

Chapter 6

Staff Matters and Public Sector Undertakings (PSUs) of IR

Staff Matters in Indian Railways is being handled by Member (Staff) at Railway Board level. At Zonal Railway, Chief Personnel officer (CPO) is responsible for staff matters and their pay and allowances and Senior Divisional Personnel officer (Sr. DPO) in the Divisions.

There are 36 Public Sector Undertakings (PSUs) of Indian Railways as on 31 March 2016 under control of Ministry of Railways. These PSUs were set up by the Ministry with varied and specific objectives of raising finance for its rolling stock, manufacture of wagons, executing infrastructure projects, managing containerization of rail traffic, catering and tourism, station development, utilise railway telecommunication network etc.

This Chapter highlights one paragraph on non-recovery of subscription towards new pension scheme and two issues on Railway PSUs viz., Rail Vikas Nigam Limited (RVNL) and Indian Railway Catering and Tourism Corporation Limited (IRCTC), wherein Audit commented on award of the work of 'Maintenance of Accounts of RVNL' in contravention of CVC guidelines; and continuing payment of rent on office accommodation due to delay in construction of own office building.

6.1 South Central: Non recovery of subscription towards New Pension System Railway (SCR) amounting to ₹77.07 lakh and equal amount of matching contribution

Non/improper implementation of New Pension Scheme at Nanded Division of South Central Railway, Secunderabad resulted in non-recovery of subscription of ₹77.07 lakh and equal amount of matching contribution.

Consequent upon the introduction of New Pension System (NPS) with effect from 1 January 2004 by Government of India, Railway Board issued instructions (19 February 2004) for implementation of the system. Accordingly, all Government servants who joined service in Indian Railways on or after 1 January 2004 shall contribute 10 *per cent* of the salary (Basic Pay and DA) from the first of the month following the month in which the Government servant has joined the service.

In Nanded Division of South Central Railway, Secunderabad, 146 persons joined service during the period from August 2011 to March 2016. However, deduction at the rate of 10 *per cent* of their salary, as required under the provisions of NPS, was not made till June 2016. At the instance of audit the deduction under the provisions with respect to 97 out of the 146 employees were started from June 2016.

Thus, non/improper implementation of NPS resulted in non-recovery of ₹ 77.07 lakh towards subscription and non-contribution of matching amount by the Government. Besides, applicable interest on subscription as well as contribution could not be provided.

The matter was brought to the notice of SCR Administration through Special Letter in April 2016. Railway Administration replied (July 2016) that application of 97 employees for allotment of Permanent Retirement Account Number (PRAN) had been received and forwarded to Central Pension Accounting Office for allotment of PRAN and recovery with respect to 97 employees had been commenced from the month of June 2016.

Railway Administration failed in getting details filled by the employees in the prescribed form from the first of the month following the month of joining of service, which was the duty of the bill-drawing officer as per instructions of Railway Board. As a result, SCR Administration failed to recover subscription towards NPS.

The matter was referred to Railway Board in December 2016. In reply, they stated (February 2017) that NPS recovery in favour of all employees have been recovered except seven, who are absent for long duration. They further stated that a JPO has been issued on 30 October 2016 in order to avoid such recurrences in future.

Railway Board may also ensure recovery of NPS subscription in other divisions, if any, where such subscription is not being recovered and deposited with Central Retirement Pension Accounting office.

6.2 Rail Vikas Nigam Limited Award of the work of 'Maintenance of Accounts of RVNL' to a firm on nomination basis in contravention of CVC guidelines (RVNL):

Selection of firm for 'Maintenance of Accounts of RVNL' on nomination basis in respect of RVNL and its subsidiary without following the guidelines of Central Vigilance Commission led to irregular expenditure of ₹5.07 crore during October 2005 to October 2016.

To bring greater transparency and accountability in award of contracts for Works/Purchase/Consultancy Central Vigilance Commission (CVC) vide its various circulars²⁴⁰ had emphasized that open tendering was most preferred mode of tendering. Even in case of limited tendering, CVC insisted in transparency in preparation of panel. CVC guidelines further stipulate award of contract on nomination basis by the PSUs in inevitable²⁴¹ situations subject to certain conditions. CVC circular also states that tendering process or public auction was basic requirement of award of government contract as any other method especially award of contract on nomination basis would amount to breach of right to equality under Article 14 of the Constitution.

Rail Vikas Nigam Limited was incorporated (2003) for implementation of Railway Projects and the staff of RVNL including Accounts section were taken mainly on deputation basis from the Railways. The Board of Directors (BOD) in its 4th meeting (August 2003), authorized them to outsource the accounting services. Accordingly, RVNL requested two other Railway PSUs viz. IRCON International Limited and RITES Limited to provide list of Chartered Accountants firms. IRCON provided a list of 37 Chartered Accountants firms out of which RVNL shortlisted 10 firms and invited offers from these 10 shortlisted firms against which five firms participated. RVNL awarded the work of 'Maintenance of Accounts of RVNL' (June 2004) to the M/s Umesh Chand & Company (the Firm), initially at a cost of ₹ 38,000 per month from August 2004 to September 2005. Thereafter they continued to re-engage the same firm on nomination basis without inviting open tender from October 2005 till date. The remuneration was decided on the basis of volume of work mentioned in 'Terms of Reference' specified by RVNL in the Engagement letter every year, number of personnel deputed and annual rate of inflation. The monthly remuneration paid by them to the Firm during the year 2016 was ₹ 7.81 lakh (October 2016). During the period October 2005 to October 2016, RVNL incurred an expenditure of ₹ 5.07 crore. It was also seen that the same Firm was also awarded the contract on nomination basis without inviting open tender, from the financial year 2012-13 to 2015-16 for accounting services of High Speed Rail Corporation India Ltd. (HCIL), a subsidiary of RVNL. Total payment made by HCIL to the Firm during the period was ₹ 2.67 lakh.

²⁴⁰ Circular no. 06-03-02-CTE-34 dated 20.10.2003, Circular no. 15/05/06, Circular no. 23/07/07 and Circular no. 18/12/12

²⁴¹ 'Inevitability' of the situation has been described in the CVC circular dated 5 July 2007 based on a Supreme Court Judgment, as 'Natural calamities and emergencies declared by the Government, where the procurement is possible from a single source only, where the supplier or contractor has exclusive rights in respect of goods or services and no reasonable alternative or substitute exist, where the auction was held on several dates, but there were no bidders or the bids offered were too low etc.

RVNL awarded the contract for accounting services on nomination basis to the Firm year after year in contravention of CVC Guidelines. The records of RVNL were examined to see whether such appointment was as per the rules framed by them. However, it was seen that RVNL did not have a Procurement Manual which laid down rules and procedures for procurement of goods and services.

The matter was referred to RVNL (June 2016). RVNL stated (September 2016) that the services of the firm had been retained on year to year basis to ensure continuity and smooth flow of work as the agency was well acquainted with systems and procedures and the accounting requirements of RVNL. The process of change over from one firm to another, for a sensitive matter such as maintenance of accounts, might prove not only difficult, but also disruptive. CVC/MoR's instructions in respect of appointing an agency on nomination basis were being followed and approval of Board of Directors for continuing the firm for maintenance of accounts up to 31 October 2017 had also been obtained. However, the fact remains that re-engagement of the same firm on nomination basis without inviting open tender year after year with no justification of 'inevitable' situation was in violation of the CVC guidelines.

Thus, selection of firm for 'Maintenance of Accounts of RVNL' on nomination basis in respect of RVNL and its subsidiary without following the guidelines of Central Vigilance Commission led to irregular expenditure of ₹ 5.07 crore during October 2005 to October 2016.

The matter was referred to Railway Board in December 2016; their reply has not been received (February 2017).

6.3 Indian Railways Catering and Tourism Corporation limited (IRCTC): Continuing payment of rent on office accommodation due to delay in construction of own office building

Due to delay on part of the IRCTC in getting approval of Building Plan from Haryana Urban Development Authority (HUDA), award of work for construction and issue of drawings to the contractor, the work of construction of the Corporate Office building got delayed. The purpose of having their own office building was yet to be achieved and IRCTC continued to pay a rent of ₹5.10 crore per annum for various leased accommodation in Delhi.

Indian Railway Catering and Tourism Corporation Limited was running its Corporate Office from the leased premises scattered at various places in Delhi Area. As this was causing severe operational difficulties, IRCTC urgently needed a plot of land in NCR area for construction of required infrastructure so that complete synergy between IRCTC and Railways could be maintained. IRCTC approached (December 2007) HUDA for allotment of land for Corporate Office building. HUDA allotted (April 2010) land measuring 1994 sqm to them at Gurgaon at a total cost of ₹ 4.13 crore, possession of which was given to the IRCTC in May 2011 after making payment.

IRCTC submitted the building plans (August 2012) for approval of the competent authority as envisaged in the Clause 16 of the Terms and Conditions of Allotment of land. Audit observed that IRCTC furnished incomplete and unsigned plans to HUDA, which was returned by them for completing necessary formalities. After completion of formalities by IRCTC, the plan was approved by HUDA in July 2013. While submitting the project report to the Board of Directors (March 2012) the tentative date for completion was expected as November 2014. However, the contract for construction of building at a cost of ₹ 19.91 crore was awarded to the contractor, only in September 2014 (14 months after the approval of plans by HUDA). The project was scheduled to be completed within 18 months from the date of start of construction²⁴².

Owing to a number of delays in issue of various drawings and changes in drawings due to changed requirements, the contractor sought extension (February 2016²⁴³) of 275 days. The contractor was granted extension up to 31 January 2017 without penalty in November 2016. Only 50 *per cent* physical progress has been achieved till date, in a period of 25 months from the date of start of construction.

In another case, IRCTC was allotted a plot measuring 1850 sqm by HUDA in March 2010 for construction of R & D Centre, allied offices, Quality Control Centre with Laboratory at a cost of ₹ 1.55 crore²⁴⁴. The construction work was proposed to commence in 2012-13. IRCTC delayed registration of conveyance deed despite imposition of penalty by HUDA, which was finally registered in December 2015. However, the construction plan for the building were not submitted for which HUDA issued a show cause notice in October 2016. IRCTC's request for grant of extension of time up to December 2018 was pending with HUDA (October 2016).

The matter regarding delay in construction of building of Corporate Office was taken up with IRCTC Management in March 2016. In reply, the management stated that (May 2016) necessary efforts were made by them at every stage for expediting the work for setting up of the Corporate Office building at Gurgaon. The management further stated that as far as expenditure on rent paid/being paid for the accommodation at New Delhi is concerned the same cannot be termed as avoidable as the construction of building required definite time period.

Hence, due to extra time taken by IRCTC in various activities such as approval of Building Plan from HUDA, award of work for construction of building and delays in issue of drawings to the contractor the work of construction of the Corporate Office building got delayed. By failing to complete the construction within two years of offer of possession from HUDA, they had to pay ₹ 0.80 lakh to HUDA to get extension of time for completion of construction. The purpose of having

²⁴²9 October 2014

²⁴³ The contractor further sent letter /reminders for extension in May 2016 and September 2016

²⁴⁴ Original cost of the plot was ₹1.66 crore. Due to encroachment HUDA allotted another plot to the IRCTC at a cost of ₹ 1.55 crore

their own office building was yet to be achieved and IRCTC continued to pay a rent of ₹ 5.1 crore per annum for various leased accommodation in Delhi. Also, the work of R & D Centre, allied offices, Quality Control Centre with Laboratory which was targeted for completion in June 2014, was yet to start.

The matter was referred to Railway Board in December 2016; their reply has not been received (February 2017).

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