pressure was brought on the Company by the Railway to pay the dues, but as the Company had no ready money, it expressed its inability to comply with the

4/5/55

Railway's request, affirming, however, its intention of paying back the money. Some instalments, amounting to Rs. 1.49 lakhs have since been paid.

It appears that the Company has now run into difficulties. It is, therefore, not certain that they will pay back the balance of Rs. 1.07 lakhs. In any case, a large sum of money has remained and will remain locked up with the Company for a long period, the use of which could not be made by the Railways and on which no interest has been promised to be paid by the Company. The interest calculated at  $3\frac{1}{2}$  per cent. would amount to about Rs. 20,000/- upto August 1953. This Roadways Company was also doing similar work for the ex-Eastern Bengal Railway, the agreement for which required that earnings collected should be deposited in the State Treasury. The agreement, in the case of the Assam Railway, was not revised on similar lines when this Railway came under State management, in 1942.

30. *Central Railway—Non-recovery of charges from the Defence Department.*—In October 1947 and subsequent months, the Director, Railway Clearing Accounts Office, Delhi, reported the non-receipt of certain Military Warrants relating to a station from the Accounts Office of the Railway concerned. Investigations revealed that warrants for the months of July 1947, and January to July 1948, had not at all been received in the Accounts Office from the station, while those for the months of June, September, November and December 1947, had been received only partly. An Inspector of Accounts was deputed in October 1949 to examine the station records, in order to ascertain whether the vouchers had actually been despatched by the station. His report indicated that the vouchers had been submitted correctly by the station. An Accounts Officer, who made a subsequent local investigation was, however, doubtful whether the vouchers had been despatched by the station at all. No final decision on the point was, however, reached.

Attempts made to obtain copies of the warrants from the Military units concerned were successful to some extent, and the copies obtained were sent to the Director, Railway Clearing Accounts Office, for preferring bills against the Defence Department. In many cases, however, copies could not be obtained as the relevant Military units had been disbanded. Meanwhile, the time-limit of 3 years for preferring bills, had expired in several cases. The final position was that out of 824 warrants, involving a sum of Rs. 39,265/-, which had not been received originally, copies of about 500 warrants of the



value of Rs. 24,555/- could not be obtained, and this amount was written off by the Divisional Traffic Manager, the Chief Traffic Manager and the General Manager, according to their respective powers, in March and April 1952.

*Audit Comments*

Action to obtain copies of the missing warrants was not expeditious. Efforts at the earlier stages were concentrated on locating the missing vouchers rather than on obtaining certified copies.

(vii) REVENUE EXPENDITURE

31. *North Eastern Railway—Avoidable expenditure on rent for empty gas cylinders.*—Under the existing arrangements, the oxygen and acetylene gas for use on the ex-Assam Railway is purchased by the Railway Administration from two different Companies. One of the terms for the purchase of the gas, as agreed to between the Railway Administration and the Companies, is that the empty cylinders should be returned by the Railway to the Companies' factories within 8 weeks, to be calculated from the date of despatch from the factories, failing which a rent of Re. 1/- (Rs. 1/8/- in the case of one contract) is to be charged per cylinder per week or part thereof, in excess of 8 weeks. It was noticed that besides delays in transit due to transport difficulties at transshipment points and *en route*, there was lack of prompt action on the part of consuming Departments to return the empty gas cylinders despite instructions to do so. As a result, the Railway Administration had to pay rental charges to the extent of Rs. 74,420/- during the period of January 1950 to November 1951, and Rs. 33,740/- during the period from December 1951 to October 1952, *i.e.* Rs. 1,08,160/- in all during a period of 34 months. It was suggested to the Administration by Audit in February 1952, that with a view to avoid such heavy recurring expenditure, it would be more economical to own the requisite number of empty gas cylinders or to extend, by mutual agreement, the free time of 8 weeks. The Railway Administration, however, explained that the firms concerned had in fact already expressed their unwillingness to extend the free time and that it would not be possible to purchase the gas cylinders in the market at the Railway's own cost, as even the firms were finding it difficult to do so and were actually obtaining their additional supplies at auctions made in the Lost Property Offices of the Railways. As a result of examination following the audit objection, the Railway Administration decided, in July 1953, not to auction gas cylinders which come to the Lost Property Offices but to keep them for their own permanent use. The Administration also reiterated in March 1953, their previous orders to the Indenting Officers that any delay on their part in returning the gas cylinders would be at their personal responsibility.

32. *Southern (Mysore State) Railway—Unsatisfactory arrangements for the check of handling and transshipment bills.*—On the Mysore State Railway (now integrated with the Southern Railway), the loading and unloading of goods at stations is done through the agency of station masters and goods inspectors, who are paid at the rates sanctioned by competent authority. Under the procedure in force, they are authorised to draw the amount of the bills for the handling charges from the station earnings and then send the bills to the Accounts Office for post-check, to ensure that the amount drawn in the bills is correct and according to rules. As a result of the review of the handling bills, it was noticed by Audit in March 1951, that the post-check of these bills, amounting to over Rs. 3 lakhs, was in arrears in the Accounts Office. The check relating to the years 1945 onwards was taken up in 1948, after completion of a certain enquiry by the Anti-corruption Department, and special efforts were made in 1951, to clear these arrears. The check since completed, has brought to light that the staff concerned had overdrawn amounts to the extent of Rs. 36,714/- from 1945 to 1951. The check of the bills relating to the periods after 1951 has been brought upto date, except for one station to the extent of 8 months. The Administration is taking action to clear these arrears.

This unsatisfactory position was brought to the notice of the Railway Administration in July 1951. The Administration state that arrangements for effecting recoveries are well under way and that Rs. 887/- have been recovered upto February 1954. The question of entrusting the work of handling and transshipment at stations to outside contractors or departmental labour is under the consideration of the Administration.

33. *Eastern (ex-Bengal Nagpur) Railway—Loss due to the elimination of joint examination of wagons handed over to and taken back from a certain Steel Company.*—An agreement entered into on 28th August 1909, by the Railway with a certain Steel Manufacturing Company, for the carriage by the latter, over their private sidings, of their goods in Railway wagons, provided, *inter alia*, that all damages caused to the wagons while in the custody of the Company, would be borne by it. The quantum of damages was to be assessed by a joint examination conducted by the staff of the Railway and the Company,



at the point of exchange. The system of joint examination was, however, found in practice to cause congestion in the Station yard, retarding thereby the smooth movement of traffic and causing in consequence considerable financial loss to the Railway. It was, therefore, given up from 1st February 1939, when it was agreed that the Company would pay to the Railway an *ad hoc* amount of Rs. 180/- p.m. to cover all damages, ~~viz.~~ other than those requiring repairs in Railway Workshops. The revised arrangements were subject to review and revision half yearly, and were terminable at will by the Railway at one week's notice.

During the first two months under the new settlement, the Railway sustained a loss of Rs. 12,754/-, representing the estimated value of damages suffered by wagons less the amount received to cover these damages. The Company agreed to bear a moiety of this loss, but the claim was not pressed by the Railway as the results for the next seven months indicated a small gain of Rs. 775/-. The maintenance of the record of damages sustained was also discontinued thereafter, till April 1945, when the position was found to have deteriorated again.

The Financial Adviser and Chief Accounts Officer of the Railway had reported in June 1944, and again in March 1947, that a revision of the agreement was urgently called for. The Chief Mechanical Engineer of the Railway also recorded in November 1948, that the actual cost of damages per month was in the region of Rs. 2,500/- to Rs. 3,000/-. As such the Railway was losing heavily every month. The matter, however, still remained 'under consideration' with the Administration till Audit, during an inspection in January 1949 drew their pointed attention to the recurring loss. A joint examination was held in September 1950 and it was proposed on the results thereof to raise the lump sum payment by the Company from Rs. 180/- p.m. to Rs. 2,500/- p.m., from 1st April 1949. The Company did not accept even this. Further, negotiations were continued when a monthly payment by the Company of Rs. 1,000/- with effect from 1st January 1951 was decided upon. The reduction of Rs. 1,500/- p.m. from the amount settled previously was justified by the Administration on the grounds that

- (i) their previous calculations excluded altogether the cost of the unserviceable, damaged or broken parts returned by the Company, and

(ii) in view of the more intensive check exercised on the wagons at the time of taking over from the Company than at the time of placing them at their disposal, all the damages discovered could not be ascribed to the Company.

(viii) SUMMARY OF LOSSES MENTIONED BELOW THE APPROPRIATION ACCOUNTS OF THE GRANTS FOR 1951-52

34.

(Figures in units of rupees)

Page of the Appropriation Accounts for 1951-52, (Part II—Detailed Appropriation Accounts)	Number and name of the grant	Total number of minor losses, irregularities, etc., under each grant	Total amount of minor losses, etc., under each grant	Brief Subject
1	2	3	4	5
			Rs.	
7	1—Revenue—Railway Board.	2	471	Miscellaneous losses.
	Total ..	2	471	
8	2—Revenue—Audit.	1	56	Loss of uniform of a class IV servant.
	Total ..	1	56	
10	3—Revenue—Miscellaneous Expenditure.	1	5,180	Loss of a lorry damaged in a road accident.
		139	174	Miscellaneous losses.
	Total ..	140	5,354	
17 to 19	4—Revenue—Working Expenses—Administration.	5	24,265	Loss of cash through robbery, etc.
		92	5,900	Waiver of overpayments of salary, allowances, etc., to staff.
		47	5,854	Theft of stores, typewriters, fans, bicycle and other articles.
		17	1,683	Value of articles and stores, received short or damaged through various causes, written off.
		5	299	Miscellaneous losses.
	Total ..	166	38,001	



## Chapter II]

[34

1	2	3	4	5
28 to 32	5—Revenue—Working Expenses—Repairs and Maintenance.	4,377 1,032 128 3 92 1 316	21,50,826 61,904 32,234 9,690 3,786 351 2,579	Loss arising out of floods, accidents, fires, storms, etc. Value of articles and stores received short or damaged through various causes, written off. Loss on account of theft of stores. Loss on account of advances, overpayments, etc., to contractors. Written off, on account of overpayments of salary, allowances, advances, etc., to staff. Loss on account of theft of cash. Miscellaneous losses.
	Total ..	5,949	22,61,370	
37	6—Revenue—Working Expenses—Operating Staff.	58	3,890	Write off on account of overpayments of salary, allowances, etc., to staff.
	Total ..	58	3,890	
42	7—Revenue—Working Expenses—Operation (Fuel).	35	3,73,599	Loss of fuel and other materials in transit, on account of thefts, pilferage, etc.
	Total ..	35	3,73,599	
49 & 50	8—Revenue—Working Expenses—Operation other than Staff & Fuel.	541 1,077 3 3 5 5 87	60,089 38,559 11,101 2,127 1,310 104 1,282	Loss of stores in transit and other physical losses. Loss on account of theft of stores. Loss on account of theft of cash. Loss arising out of accidents, floods, fires, storms, etc. Certain time-barred bills against the Defence Department, written off. Overpayments of salary, allowances, etc., to staff, written off. Miscellaneous losses.
	Total ..	1,721	1,14,572	
56 & 57	9—Revenue—Working Expenses—Miscellaneous Expenses.	2,062 18 26 1 40 41	3,29,653 3,357 14,101 2,506 1,480 2,881	Stores lost in transit and other physical losses, written off. Losses on account of thefts. Loss of cash through embezzlement, robbery or theft and on account of base coins and spurious notes. Loss arising out of fire. Waiver of overpayments of salary, allowances, etc., to staff. Miscellaneous losses.
	Total ..	2,188	3,53,978	

1	2	3	4	5
62	9A—Revenue— Working Expenses —Labour Welfare.  Total ..	80 24  55  159	3,060 313  4,210  7,583	Thefts of canteen articles, etc. Waiver of overpayments of salary, allowances, etc., to staff. Miscellaneous losses.
70	12A—Open Line Works—(Revenue) —Labour Welfare. Total ..	1 1  2	34 242  276	Loss of stores in transit. Miscellaneous losses.
74	12B—Open Line Works—(Revenue)— Other than Labour Welfare. Total ..	3   3	3,891   3,891	Losses arising out of fire, etc.
83	15—Construction of New Lines.       Total ..	17  62 1  8 1 3  92	9,52,902  11,146 3,003  1,330 224 254  9,68,859	Losses arising out of accidents, floods, etc. Thefts of stores and cash. Loss of stores during disturbances in 1947. Loss of materials in transit. Waiver of overpayments of salary, allowances, etc., to an employee. Miscellaneous losses.
94	16—Open Line Works—Additions.       Total ..	32 15  15  4 2 9  77	8,463 3,438  2,214  1,892 540 1,900  18,447	Thefts and pilferage of stores. Materials lost in transit or received short. Losses due to deterioration of stores on account of prolonged storage. Waiver of overpayments of salary, allowances, etc., to staff. Losses arising out of fire and floods. Miscellaneous losses.
101	17—Open Line Works—Replace- ments.       Total ..	27  8 1  2 17  55	5,11,742  15,403 2,412  103 3,513  5,33,173	Losses arising out of accidents, floods, fires and earthquake. Stores lost in transit. Loss of stores due to inaccurate keeping of accounts. Waiver of overpayments of salary, allowances, etc., to staff. Miscellaneous losses.
105	18—Open Line Works—Develop- ment Fund. Total ..  Grand Total ..	1 1 2  10,650	75,851 438 76,289  47,59,809	Loss due to earthquake. Theft of stores.



## (ix) OTHER TOPICS OF INTEREST

35. *Efficiency of Internal Check.*—(i) In paragraph 28 of the Audit Report (Railways), 1952 (Part II), mention was made of the general state of arrears and of certain other defects in internal check. The position in respect of the more important arrears in the year under review, as it stood on 31st July 1953, is set out in the table below :—

Extent of arrears  
Railways

Serial No. 1	Nature of arrears 2	Central 3	Eastern 4	North Eastern 5	Northern 6	R.C.A.O. 7	Southern 8	Western 9
1	Number of Stock Verification Sheets, showing discrepancies in stock (noticed by stock verifiers) remaining undisposed of.	305	5,819 (on 30-6-53)	57	..	..	33	379
2	Inspection of initial accounts maintained at stations, offices, shops, etc.	..	..	3 (Offices).	..	..	..	..
3	(i) Posting of various suspense and subsidiary registers and their reconciliation with General/Departmental Books.	..	11 to 47 months	Varying from August, 1951	..	..	18 to 42 months	..
	(ii) Review of Suspense Registers.	..	..	..	81 Purchase Registers from 1-4-51	..	..	..
4	Number of missing returns of stations ..	28 (on 30-9-53)	590	7,805	..	4	1,582	..
5	Check of fixation of pay in Central Pay Commission Scales of pay (No. of cases).	..	..	3,321	..	..	..	..
6	Provident Fund—							
	(i) Disposal of applications of retired staff for payment of special contribution to P.F. and gratuity (No. of cases).	..	..	48	..	2	38	..
	(ii) Reconciliation of P.F. ledgers with General Books.	2/51 to 9/52	From 15-8-47 to 31-3-52	3/52 to 9/52	From 51-52 (H. Qrs.)	..	One to three years	4/51 to 3/52

Apart from the above, there were considerable arrears in the post-audit of vouchers, etc., by the Accounts Office and the inspection of Station accounts by the Travelling Inspectors on the Southern Railway, the posting of service sheets and leave accounts on the Western Railway, the compilation of Capital and Revenue Accounts of residential buildings on the Central, Northern, Western and North Eastern Railways, and the review of stores priced ledgers on almost all the Railways, except the Central Railway.

The state of works registers was far from satisfactory on the Northern, North Eastern and Western Railways. There were either heavy arrears in their posting and reconciliation with the General Books, or in their review.

Abnormal delays were also noticed in the preparation and verification of completion reports on the North Eastern and Northern Railways.

(ii) Important defects in internal check, noticed on some of the Railways, are detailed below :—

- (a) The test-check of the work of the Accounts staff by Gazetted Officers and Subordinate Supervising staff, as required under the rules, continued to be unsatisfactory on the Northern, Southern and Western Railways. The importance of this test-check can hardly be over-emphasised.
- (b) The maintenance of the scale check registers, prescribed for the purpose of exercising a check over the number of posts, in the various time scales and grades, sanctioned from time to time, continued to be unsatisfactory on the Western Railway and certain sections of the Eastern, Northern, North Eastern and Southern Railways.
- (c) Objectionable Items Registers, prescribed to watch the clearance of objections raised by the Railway Accounts and Audit offices, were either not maintained at all or were maintained inefficiently on certain sections of the Central, Northern and Western Railways.
- (d) In some of the Workshops on the North Eastern and Western Railways, the prescribed reconciliation between Muster Rolls and Time Sheets was not done, while on the Eastern and Northern Railways it was done only by "totals" and not by individual workmen.
- (e) The arrangements for a regular and systematic watch over the recoveries of rent due from the occupiers of Railway buildings were either non-existent or were unsatisfactory on some sections of the Eastern, Northern, North Eastern and Southern Railways.



- (f) The test-check of running allowances drawn by Guards, Drivers, etc., with reference to the initial documents in the executive offices was not conducted during the year on some sections of the Northern and Western Railways. On the former Oudh Tirhut portion of the North Eastern Railway, this check continued to be exercised biennially instead of annually.
- (g) The comparison of the Indentor's foil of the Issue Notes for stores with the priced copy, accompanying the debit schedule, prescribed as a safeguard against frauds, was not done in a Workshop on the Northern Railway and in respect of stores drawn direct by the shops on the Chittaranjan Locomotive Works.
- (h) The condition of the Provident Fund accounts on the Central, North Eastern, Southern and Western Railways and the Registers of Foreign Service Contributions on the North Eastern Railway was not satisfactory.

(iii) Some further instances of the complete or partial non-observance by individual Railways of the prescribed rules and orders are given below :—

#### 1. Chittaranjan Locomotive Works

Formal agreements or bonds were not executed by the staff of the Cash and Pay Office, nor was any security deposited by the staff handling stores.

#### 2. Eastern Railway

(a) Arrears due to the refixation of pay under the Central Pay Commission award, in respect of the staff engaged on behalf of private parties, had not been recovered from the parties concerned in all cases.

(b) The prescribed review of the unremunerativeness or otherwise of the assisted sidings had not been conducted for the last 5 to 6 years in some of the Divisions, with a view to recover the repairs and maintenance charges in respect of the unremunerative assisted sidings.

(c) Demurrage charges amounting to over Rs. 4½ lakhs were outstanding against certain firms and collieries on account of irregular submission of bills by the Railway and non-payment by the firms.

#### 3. Southern Railway

(a) The omission to maintain the Materials-at-Site accounts on the ex-South Indian Railway continued in 1951-52.

(b) Leave accounts of the staff, taken over by Government from the ex-Mysore State Railway, who had elected the Liberalised Leave Rules of the Government of India have not yet been recast.

#### 4. *Western Railway*

(a) No internal check was exercised by the Accounts Office on the amounts paid by the Administration as compensation for goods lost or damaged.

(b) The default in recoveries of interest and maintenance charges in respect of a number of private and assisted sidings continued during 1951-52.

(c) The prescribed reconciliations between the Stores Priced Ledgers and the Depot Ledgers, and between the Traffic Books and General Books were not carried out.

(iv) Certain important registers were not maintained on some sections of the following Railways :—

##### *Northern Railway*

Land Register, Register of bills passed for payment, Register of un-accounted for way bills, etc., Register of Accounts notes of stock verifications, Gang Register, Register of limited currency sanctions, Siding Register and Register of Railway buildings.

##### *Western Railway*

Register of overpayments waived, Register of losses and serious irregularities, and Register of Foreign Service Contributions.

(v) In spite of the special instructions issued by the Railway Board, at the instance of Audit, in July 1953, that the documents required for test-audit should be made available to Audit by the Accounts Offices with the least delay, the position did not improve on the Southern, Western and North Eastern Railways.

36. *Disposal of Audit Objections.*—All important irregularities and defects in accounts, noticed during the local inspections of Executive and Administrative Offices, are communicated in Inspection Reports to the Departmental Officers through the Accounts Officers. Objections raised as a result of test-audit of the Railway accounts are communicated through Audit Notes, important items being taken up through special letters. These objections should receive the prompt attention of the Departmental and the Accounts Officers, who are required to see that suitable action is taken, either to regularise or to remove the objections. An analysis of the number of Inspection Reports and Audit Notes outstanding on 31st March 1952, but not cleared up to 1st December 1952, together with the number of items and the amounts involved, is given in the statement below, indicating also the number of items of objections in cases where money values cannot be assigned.



## Chapter II]

[36

Railway & Year	Test Audit Notes			Inspection Reports			Money value not known	
	No.	Items	Amount (Rs.)	No.	Items	Amount (Rs.)	T. A. Notes Items	Inspection Reports Items
1	2	3	4	5	6	7	8	9
<i>Central Railway</i>								
1944-45 ..	..	..	..	1	1	6	..	40
1946-47 ..	..	..	..	..	..	..	7	40
1947-48 ..	..	..	..	3	3	411	16	166
1948-49 ..	..	..	..	14	88	3,903	63	323
1949-50 ..	6	8	12,384	25	27	5,398	166	572
1950-51 ..	15	18	1,44,244	31	91	26,143	217	1,216
1951-52 ..	33	116	25,881	26	79	42,257	484	965
<i>Chittaranjan Locomotive Works</i>								
1949-50 ..	..	..	..	..	..	..	1	5
1950-51 ..	1	1	5,918	1	1	400	25	23
1951-52 ..	1	1	834	5	6	23,617	21	20
<i>Eastern Railway</i>								
1947-48 ..	1	1	221	..	..	..	..	21
1948-49 ..	3	3	1,413	3	5	780	8	27
1949-50 ..	10	23	1,15,449	3	7	22,308	50	37
1950-51 ..	26	27	6,35,163	24	54	4,42,596	238	187
1951-52 ..	73	143	48,32,887	65	157	4,90,569	330	469
<i>Northern Railway</i>								
1947-48 ..	..	..	..	..	..	..	8	..
1948-49 ..	..	..	..	1	7	22,154	13	..
1949-50 ..	4	7	7,002	..	..	..	34	13
1950-51 ..	5	9	54,606	..	..	..	222	191
1951-52 ..	42	93	13,86,543	19	31	87,977	507	1,410

1	2	3	4	5	6	7	8	9
<i>North Eastern Railway</i>								
1945-46 ..	..	..	..	1	2	2,626	..	9
1947-48 ..	..	..	..	..	..	..	7	7
1948-49 ..	9	38	6,458	..	..	..	37	18
1949-50 ..	10	40	2,39,897	4	4	2,722	42	67
1950-51 ..	43	256	72,165	5	10	11,812	231	157
1951-52 ..	56	204	2,77,467	5	11	5,365	518	272
<i>Railway Clearing Accounts Office</i>								
1949-50 ..	2	26	58,711	..	..	..	1	..
1950-51 ..	..	..	..	..	..	..	1	..
1951-52 ..	..	..	..	..	..	..	1	..
<i>Southern Railway</i>								
1946-47 ..	..	..	..	..	..	..	7	7
1947-48 ..	..	..	..	..	..	..	10	3
1948-49 ..	12	274	7,524	1	2	1,813	18	17
1949-50 ..	12	43	38,839	12	19	71,836	39	80
1950-51 ..	24	29	4,23,240	5	8	89,053	151	170
1951-52 ..	33	53	7,25,776	17	26	1,28,093	269	441
<i>Western Railway</i>								
1947-48 ..	..	..	..	1	1	8,697	..	..
1948-49 ..	..	..	..	3	8	1,648	1	34
1949-50 ..	4	5	294	9	31	1,503	35	103
1950-51 ..	119	152	16,692	39	64	75,432	390	196
1951-52 ..	107	178	20,94,525	46	174	8,15,790	1,234	699

(a) Some of the more important objections, involving comparatively heavy amounts were :—

*Central Railway*

Short recovery of the sale value of scrap sold to ex-Bombay, Baroda and Central India Railway ... Rs. 3,900



	Rs.
Non-recovery of storage charges for non-removal of the material sold to a firm ... ..	3,522
<i>Eastern Railway</i>	
Discrepancies in the accountal of logs in Haliashahar Depot ... ..	60,000
Irregular payment to departmental labour for doing contractor's work ... ..	2,610
Non-extension of temporary posts ... ..	8,580
Wrong fixation of pay under Railway Services (Revision of Pay) Rules, 1947 ... ..	9,937
Loss due to destruction of commodities ... ..	3,953
Loss due to sale of superfine rice as ordinary common rice ... ..	36,232
Sanction of competent authority not obtained for a "write-off" ... ..	12,983
Under-charges in cattle booking ... ..	20,000
Entertainment of temporary posts of Watch and Ward Department without sanction ... ..	6,945
Cost of cinders to be recovered from contractors ... ..	7,875
Outstanding demurrage and wharfage ... ..	{ 9,726 5,503
Loss of engine fittings, carriage and wagon fittings, necessitating "writes-off" by the General Manager ... ..	14,456
Extra expenditure incurred in connection with the provision of a Driver's Running Room ... ..	25,434
Loss due to deterioration of food stuff ... ..	7,928
Non-regularisation of loss of food grains in transit and non-settlement of claims preferred against the Traffic Department ... ..	12,068
Avoidable expenditure in the employment of drivers on non-running duty ... ..	23,230
Loss as a result of damage caused to 1,201 C. Sheets due to departmental working of cranes ... ..	11,966
Non-accountal of materials (brick-bats) lying at site of work of a Construction (closed down) taken over by the Administration from the contractors ... ..	1,08,446
Freight on coal for Locomotive and Carriage Department outstanding for want of receipt of credit notes ... ..	11,759

	Rs.
<i>Northern Railway</i>	
Non-recovery of municipal taxes on railway buildings occupied by Government Departments and outsiders ... ..	6,257
Rejection of a tender from a contractor in February 1951 on the ground of non-availability of funds, although funds existed and acceptance of a fresh offer from the same contractor at higher rates in June 1951 ... ..	17,000
Occupation of railway land without payment of rent by outsiders ... ..	17,329
Recovery to be effected from the Director, Civil Supplies, Delhi, for consignments delivered without collection of freight charges ... ..	22,154
Delay in recovering shunting charges from a Paper Mill Company at revised rates and with retrospective effect ... ..	5,000
Freight and wharfage charges due from Government Departments ... ..	1,40,202
<i>North Eastern Railway</i>	
Avoidable payment of carting charges to contractors	9,285
Avoidable expenditure incurred due to services of certain temporary Hamals not having been dispensed with ... ..	88,000
Loss due to auction sale of pulses and empty bags at a certain grain Depot ... ..	48,811
Loss due to the delay in the revision of rates for electric supply to staff and outsiders ... ..	50,000
Short recovery from a State Government on account of maintenance charges of a bridge ... ..	10,000
Overpayments under Railway Services (Revision of Pay) Rules, 1947 ... ..	5,763
<i>Southern Railway</i>	
Irregular payment of running allowance to firemen working as shunters at outstation sheds ...	11,543
Expenditure incurred on an unsanctioned work ...	23,260



	Rs.
<i>Western Railway</i>	
Interest and maintenance charges due from a Sugar Mill ... ..	8,697
House rent allowance paid to ineligible persons on ex-G. B. S. Railway ... ..	12,800
Extra expenditure due to non-fulfilment of work by a contractor ... ..	5,969
Overpayment of cash dearness allowance ...	2,800
Recoveries due from suppliers and contractors in connection with works ... ..	21,582

(b) Other types of irregularities, where money value has not been assessed, were :—

#### *Central Railway*

Non-imposition of penalties for failure to complete the work in time; acceptance of tenders without competent sanction and insufficient notice for return of tenders; overpayments of house rent and dearness allowance; recoveries of overpayments of wages and allowances to workshop staff due to calculations having been made on the basis of 208 hours a month instead of normal working hours; overpayments due to irregular grant of increments etc. to ex-Scindia State Railway staff with effect from 1st November 1950; non-recoveries on account of sale of material to private firms and of ground-rent for space allotted to landing contractors; payment of sales-tax to the firms though not provided in the contracts; non-recoveries from contractors on account of risk purchases; non-recovery of rent from Railway employees; excess payment of leave salary due to mistakes in leave accounts or grant of interim relief after 1st January 1947 or 16th August 1947, to some employees who had opted for Central Pay Commission scales of pay.

#### *Northern Railway*

Delay in the recovery of cost of staff employed on behalf of other Government Departments/outside bodies; irregular fixation of pay of train clerks promoted as guards; irregular fixation of pay of shunting jamadars and cabinmen; overpayment of house-rent allowance; non-revision of the on-cost charges; sanctioning of the temporary posts of shunter and fireman by the General Manager for an unlimited period; extra payment to a firm not covered by the terms of the contract; and irregular grant of dearness allowance to an Assistant Surgeon during a period of study.

*North Eastern Railway*

Non-recovery of rent of a bungalow from the Military Department ; non-revision of shunting charges on sidings ; short recovery on account of coal supplied to contractors ; and non-recovery of rent from employees.

*Southern Railway*

Delay in the examination of remunerativeness of sidings and in the revision of charges towards cost of maintenance works in Railway premises recoverable from private parties, and defective maintenance of accounts of the Lost Property Office.

*Western Railway*

Non-recovery of rent for quarters occupied by staff ; non-recovery of dues from suppliers and contractors in connection with works ; and irregular maintenance of Materials-at-site accounts.

37. *Non-availability of files relating to compensation claims for Audit scrutiny.*—Compensation paid to the public for loss or damage to their consignments carried by Railways is subject to scrutiny by Audit, after the claims are settled. The position regarding the supply of relevant files by some of the Railway Administrations has not been quite satisfactory. Even though the files were requested by Audit in time, a number of them were not supplied for considerable periods, in spite of reminders, and Audit was ultimately told that some of these had either been destroyed under the time-limit laid down for their preservation or were not traceable. In these circumstances, the audit of such payments could not be conducted. The number of such cases reported as destroyed or untraceable in the last few years, is given below :—

Railway	Period	Number of cases
ex-Great Indian Peninsula .. .. .	1949-50	351
ex-Madras and Southern Mahratta .. .. .	1950-51	27
	1951-52	66
		93
ex-Bombay, Baroda and Central India .. .. .	1949-50	187
	1950-51	233
		420



## Chapter II]

[37-38

Railway	Period	Number of cases
ex-Jodhpur .. .. .	1951-52	16
Total .. .. .		880

The number of files requisitioned by Audit for scrutiny from time to time, but not supplied by the Railway Administrations upto 31st March 1953, and which have not been reported by them as destroyed or untraceable is as under :—

Railway	Period	No. of cases
ex-Bombay, Baroda and Central India .. .. .	1950-51	144
	1951-52	333
		477
ex-Great Indian Peninsula .. .. .	1949-50	17
	1950-51	226
	1951-52	565
		808
ex-Oudh Tirhut .. .. .	1949-50	499
	1950-51	117
	1951-52	2
		618
Total .. .. .		1,903

*Audit Comments*

The procedure for the retention of the files on the various Railways needs improvement. The matter was brought to the notice of the Railway Board in June 1953. No action has, however, been taken by the Board so far (January 1954).

38. *Rationalised distribution of Stores.*—In paragraph 20 of their Fifth Report, 1952-53, the Public Accounts Committee noted that a net reduction of Rs. 3.56 crores in the value of “surplus stores” had been effected by the Railway Administrations by 30th June 1952, and desired that the progress made in effecting further reduction in the stores balances on the Railways should be watched through the next Audit Report.

The further reduction effected upto 31st March 1953 in the balance of "surplus stores", after allowing for the items becoming surplus subsequent to 30th June 1952, was about Rs. 1.15 crores only. The position on each Railway from 31st March 1951 to 31st March 1953 is indicated in the statement below :—

Serial No.	Railway	(In lakhs of rupees)	
		Surplus stores on 31-3-1951	Net reduction effected upto 31-3-53, after allowing for additional items subsequently becoming surplus
1	Central .. .. .	2,53·16	2,07·03
2	Eastern .. .. .	3,44·11	1,07·75
3	Northern .. .. .	1,73·52	54·73
4	North Eastern .. .. .	1,20·00	68·74
5	Southern .. .. .	67·61	6·29
6	Western .. .. .	48·34	26·34
	Total .. .. .	10,06·74	4,70·88
	Net reduction reported upto 30th June 1952 .. .. .		3,56·00
	Further net reduction upto 31st March 1953 .. .. .		1,14·88

The reductions were effected by the Railways mainly by utilising the existing stocks against their current demands and transferring their excess or surplus stocks to other Railways in need of them. Purchase of new stores was resorted to, generally, after enquiries about the excess or surplus stocks available on other Railways. Outstanding incidents on the Director General, Supplies and Disposals, were also cancelled, wherever possible.

The Railway Board, in paragraph 50 of the Proceedings of the Public Accounts Committee at page 33 of the Second Report of the Public Accounts Committee on the accounts for 1948-49, expected an overall reduction of about Rs. 10 crores in the aggregate Stores balances, within a period of a year to 15 months. The Administration explain that this expectation was linked with the introduction of important changes in the procedure for the procurement of stores for the Railways as recommended by the Stores Enquiry Committee. The agreement of the Ministry of Works, Housing and Supplies for introducing these changes could not, however, be obtained and *status quo* is, therefore, being maintained by the Administration till the Stores Purchase Committee, appointed in March 1953, by that Ministry completes its work. The result, therefore, is that even though a period of 18 months had expired by 31st March 1953, the actual overall reduction achieved,



since 31st March 1951, is only of the order of about 77 lakhs, the reduction of about 4.71 crores in the surplus stores having been offset by an increase of about 3.94 crores in other than surplus stores.

The Railway Board, in their Memorandum referred to in paragraph 20 of the Fifth Report of the Public Accounts Committee, reported an additional reduction of roughly Rs. 92 lakhs in the value of the accumulated scrap materials upto 30th June 1952. In the subsequent nine months, upto 31st March 1953, there was, however, an increase of Rs. 1.10 crores in the value of scrap.

39. *Economies in expenditure introduced at the instance of Audit.*—

(i) Over 700 malis were employed on the ex-Oudh Tirhut (now North Eastern) Railway for looking after plantation work at station platforms and in Railway colonies. In the principal officers' meeting held in September 1949, the Deputy Chief Auditor, suggested that in view of the excessive number of plantation staff employed on the Railway, there was *prima facie* a case of reduction in expenditure. This suggestion was followed up officially in December 1949, and the Administration was asked to intimate the extent of reduction effected in the plantation staff. The Railway Administration investigated the matter in October 1949, and as a result thereof, 438 malis and 1 time-keeper were gradually retrenched. This resulted in a saving of about Rs. 4 lakhs a year.

(ii) Prior to the date of Federal Financial Integration, *viz.*, 1st April 1950, the Chitorgarh station (a link point between the ex-Rajasthan and the ex-Bombay, Baroda and Central India Railways) was separately manned by each Railway to serve its own needs. It was pointed out by Audit in November 1950, that continuance of separate staff was not justified and considerable economy could be achieved, if one of the two Railways was to work the Station. After examination, the Administration decided in September 1951 to have one set-up. The new arrangement resulted in an annual saving of Rs. 10,380/- under staff, stationery, uniforms etc., and watering arrangements.

(iii) There was no traffic to and from Hussainiwala, an ex-Eastern Punjab Railway station, after partition *i.e.*, 15th August 1947. It was, however, noticed by Audit that one Booking Clerk, one pointsman and one sweeper continued to be employed at the station. The necessity for the retention of this staff having been questioned, it was explained by the Administration that the staff had been engaged on behalf of the Punjab Irrigation Department, but no recoveries were being made from that Department for the cost of such staff. The Irrigation Department has since agreed to bear the cost *viz.*, Rs. 350/- per month with effect from 15th August 1947, resulting in a recovery of Rs. 19,425/- as arrears.



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

(A) *Railway Audit Report, 1950—*

(i) *Paragraph 28—East Indian and Bengal Nagpur Railways—Remission of outstanding demurrage charges.*—The application of the revised demurrage rules in regard to the detention of wagons on sidings belonging to one of the concerns is still under investigation by the Administration.

(ii) *Paragraph 32—East Indian Railway—Hiring of a portion of the Esplanade Mansions, Calcutta, for the Public Relations and Publicity Offices.*—The lease for the premises has not yet been executed. It has been explained by the Administration on 29th January 1954, that the lease could not be finalised on account of changes in the ownership of the premises from one proprietor to another, once on 26th May 1952, and again on 1st April 1953. Arrangements are now being made to start negotiations with the present proprietors of these properties for entering into a lease on as favourable conditions to the Railway as possible. It is, however, more than seven years now since the premises were taken over by the Administration !

(B) *Railway Audit Report, 1951—*

*Paragraph 42—Inadequacy of rent realised for railway quarters.*—The *pro forma* Capital and Revenue Accounts of residential buildings have been prepared by all the Railway Administrations, except the Assam Railway, who have not yet prepared them for 1948-49 onwards, but who are expected by the Ministry to bring them upto date by 30th June 1954. The question regarding the adequacy of the return on the expenditure incurred on residential buildings has not so far been settled by the Railway Board.

SIMLA,  
The 3rd May 1954

R. C. KHANNA  
Director of Railway Audit

Countersigned

NEW DELHI,  
The 1954.

V. NARAHARI RAO  
Comptroller and Auditor General of India

12 MAY 1954





