PREFACE

The Report for the year ended 31 March 2009 has been prepared in two volumes for submission to the President under Article 151 (1) of the Constitution of India.

This volume covers comments arising from audit of the Accounts of Railways for the year 2008-2009 and Appropriation Accounts on Railway Grants for the same year. Other points arising from the test-audit of financial transactions of Railways are also included in Chapters on Earnings, Works and Contract Management, Stores and Assets Management and Other Topics.

The audit observations contained in the Report are based on the results of audit conducted during the year 2007-2008 and early part of 2008-2009 as well as the findings of the test-audit conducted in earlier years, which could not be included in the previous Reports. Matters relating to the transactions subsequent to 2008-2009 have been mentioned, where relevant.

OVERVIEW

Chapter 1 – Finances of the Railways - This chapter contains the financial results of revenue operations, plan expenditure, comments on Appropriation Accounts and other financial activities of the Railways. Salient points are:

- The gross traffic receipts of Rs.79,861.85 crore registered a growth of 11.35 per cent and the working expenses of Rs.71,839.30 crore rose by 31.91 per cent over the year 2007-08. The net revenue surplus of Rs.4,456.78 crore after payment of dividend to General Revenues declined by 66.82 per cent over the previous year. **(Para 1.2).**
- Net effective rate of dividend after setting off the subsidy from the dividend paid during last five years (2004-09) ranged between 4.18 per cent (2008-09) and 5.37 per cent (2007-08). **(Para 1.2.1).**
- Annual rate of growth in passenger earnings declined from a peak of 15.21 per cent achieved in 2007-08 to 10.52 per cent in 2008-09. **(Para 1.3)**.
- Goods earnings of Rs.53,433.42 crore show an increase of 12.65 per cent over the previous year but it was much below the rate of growth of 17.90 per cent achieved in 2005-06. Annual rate of growth of loading declined to a low of 4.97 per cent in 2008-09 from a peak of 10.70 per cent achieved in 2005-06. **(Para 1.3.2)**.
- 15.79 per cent of the earnings from goods services in 2007-08 went to make up the losses in the operation of coaching services during the year. Only AC Sleeper, AC-3 Tier and AC Chair Car segment of passenger services were in profit in 2007-08. **(Para 1.4).**
- Committed expenditure in 2008-09 comprising salary and wages including pension and gratuity, dividend payment to General Revenues and payment of lease charges on rolling stock constituted 55.86 per cent of the total revenue expenditure. **(Para 1.7).**
- Operating Ratio of Indian Railways declined to 90.46 per cent in 2008-09 from 75.94 per cent achieved in 2007-08. **(Para 1.8.1)**.
- Plan expenditure of Rs.9,545.35 crore from the General Budget Support registered an increase of 36.95 per cent when compared to previous year. It was 34.44 per cent more than the budget estimates. Extra Budgetary support received from IRFC in the shape of financing the procurement of rolling stock increased from Rs.4,604.43 crore in 2007-08 to Rs.6,990.84 crore in 2008-09. No fund could be mobilized through Public Private Partnership Project's schemes where a budgetary projection of Rs.800 crore was made. **(Para 1.9.1).**
- Indian Railways could achieve only 28 per cent of the total XI Five Year Plan (2007-12) targets in the first two years (2007-09). **(Para 1.9.2).**

- Balances under the reserve funds of the Indian Railways declined from Rs.22,279 crore at the end of 2007-08 to Rs.15,655 crore at the end of 2008-09. **(Para 1.10).**
- Against the investments of Rs.6,366.32 crore made in various Public Sector Undertakings, Joint Ventures and Special Purpose Vehicles, Indian Railways, in 2008-09, received only Rs.268.46 crore as dividend. **(Para 1.11).**
- The net overall savings of Rs.11,318.46 crore (7.04 per cent) was the net result of savings of Rs.11,838.27 crore in ten grants and ten appropriations and excess of Rs.519.81 crore in six grants and three appropriations **(Para 1.12.3)**.

Chapter 2 - Earnings - This chapter contains the results of audit of revenue earning activities of Railways carried out during the year 2008-09 and also the results of audit carried out in earlier years which could not find place in the Reports of those years. While the earnings of the Railways have shown an increase over the previous years, a test check of the transactions of the Railways has revealed a number of deficiencies resulting in avoidable losses. These relate to lacunae in rules/ decisions, non-observance/ incorrect application of rules, routing deficiencies/ error in computation of distances and detentions to rolling stock which have had an adverse effect on the overall operational efficiency of the Railways. A brief description of paragraphs included in these categories is given below:

- The chapter includes seven paragraphs pointing out non-observance of rules which caused an overall loss to the tune of Rs.51.89 crore. The irregularities in observing rules include defective implementation of Terminal Incentive cum Engine on Load scheme **(Para 2.1.1)**, non-recovery of wagon hire charges from MbPT Railway **(Para 2.1.2)**, loss due to optimal utilization of wagon capacity, delay in realization of freight, incorrect computation of freight, loss due to over-carriage of parcels, non-recovery of surcharge (**Para 2.1.3 to 2.1.6).**
- Five paragraphs pointing out instances of loss of Rs.6.76 crore due to routing deficiencies such as non-recovery of freight by the actual carried route **(Para 2.2.1 to 2.2.3 & 2.2.5)** and incorrect computation of distances for calculating freight (**Para 2.2.4**), Two Paragraphs depicting Loss of Rs.23.36 crore due to detention to rolling stock **(Para 2.3.1. & 2.32)** and three paragraphs pointing out loss of Rs.42.93 crore due to delay in augmentation of train composition**,** deficiencies in liberalized siding rules and delay in opening of a section for passenger traffic **(Paras 2.4.1. to 2.4.3)**

Chapter 3 - Works and Contract Management – A major portion of the Railways' expenditure is on works carried out for creation and maintenance of assets. Inadequate planning and deficient contract management have an adverse impact on the operational efficiency and the financial health of the Railways. This chapter contains 31 paragraphs arising as a result of audit of various construction activities of the Railways. These paragraphs point out injudicious decisions leading to avoidable/ unproductive/ infructuous expenditure and inadequate planning/ contract management as under:

- There are seven paragraphs where investments were made on projects or works were sanctioned and executed without adequate planning, as result of which there was abnormal delay in their completion, facilities created were not put to use and the delay has resulted in incurrence of extra expenditure (**Paras 3.1.1 to 3.1.7**). Railways have incurred avoidable/ unproductive/ infructuous expenditure of Rs.189.94 crore on such instances.
- Eight paragraphs include instances where there was delay in completion/commissioning due to defective planning at the initial stage, leading to excess expenditure/blocking up of capital of Rs.22.34 crore **(Paras 3.2.1 to 3.2.8),** ten paragraphs indicating deficiencies in management of contracts leading to excess expenditure of Rs.26.51 crore **(Paras 3.3.1 to 3.3.10)** and six paragraphs leading to loss/extra/ avoidable expenditure of Rs.33.45 crore **(Paras 3.4.1 to 3.4.6)** on account of various flaws such as delay in opening of newly laid lines, wasteful expenditure in creation of traffic facilities at halt stations, award of works at higher rates and dismantling of newly laid tracks.

Chapter 4 - Stores and Assets Management – Efficient planning of procurement of stores and stock is required to ensure optimal utilization of existing assets. It is thus necessary that stores are procured from reliable resources at most competitive rates and their timely availability is ensured. This chapter deals with audit of procurement of stores and management of assets such as rolling stock, plant and machinery, land and buildings etc. There are four paragraphs pointing out loss of Rs.38.56 crore due to deficiencies in procurement practices **(Para 4.1.1 to 4.1.4)**, five paragraphs depicting unproductive / wasteful investment of Rs.20.94 crore due to under utilization/non-utilisation of assets **(Para 4.2.1 to 4.2.5)** six paragraphs containing deficiencies in award of contract **(Para 4.3.1 to 4.3.5)** and four paragraphs of loss of Rs.47.15 crore on account of non-availing concession in VAT, avoidable periodical overhauling of coaches, imprudent transfer of track material and undue benefit to supplier.

Chapter 5 – Other Topics - This chapter contains four paragraphs involving non-recovery / short recovery of Rs.23.83 crore on account of lease charges of land, cost of staff, water charges, wagon hire charges and re-railing charges and interest thereon **(Paras 5.1.1 to 5.1.4)**, four paragraphs containing irregularities of Rs.46.66 crore on account of non-levy of service tax on sale of space for advertisements and non-recovery of cess charges from contractors **(Para 5.2.1& 5.2.2),** and avoidable payment of penalties due to non-maintenance of required load factors (**Para 5.2.3 & 5.2.4),** three paragraphs pointing out extra expenditure on procurement of water at higher rates and loss due to incorrect billing of Rs.2.78 crore **(Para 5.3.1 to 5.3.3**) and seven paragraphs involving loss of Rs.59.67 crore due to non-elimination of uneconomic temporary stoppages, injudicious settlement of claim cases through appointment of arbitrator, non-implementation of Railway Board's orders for operations of Railway clubs, incurrence of avoidable expenditure on operation of poorly patronized trains, non-execution of proper agreements with siding owners and diversion of railway revenue to private account **(Paras 5.4.1. to 5.4.7).**

Chapter 6 – Audit Effectiveness - This chapter contains four paragraphs indicating the number of objections issued as a result of audit of Railway accounts and records, objections settled after Railways have taken corrective action and those outstanding for want of action by Railways **(Para 6.1),** recoveries effected or agreed to be effected at the instance of audit **(Para 6.2),** response of the Ministry of Railways (Railway Board) to provisional paragraphs **(Para 6.3)** and follow up action taken by Ministry of Railways (Railway Board) on the paragraphs contained in previous reports **(Para 6.4)**

Chapter 1: Finances of the Railways

1.1 Introduction

The Indian Railways is a departmental commercial undertaking of the Government of India. It consists of 64,015 route km of track on which more than 18,518 number of trains ply, carrying more than 18.9 million passengers and hauling about 2.3 million tonnes of freight everyday. The formation of policy and overall control of the railways is vested in Railway Board comprising the Chairman, Financial Commissioner and other functional Members.

The Indian Railway system is managed through 16 zones and 68 operating divisions. Apart from the zonal railways representing the operational part of the system, there are six production units engaged in manufacturing of rolling stock and other related items.

Research, Designs and Standards Organization (RDSO) is the sole research and development wing of Indian Railways, functioning as the technical adviser and consultant to the Ministry, Zonal Railways and Production Units. Besides this, Indian Railways has 16 Public Sector Undertakings (PSUs)/affiliated organizations/autonomous bodies, working under the control of the Ministry of Railways. These PSUs and affiliated organizations are working as extended arms of the Railways to create and maintain railway assets and amalgamate with the railways in its operations.

Railway finances were separated from the General Finances through a Separation Convention in 1924. In 1949, the Separation Convention was reviewed and another convention resolution was adopted with effect from 1 April 1950, which recommended presentation of a separate railway budget prior to presentation of the general budget every year. As contemplated in the convention of 1949, a Railway Convention Committee (RCC) was constituted in 1954 to review the rate of dividend[1] payable by the Indian Railways to the general revenues and other ancillary matters. Though the Railway Budget is separately presented to the Parliament, the figures relating to the receipt and expenditure of the Railways are also shown in the General Budget, as the receipt and expenditure of the Railways are part of the total receipts and expenditure of the Government of India.

Ensuing paragraphs provide a broad perspective of the finances of the Railways during the year 2008-09, its comparison with actual of the previous year and deviation of actual receipts and expenditure of this year from the budget estimates.

---

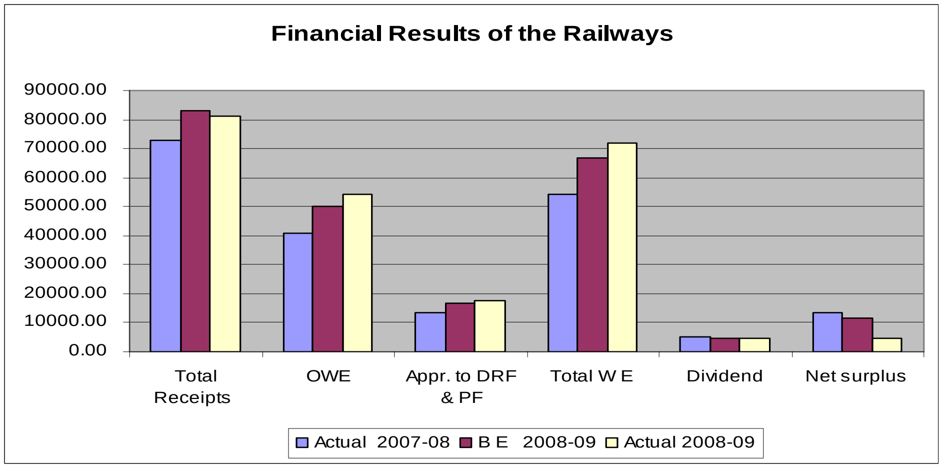
[1] *Under the "Separation Convention" the Railways are required to pay dividend at a fixed rate on the Capital advanced by the Government of India.*

1.2 Financial Results

Financial results of the Indian Railways for the year 2008-09, compared with the Budget Estimates (BE) and Revised Estimates (RE) 2008-09 and actual of the previous year (2007-08), are tabulated below:

(Rs. in crore)

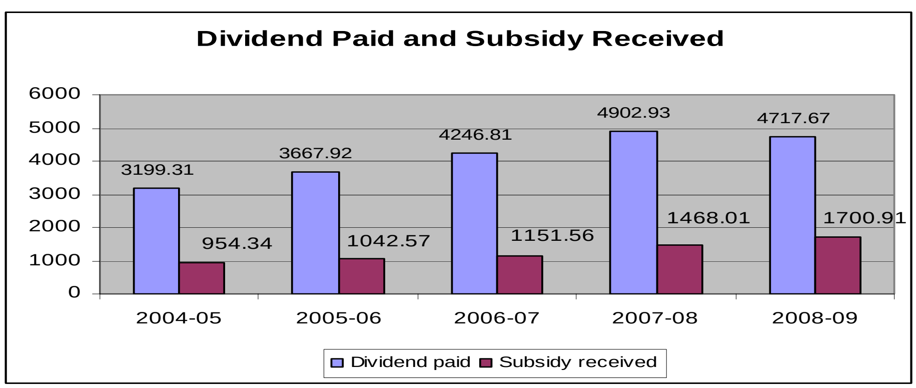
S.No.	*Particulars*	*Actual 2007-08*	*Budget Estimate 2008-09*	*Revised Estimate 2008-09*	*Actual 2008-09*
1.	**Gross Traffic Receipts**	71,720.06	81,901.00	82,393.00	79,861.85
2.	(a) Miscellaneous Receipts	1,556.51	1,795.89	1,840.18	1,797.13
	(b) Miscellaneous Expenditure	480.38	684.27	676.66	645.23
	Net Miscellaneous Receipts (a)-(b)	1,076.13	1,111.62	1,163.52	1,151.90
3.	**Total Receipts (1 + 2)**	72,796.19	83,012.62	83,556.52	81,013.75
4.	Ordinary Working Expenses **(OWE)**	41,033.17	50,000.00	55,000.00	54,349.30
5.	Appropriation to				
	(a) Depreciation Reserve Fund **(DRF)**	5,450.00	7,000.00	7,000.00	7,000.00
	(b) Pension Fund **(PF)**	7,979.00	9,590.00	10,490.00	10,490.00
6.	**Total Working Expenses (WE) (4 + 5)**	54,462.17	66,590.00	72,490.00	71,839.30
7.	**Net Revenue (3 – 6)**	18,334.02	16,422.62	11,066.52	9,174.45
8.	Dividend Payable to General Revenues				
	(a) Current year	4,238.93	4,635.88	4,710.96	4,717.67
	(b) Deferred Dividend of previous years	664.00	0.00	0.00	0.00
	Net Dividend payment (a)+(b)	4,902.93	4,635.88	4,710.96	4,717.67
9.	**Net surplus available for appropriation (7 – 8)**	13,431.09	11,786.74	6,355.56	4,456.78
10.	**Surplus appropriated to**				
	(a) Development Fund	2,359.00	947.00	1,391.00	1,391.00
	(b) Railway Safety Fund	---	---	---	---
	(c) Railway Capital Fund	11,072.09	10,839.74	4,964.56	3,065.78
11.	**Plan Expenditure**				
	(a) Gross Budgetary Support	8,667.90	8,400.00	10,626.00	10,110.43
	(b) Internal Resources	14,948.00	20,600.00	18,957.00	18,941.23
	(c) Extra Budgetary Resources	5,364.43	8,500.00	7,190.00	7,283.84



It is seen from above that total receipts of the Indian Railways during 2008-09 rose by more than 11 per cent as compared to the previous year but fell short of the budgeted provisions by more than 2 per cent (Rs.1,998.87 crore). Total Working Expenses during the year increased by 31.91 per cent as compared to the previous year. This was 7.88 per cent more than the budget estimates for the year.

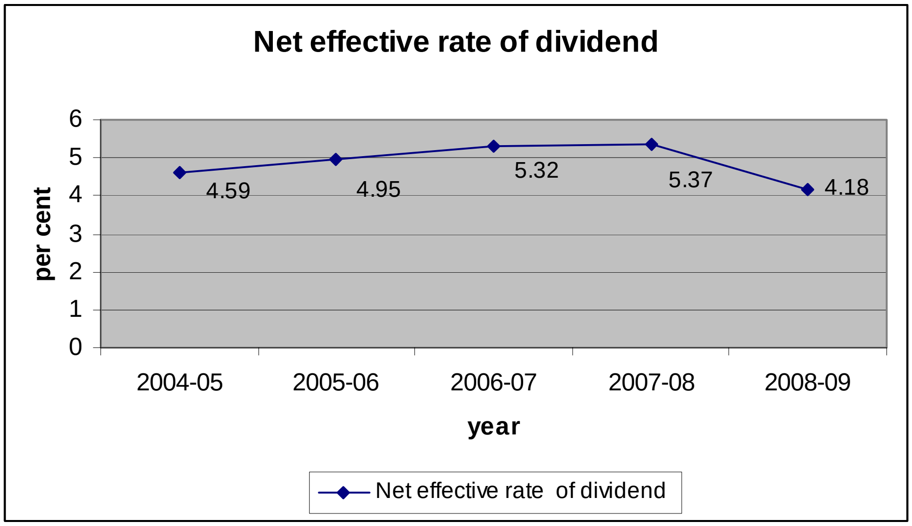
Net Revenue surplus after payment of dividend to General Revenues declined by 66.82 per cent in comparison to the previous year. In Revenue surplus, there was a short fall of Rs.7,329.96 crore (62.19 per cent) when compared to the budget estimates.

1.2.1 Under the 'Separation Convention' the Railways are required to pay dividend at a fixed rate on the Capital advanced by the Government of India. The 'Rate of Dividend' payable by the Railways is determined periodically by the Railway Convention Committee of Parliament. The present rate of dividend for 2008-09 is seven per cent. Railways receives subsidy equivalent to the amount of dividend paid on investments in strategic lines, non-strategic portion of Northeast Frontier Railway, un-remunerative branch lines etc. Dividend paid and subsidy received during 2004-05 to 2008-09 is shown below:



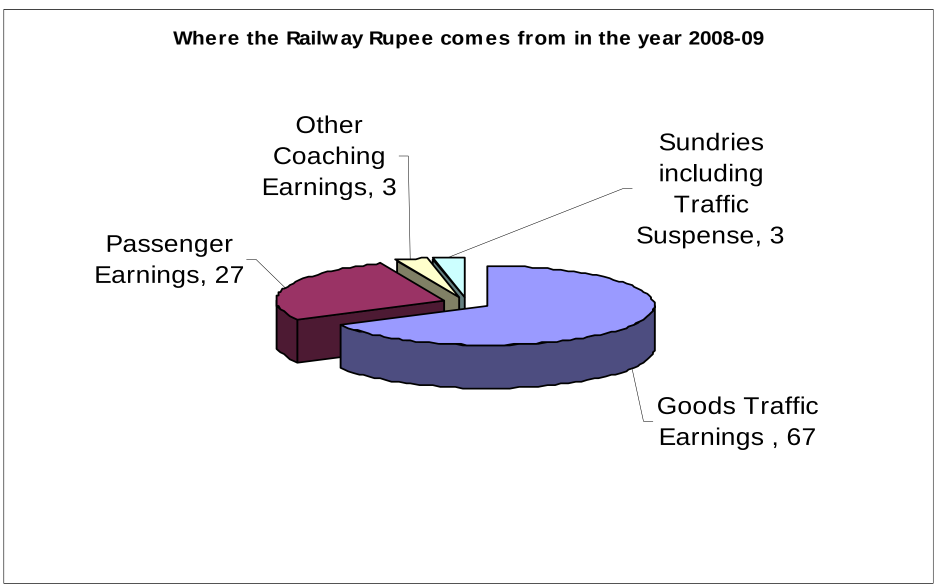
Note:- Dividend paid in 2008-09 was less than 2007-08 as deferred dividend of Rs.664 crore was paid in 2007-08.

The net effective rate of dividend after setting off the subsidy from the dividend paid during the period ranged between 4.18 per cent (2008-09) and 5.37 per cent (2007-08).



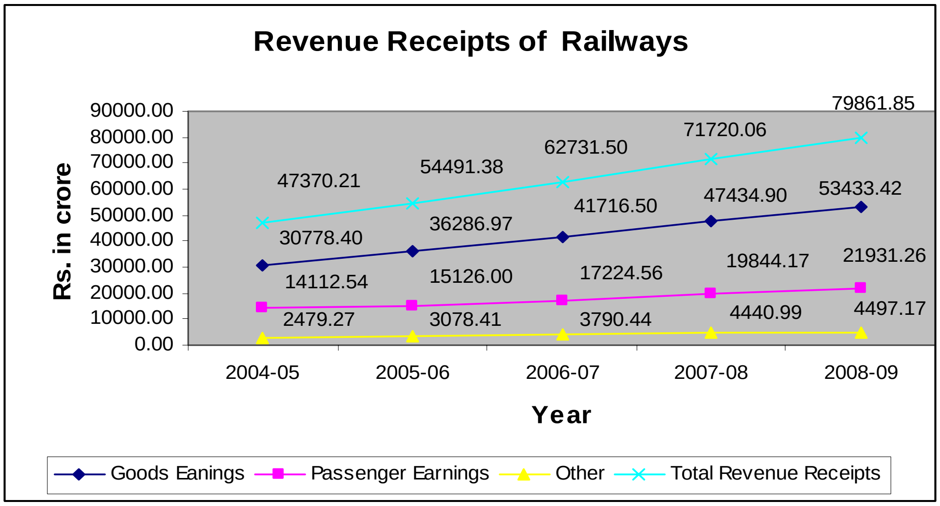
1.3 Gross Traffic Receipts

The major sources of Indian Railways traffic receipts are Goods Services, Passenger Services and Other Coaching Earnings[2]. 67 per cent of the earnings comes from Goods Services and 27 per cent from Passenger Services. Balance six per cent of earnings comes from Sundries and Other Coaching Earnings.



[2] *Earnings viz. special trains and reserved carriages, luggage, parcels, other coaching traffic, transport of post office mails and other miscellaneous coaching receipts and Sundry Earnings which include earnings from catering, land lease, advertisements etc.*

The annual rate of growth of traffic receipts increased from 10.41 per cent (2004-05) to a peak of 15.12 per cent (2006-07). Thereafter, it declined to 11.35 per cent in 2008-09.



There was an overall increase in traffic earnings by Rs.8,141.79 crore (11.35 per cent) during 2008-09 as compared to the previous year, but the earnings fell short by Rs.2,039.15 crore of the budgeted targets.

Break-up of earnings of Indian Railways during last five years is tabulated below:

(Rs. in crore)

Year/Particulars	***2004-05***	***2005-06***	***2006-07***	***2007-08***	***2008-09***
Gross Traffic Receipts (% Annual Rate of Growth)	**47,370.21** (10.41)	**54,491.38** (15.03)	**62,731.50** (15.12)	**71,720.06** (14.33)	**79,861.85** (11.35)
Goods Earnings (% Annual Rate of Growth)	**30,778.4** (11.44)	**36,286.97** (17.90)	**41,716.50** (14.96)	**47,434.90** (13.71)	**53,433.42** (12.65)
Passenger Earnings (% Annual Rate of Growth)	**14,112.54** (6.12)	**15,126.00** (7.18)	**17,224.56** (13.87)	**19,844.17** (15.21)	**21931.26** (10.52)
Others[3] (% Annual Rate of Growth)	**2,479.27** (24.67)	**3,078.41** (24.17)	**3,790.44** (23.13)	**4,440.99** (17.16)	**4497.17** (1.27)

1.3.1 Passenger Earnings

The trends in passenger earnings vis-à-vis the average lead[4] and the average rate per passenger kilometres over the past five years are as follows:

[3] Others includes earnings from 'Other Coaching Traffic, 'Sundry other Earnings' and 'Suspense'

[4] *Average haul of a passenger (or a tonne of freight)*

Year	*Passenger earnings (Rs. in crore)*	*No. of passengers (in millions)*	*Passenger kilometres (in millions)*	*Average lead per passenger (in kilometres) Col. (4) / (3)*	*Average earnings per passenger kilometres (in Paise) Col. (2) / (4) x1000*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
2004-05	14,112.54	5,475.50	5,76,609	105.31	24.48
2005-06	15,126.00	5,832.39	6,16,612	105.72	24.53
2006-07	17,224.56	6,333.73	6,95,821	109.86	24.75
2007-08	19,844.17	6,644.99	7,71,069	116.04	25.74
2008-09	21,931.26	6,920.37*	8,38,032	121.10	26.17

Note: Figures of number of passengers and passenger kilometers for 2008-09 are provisional.

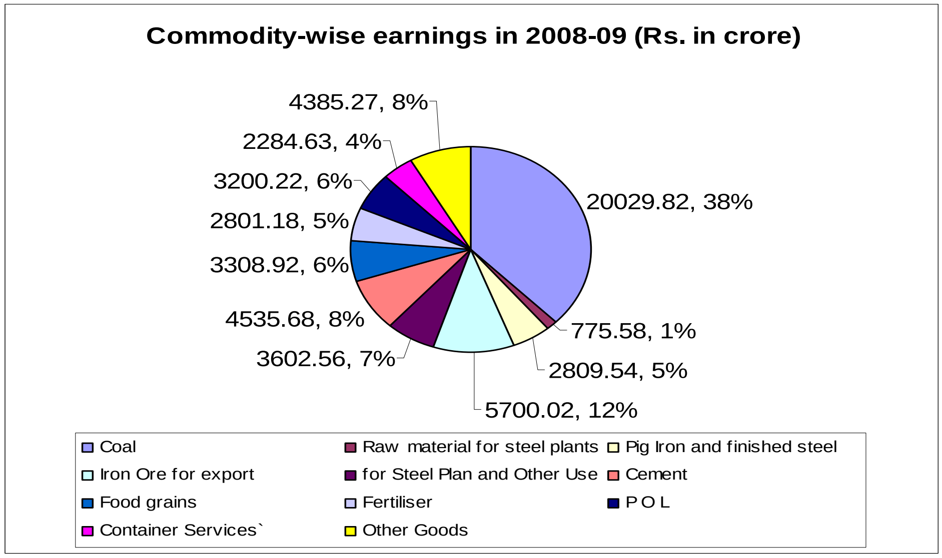
****   Excluding Metro Railway.***

The earnings from passenger services increased over the previous year in all the zonal railways. However, Zonal Railways wise analysis of passenger earnings revealed that it fell short of budgeted targets in Eastern, East Central, North Central, North Eastern, North Western and South Eastern Railways. Despite reduction in targets at Revised Estimates stage, Eastern and East Central Railways failed to achieve the same.

Increases in number of passenger originating and average lead per passenger are the major factors accounting for the increase in revenue from passenger services. During 2008-09, Indian Railways carried 275.38 million (4.14 per cent) more passengers as compared to previous year and earned 26.17 paise for carrying a passenger over one kilometre in 2008-09 as against 25.74 paise in 2007-08.

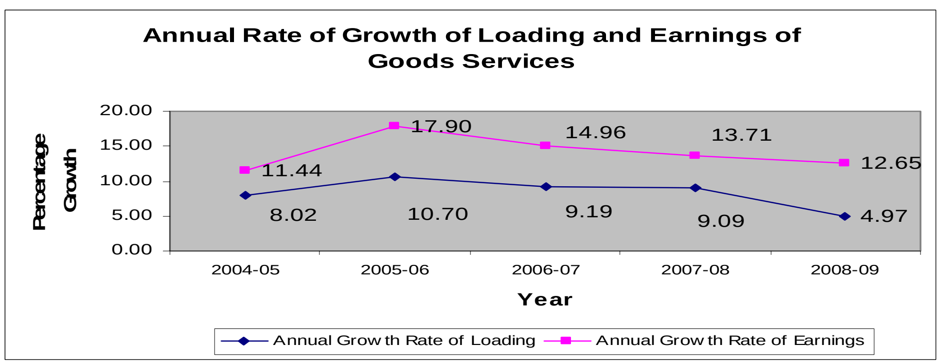
1.3.2 Goods Earnings

Goods earnings increased by 12.65 per cent from Rs. 47,434.90 crore in 2007-08 to Rs. 53,433.42 crore in 2008-09. All the Zonal Railways recorded an increase in goods earnings over the previous year except Central, North Eastern and Northeast Frontier Railways. Achievement in budgeted target for the year 2008-09 fell short in Central, Northern, North Eastern, Northeast Frontier, North Western, Southeast Central and West Central Railways. In respect of Central, North Eastern and North Western Railways even the reduced targets of revised estimates were not achieved. Commodity-wise earnings, during 2008-09, is shown in the chart below:



Analysis of major commodity-wise originating traffic for the year 2008-09, revealed that Indian Railways lifted 39.42 Million Tonne (MT) more traffic as compared to previous year. However, the performance fell short of the budgeted targets. The average growth rate of Goods traffic in terms of monetary value during last five years was 14.13 per cent whereas growth in loading was lower at 8.39 per cent.

Annual rate of growth of loading and earnings of Goods traffic is shown below:



During last five years annual growth rate in terms of monetary value achieved a peak of 17.90 per cent in 2005-06 which declined to a low of 12.65 per cent in 2008-09. Annual growth rate of goods loading also achieved a peak of 10.70 per cent in 2005-06 and declined to a low of 4.97 per cent in 2008-09.

In absolute monetary terms, Goods earnings increased from Rs.30,778.40 crore in 2004-05 to Rs.53,433.42 crore in 2008-09. The major factors that contributed to increase in earnings, apart from increase in loading, were upward revision of classification of certain commodities and levy of supplementary charges such as Terminal Surcharge, Busy Season Surcharge, Congestion Charge, Development Surcharge etc during this period.

1.4 Cross- Subsidies

Summary of End Results- Freight Services Unit Costs and Coaching Services Profitability/Unit Costs published by Ministry of Railways for the year 2007-08 reflected the following picture in respect of coaching and freight services:

(Rs. in crore)

Services	*Receipts*	*Expenses*	*Gain (+) or Loss (-)*
Coaching	22,937.42 @	30,430.93	(-) 7,493.51
Freight	47,434.90	27,153.23	(+) 2,0281.67

Note: @ Variation from Finance Account due to addition of net sundry other earnings from catering services

In terms of percentage, 24.62 per cent of the expenses on coaching services (during 2007-08) were left uncovered by annual receipts from coaching services. 15.79 per cent of receipts from freight services during 2007-08 went to make up the loss in the operation of coaching services.

There is cross-subsidization among various classes of passenger services provided by railways. Only AC Sleeper, AC-3 Tier and Chair Car are running in profit as tabulated below:

(Rs. in crore)

Class of Service	*Earnings*	*Expenses*	*Loss (-)/Gain*
Mail/Express Trains			
AC Ist Class and Ist Class	334.25	355.32	(-) 21.07
AC Sleeper, AC 3 Tier and AC Chair Car	4, 001.22	3,215.85	785.37
Sleeper Class and Second Class	10,596.38	13,973.68	(-) 3,377.30
Ordinary Trains			
All Classes	3,793.71	7,335.00	(-) 3,541.29
EMU Suburban Services	1,631.29	2,553.68	(-) 922.38

Besides, Indian Railways suffered losses on operation of parcel, luggage and postal services (Rs.1,074.50 crore) and Catering Services (Rs.582.07 crore).

1.5 Unrealised Earnings

The Budget Estimate 2008-09 projected receipt of Rs.100 crore from unrealised earnings[5]. Against this projection, the actual receipt (exclusive of Demands Recoverable) was Rs.8.08 crore, reducing the balance of unrealised earnings from Rs.1,041.05 crore at the end of 2007-08 to Rs.1,032.97 crore at the end of 2008-09.

68.51 per cent (Rs.707.71 crore) of the total unrealized earnings (Rs.1,032.97 crore) was on account of outstanding dues recoverable from the State Electricity Boards (SEBs)/ Power Houses, of this 95.40 per cent was on account of freight (Rs.675.13 crore).

---

[5] *Unrealised earnings constitute outstanding on account of traffic revenue*

The SEBs against which the outstanding dues were in excess of Rs.25 crore as on 31 March 2009, are as follows:

(Rs. in crore)

Sl. No.	*Name of State Electricity Board/ Power House*	*Outstanding dues as on 31 March 2008*	*Outstanding dues as on 31 March 2009*	*Increase (+)/ decrease (-) during the year*
1.	Punjab State Electricity Board (PSEB)	443.97	456.11	(+)12.14
2.	Delhi Vidyut Board (DVB) @	182.18	177.20	(-) 4.98
3.	Rajasthan State Electricity Board (RSEB) @	47.08	38.14	(-) 8.94

@ Now unbundled into Companies as a result of Power Sector Reforms

In view of the substantial outstanding amount of un-realized earnings, Ministry of Railways needs to take more stringent steps to realize their dues and also to ensure that there are no further accruals.

1.5.1 Demands Recoverable

The Demands Recoverable, represent outstanding in respect of (i) rent/lease charges for letting out Railway land and buildings and (ii) interest and maintenance charges from siding owners. An amount of Rs.16.70 crore was recovered during the year leaving a un-recovered balance of Rs.194.35 crore as on 31 March 2009. Of the 16 zonal railways, the outstanding balance at the end of the year as compared to previous year increased in eight zonal railways viz: Central (Rs.3.02 crore), Eastern (Rs.3.54 crore), North Central (Rs.1.29 crore), North Eastern (Rs.1.26 crore), Northeast Frontier (Rs.0.70 crore), North Western (Rs.1.12 crore), South Eastern (Rs.2.86 crore), Southeast Central (Rs.0.38 crore) and South Western Railway (Rs.2.71 crore).

1.6 Un-discharged liabilities

The Railways are required to pay dividend at a fixed rate on the Capital borrowed from the Central Government. The Railway Convention Committee allows a moratorium on payment of dividend (interest) on investment in New Lines during the period of construction and for the first five years after its opening to traffic. Cumulative dividend is payable when the lines show surplus after meeting current liability. The account of accumulative dividend liability is closed after 20 years from the date of their opening, extinguishing such un-liquidated liability within the period.

The Railway Convention Committee of Parliament determines the rate of dividend payable by the Railways to the General Revenues every year. For the year 2008-09, the rate of dividend payable was fixed at seven per cent on the entire capital invested on the Railways from the General Revenues irrespective of the year of investment. The un-discharged liabilities on account of payment of dividend on investments made on New Lines which was Rs. 5,974.58 crore as on 31 March 2008 increased to Rs.6,667.70 crore as on 31 March 2009. Out of the current year's accrual of Rs.693.12 crore, no payment was made.

1.7 Committed Expenditure

The committed expenditure of the railways on revenue account mainly consists of dividend payment to General Revenues, expenditure on salaries, wages, pension and lease hire charges paid to IRFC and other private parties[6]. Table below represents the trend in the expenditure on these components during 2003-04 to 2007-08. Figures of expenditure on salary for the year 2008-09 are not available. Thus, impact of Sixth Pay Commission on the committed expenditure of Indian Railways was not able to be worked out.

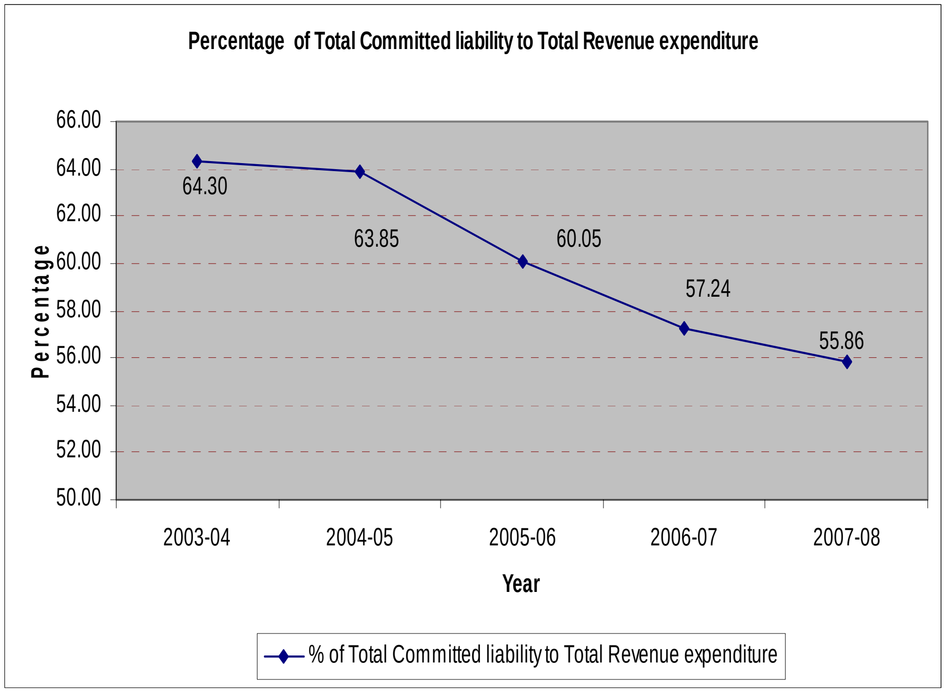
(Rs. in crore)

Year	*Total Revenue expenditure including dividend*	*Committed Expenditure*					
		Salary and wages including pension and gratuity	*Dividend*	*Lease hire charges (Revenue) to IRFC*	*Payment of leasing Charges Other than IRFC*	*Total*	*Per-centage*
2003-04	42,869.29	20,928.40	3,387.08	3,020.00	228.65	27,564.13	64.30
2004-05	45,958.19	22,552.70	3,199.31	3,340.00	252.18	29,344.19	63.85
2005-06	49,241.45	23,920.00	3,667.92	1,699.41	279.87	29,567.20	60.05
2006-07	53,293.34	24,159.10	4,246.81	1,874.88	224.31	30,505.10	57.24
2007-08	59,365.10	25,892.30	4,902.93	2,153.00	213.38	33,161.61	55.86

The percentage of committed expenditure to the total revenue expenditure ranged between 64.30 per cent and 55.86 per cent during this period. Till 2005-06, entire lease charges paid to IRFC were booked to Revenue. Thereafter, capital portion of lease charges is being booked to Capital Fund.

---

[6] *Railways pay lease and hire charges to IRFC and private parties for utilization of rolling stock financed/owned by them.*



1.8 Efficiency Indices

The financial efficiency and performance of operating an enterprise can be best measured from its financial ratios and performance ratio. 'Operating Ratio', 'Capital-Output Ratio' and 'Staff Productivity' to indicate the financial efficiency and performance of Indian Railways are discussed below:

1.8.1 Operating Ratio

The Operating Ratio represents the percentage of working expenses to traffic earnings. The operating ratio, which was 75.94 per cent in 2007-08, deteriorated to 90.46 per cent in 2008-09 for the Indian Railways as a whole.

The operating ratio of zonal railways and Metro Railway, Kolkata during the last three years is shown in the following table:

S. no.	*Zonal Railway*	*Operating Ratio*			*Deterioration in 2008-09 over 2007-08*
		2006-07	*2007-08*	*2008-09*	
1.	Central	79.34	75.92	97.64	21.72
2.	Eastern	150.53	143.61	173.45	29.84
3.	East Central	85.23	87.46	99.48	12.02
4.	East Coast	53.03	48.22	49.30	1.08
5.	Northern	88.28	92.53	115.26	22.73
6.	North Central	58.22	53.44	60.59	7.15
7.	North Eastern	132.64	131.74	197.32	65.58
8.	Northeast Frontier	117.61	108.35	148.69	40.34
9.	North Western	87.07	88.91	120.23	31.32
10.	Southern	105.85	105.07	126.06	20.99

S. no.	*Zonal Railway*	*Operating Ratio*			*Deterioration in 2008-09 over 2007-08*
		2006-07	*2007-08*	*2008-09*	
11.	South Central	71.83	66.99	77.23	10.24
12.	South Eastern	58.39	53.84	62.24	8.4
13.	South East Central	47.20	45.74	53.23	7.49
14.	South Western	74.00	69.24	77.11	7.87
15.	Western	79.23	76.92	93.25	16.33
16.	West Central	67.80	66.33	73.95	7.62
17.	Metro Railway Kolkata	221.28	196.33	252.96	56.63
	Overall Indian Government Railways	**78.68**	**75.94**	**90.46**	**14.52**

From the above it can be seen that Operating Ratios of all the zonal railways has deteriorated as compared to the previous year.

The Operating Ratio of Eastern, Northern, North Eastern, Northeast Frontier, North Western, Southern Railway and Metro Railway, Kolkata was more than 100 per cent which implies that their working expenditure were more than their traffic receipts.

1.8.2 Capital-Output Ratio

Capital-Output Ratio i.e. Capital employed for NTKM indicates the extent to which the operating measures and technological advancements have helped in reducing the Capital-output ratio. The Capital-output ratio for the total traffic (in terms of NTKM) carried by the Indian Railways during the last five years (2004-05 to 2008-09) is shown below:

As on	*Total Capital including investment from Capital Fund (Rs. in Million)*	*Goods Traffic (NTKMS)*	*Passenger Traffic*		*Total Traffic (in Million NTKMs)*	*Capital at charge (in Paise) per NTKM*
			Passenger Kilometres (in millions)	*Million NTKMs*		
31-Mar-05	5,93,469	4,07,398	5,76,609	40,939	4,48,337	132
31-Mar-06	6,58,783	4,39,596	6,16,612	43,779	4,83,375	136
31-Mar-07	7,60,307	4,80,993	6,95,821	49,403	5,30,396	143
31-Mar-08	8,85,211	5,21,371	7,71,069	54,746	5,76,117	154
31-Mar-09	10,43,012	5,51,362*	8,38,032 #	59,500	6,10,862	171

The table indicates a steadily rising trend in the Capital –Output Ratio.

** Provisional.   # Excluding Metro Railway.*

1.8.3 Staff Productivity

Staff productivity on the Railways is measured in terms of volume of traffic handled per employee. The strength of employees and the details of the goods and passenger traffic in NTKMs during 2004-05 to 2007-08 are given below..

As on	*No. of Staff (in thousand)*	*Total traffic in MT*	*Traffic (per thousand employee) in NTKMs*
31-Mar-05	1,424.4	4,48,337	314.75
31-Mar-06	1,412.4	4,83,375	342.24
31-Mar-07	1,397.6	5,30,396	379.50
31-Mar-08	1,394.5	5,76,118	413.14

Figures in respect of number of staff as on 31 March 2009 is not available.

1.9 Plan Expenditure

1.9.1 The Indian Railways finance their expenditure on acquisition, construction, replacement and renewal of assets from budgetary support, internal resources and market borrowings. The following table shows the break-up of various sources of finance vis-à-vis expenditure incurred during the year 2008-09.

Sources of finance for Plan Expenditure

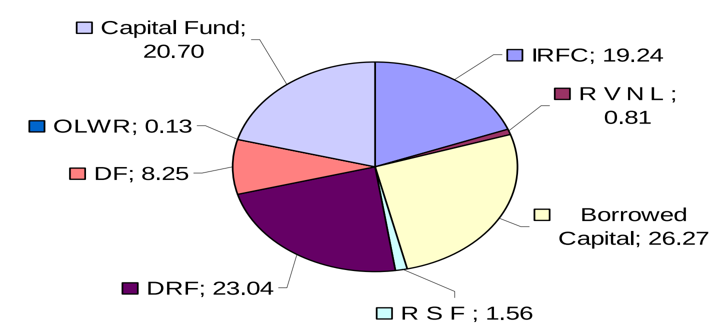
(Rs. in crore)

S. no.	*Sources of Finance*	*Actual Expenditure 2007-08*	*Budget Estimate 2008-09*	*Revised Estimate 2008-09*	*Actual Expenditure 2008-09*
1	**Central Government Support**				
	Budgetary Support				
	(i) Borrowed Capital from General Revenues	6,969.55	7100.00	9,327.00	9,545.35
	(ii) Transfer to Special Railway Safety Fund (SRSF)[7]	1,165.00	0.00	0.00	0.00
	(ii) Railway Safety Fund (RSF) (financed by Contribution from Central Road Fund)	533.35	1300.00	1,299.00	565.08
Total Central Government Support		**8,667.90**	**8,400.00**	**10,626.00**	**10,110.43**
2	***Internal Resources***				
	(i) Depreciation Reserve Fund (DRF)	5,774.93	8,500.00	8,033.00	8,371.56
	(ii) Development Fund (DF)	2,075.17	2,840.00	2,910.00	2,998.24

[7] ***SRSF has been closed from 1 April 2008.***

S. no.	*Sources of Finance*	*Actual Expenditure 2007-08*	*Budget Estimate 2008-09*	*Revised Estimate 2008-09*	*Actual Expenditure 2008-09*
	(iii) Capital Fund (CF)	6,819.35	9,200.00	7,956.00	7,522.97
	(iv) Special Railway Safety Fund (SRSF)	231.76	0.00	0.00	0.00
	(v) Open Line Works – Revenue (OLW-R)	46.79	60.00	58.00	48.46
	Total Internal Resources	**14,948.00**	**20,600.00**	**18,957.00**	**18,941.23**
	Total of Plan Funds (1+2)	***23,615.90***	***29,000.00***	***29,583.00***	***29,051.66***
3	***Extra Budgetary Support***				
	(i) Indian Railway Finance Corporation (IRFC)	4,604.43	6,907.00	6,907.00	6,990.84
	(ii) Rail Vikas Nigam Limited (RVNL)	240.00	293.00	283.00	293.00
	(iii) Wagon Investment Scheme [8]	520.00	500.00	0.00	0.00
	(iv) Public Private Partnership (PPP) Projects	--	800.00	0.00	0.00
	Total External Resources	**5,364.43**	**8,500.00**	**7,190.00**	**7,283.84**
	GRAND TOTAL	**28,980.33**	**37,500.00**	***36,773.00***	**36,335.50**

Sources of Finance in Percentage (2008-09)



An analysis of the expenditure for the year 2008-09 revealed that expenditure against Capital financed from the General Budget of Government of India has increased by 36.95 per cent as compared to the previous year and by 34.44 per cent when compared with the Budget Estimates.

Plan expenditure financed through internally generated sources increased by 26.71 per cent over the actual of the previous year. It, however, fell short of budgeted estimates by 8.05 per cent.

[8] ***Wagon Investment Scheme has since been closed from April 2008.***

Capital borrowed from IRFC increased by Rs.2,386.41 crore from Rs. 4,604.43 crore in 2007-08 to Rs.6,990.84 crore in 2008-09. No funds could be mobilized through PPP projects scheme where a budgetary projection of Rs.800 crore was estimated.

1.9.2 The XI Five Year Plan (FYP) size (2007-12) of Rs. 2,33,289 crore envisages financing of Rs.63,635 crore through General Budgetary Support, Rs.90,000 crore through internal resources and Rs.79,654 crore through extra budgetary resources. Extra budgetary resources are to be funded through a mix of market borrowings through IRFC, debt/equity financing raised through RVNL/other Special Purpose Vehicles (SPVs) and Public Private Partnership (PPP) initiatives. The performance of the Railways in the first two years of the plan period is as below:

(Rs. in crore)

Year	*Gross Budgetary Support*	*Internal Resources*	*Extra Budgetary Resources*	*Total*	*Percentage to the total Plan Size*
Target for Plan Period (2007-12)	63,635.00	90,000.00	79,654.00	2,33,289.00	
Actual for 2007-08	8,667.90	14,948.00	5,364.43	28,980.33	12.42
Actual for 2008-09	10,110.43	18,941.23	7,283.84	36,335.50	15.58
Total for first two years (2007-09)	18,778.33	33,889.23	12,648.27	65,315.83	28.00
% age of the total targets for plan period	29.51	37.65	15.88	28.00	

Performance of the Indian Railways, in the first two years of the plan period was much below the propionate targets as it could achieve only 28 per cent of the total plan size. Support from the General Budget was only 29.51 per cent of the total General Budget support targeted for the plan period. Further, during this period, railways could mobilize only 15.88 per cent of the targeted extra budgetary resources for the entire plan period. Thus, overall planned expenditure of 28 per cent during the first two years of the plan period was more dependent upon internally generated resources which are now under pressure due to high working expenses and staff cost. Thus, the railways dependence on General Budget is likely to increase for achievement of its plan targets.

1.9.3 It was planned to add 2,000 kms of New Lines, convert 10,000 kms of meter/narrow gauge into Broad Gauge, double the 6,000 kms of single track and electrify 3,500 kms of routes during XI-FYP [9]. Against this, in the first two year of the plan period, 513 kms (25.65 per cent) of New Lines, 2,612 kms (26.12 per cent) of Gauge Conversion, 789 kms (13.15 per cent) of Doubling and 1,299 kms (37.11 per cent) of Electrification was completed. The achievement in the first two years was below the proportionate targets for the XI-FYP.

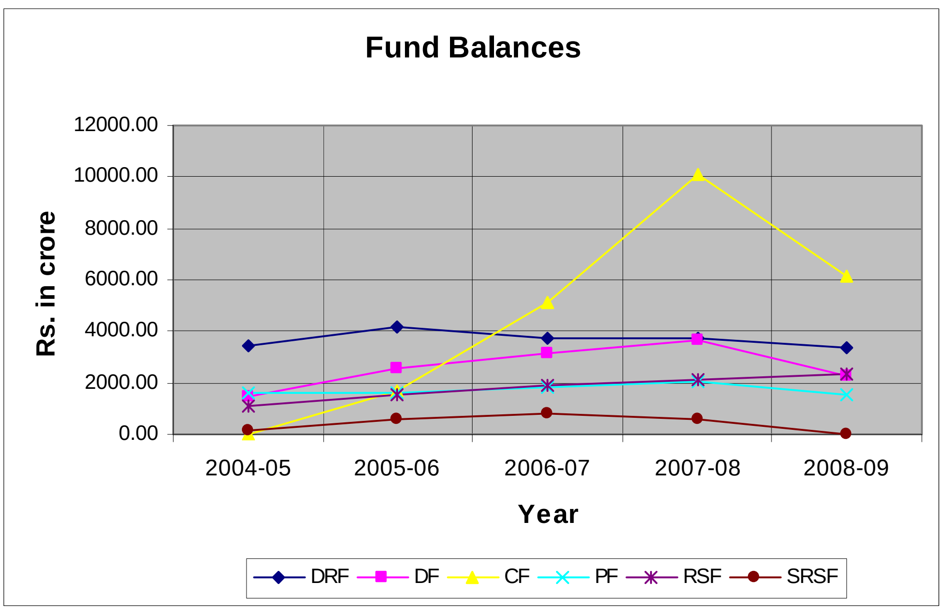
[9] Source- Mid Term Appraisal of XI Five Year Plan of Ministry of Railways

1.9.4 Monthly Flash Report on Central Sector Projects costing Rs.100 crore and above for the month of June 2009 circulated by the Ministry of Statistics and Programme Implementation revealed that out of 144 on-going Railway projects, six projects have been delayed by over 10 years. The anticipated cost of completion of these projects has been revised to Rs. 13,055.47 crore from original cost of Rs. 3,463.60 crore **(Appendix-I).**

In six projects which were taken up more than 10 years ago with original cost of Rs.817.07 crore, the cumulative expenditure in four projects was below one per cent. In another two projects it ranged between three per cent and six per cent. The anticipated cost of completion of these projects has been revised to Rs.2,372.90 crore **(Appendix-II**).

1.10 Railway Funds

Railways operate various funds to meet the requirement of asset acquisition, construction, replacement and renewal as well as pension payments to the railway employees. These funds are either fully or partially financed by railway revenues/surplus, budgetary support from the Central Government and market borrowings, if needed. The balances under the reserve funds with the railways declined from Rs.22,279 crore (2007-08) to Rs.15,655 crore in 2008-09. The Special Railway Safety Fund (SRSF) was closed on 1April 2008 and the balance of Rs.597.73 crore transferred to the Depreciation Reserve Fund (DRF).



The status of various funds at the end of the year 2008-09 is discussed below:

1.10.1 Depreciation Reserve Fund: Railways maintains the DRF for replacement and renewal of over-aged assets. Appropriation to this fund is met from revenues by charging it to the working expenses of the Railways. In addition, a contribution is also made by production units in respect of depreciation of their assets. The fund receives interest at the rate at which dividend is payable to general revenues. During 2008-09, the rate of interest was seven per cent per annum. The balances in the DRF for the last five years are shown in the following table:

(Rs. in crore)

Year	*Opening Balance*	*Accretion including interest during the year*	*Withdrawals during the year*	*Closing Balance*
2004-05	2,690.93	2,993.29	2,234.58	3,449.64
2005-06	3,453.64*	3,943.06	3,255.59	4,141.11
2006-07	4,141.11	4,545.73	4,957.78	3,729.06
2007-08	3,729.11*	5,803.17	5,774.93	3,757.35
2008-09	4,347.71*	7,359.83	8,371.56	3,335.98

*Note: * Differences between closing and opening balances are due to transfer without financial adjustment between DRF, SRSF and Capital. Balance of Rs.597.73 crore under SRSF after its closure was transferred to this fund on 1 April 2008.*

Railways appropriate to this fund on a need-cum-availability basis instead of in a scientific manner taking into account the historical cost, expected useful life and expected residual value of the asset. It is seen that assets due for renewal/replacement are not planned as and when due. During the XI-FYP[10], as against the total of 22,700 kms track (including 6,200 kms due at the beginning of the plan period) which become due for renewal, railways has planned to renew only 16,500 kms, leaving an arrear of 6,200 kms at the end of the XI-FYP. Similarly in the case of renewal of track fittings, against 29,000 kms including arrears of 9,000 kms due at the beginning of the XI-FYP and ballast requirement of 575 lakh cubic metre, including arrears of 105 lakh cubic metre, Railways planned to renew 14,000 kms of track fittings and procure 500 lakh cubic metre ballast leaving an arrear of 15,000 kms in track fittings and 75 lakh cubic metre in ballast recoupment at the end of XI-FYP.

The fund balance of Rs.3,335.98 crore at the end of the year 2008-09, represented only 1.82 per cent of the total value of Block Assets of Rs.1,82,533.35 crore of Indian Railways. This includes one time transfer of Rs.597.73 crore from SRSF on its closure. Thus, the net balance, excluding the amount transferred from SRSF, worked out to Rs.2,738.25 crore which is 1.50 per cent of the Block Assets.

Railways need to maintain a reserve with a minimum amount under DRF accumulation to facilitate the timely execution of renewals with a view to maintain the assets at the highest standard of efficiency. Accumulation of arrears in renewal/replacement may at later stage create a need to set up another fund (as done in the year 2001 when Special Railway Safety Fund was created) to wipe out the arrears of renewal/replacement.

1.10.2 Development Fund: The Development Fund (DF) is financed by appropriation from surplus and/or loans from General Revenues to meet

[10] Report of the Working Group on Railway Programme for the Eleventh Five Year Plan (2007-2012).

expenditure on works relating to amenities for users of Railway transport, labour welfare, safety and un-remunerative operating improvement. The fund receives interest at the average rate of interest on Capital Outlay in Government Commercial Departments/Undertakings.

Appropriation to fund from surplus during the year 2008-09 was Rs.1,391.00 crore as per revised estimates. Against this the actual withdrawal from the fund was Rs.2,998.24 crore which resulted in depletion in the fund balance at the end of the year.

(Rs. in crore)

Year	*Opening Balance*	*Accretion during the year*	*Withdrawals during the year*	*Closing Balance*
2004-05	265.30	1,943.96	736.88	1,472.38
2005-06	1,532.76	2,039.46	1,024.96	2,547.26
2006-07	2,546.57	2,128.53	1,563.94	3,111.16
2007-08	3,111.16	2,629.64	2,075.17	3,665.63
2008-09	3,665.63	1,631.39	2,998.24	2,298.78

Note: Difference between closing balance of 2004-05 and opening balance of 2005-06 is due to transfer of Rs.60.38 crore from RSF. Difference between closing balance of 2005-06 and opening balance of 2006-07 is due to transfer of (-) Rs.0.69 crore from Capital. Accretion includes interest on the balance in the fund.

1.10.3 Capital Fund: The Capital Fund (CF) was created with effect from 1 April 1993 to finance the capital works of the Railways. The surplus left after appropriation to Development Fund is credited to this fund. The fund received seven per cent interest i.e. at the same rate at which dividend is payable to general revenues.

Actual appropriation of Rs.3,065.78 crore to the fund fell short by Rs.7,773.96 crore of budgeted projections as railways could not generate the budgeted surplus during the year. The withdrawal of Rs.7,522.97 crore from the fund (net expenditure) was also less than the budgeted level of Rs.9,200 crore. The balances in Capital Fund for the last five years are shown in the following table.

(Rs. in crore)

Year	*Opening Balance*	*Accretion during the year*	*Withdrawals during the year*	*Closing Balance*
2004-05	15.42	1.00*	0	16.42
2005-06	16.42	4,086.32	2,426.11	1,676.63
2006-07	1,676.63	8,541.15	5,069.61	5,148.17
2007-08	5,312.74**	11,592.83	6,819.35	10,086.22
2008-09	10,086.22	3,615.81	7,522.97	6,179.06

*Note: * Accretions during 2004-05 is on account of interest on the balance in the fund.*
*** Difference in Opening balance was due to transfer of Rs.164.57 crore without financial adjustment from capital*

1.10.4 Railway Safety Fund: The Railway Safety Fund (RSF) was created with effect from 1 April 2001 to finance works relating to Road Safety works viz. (i) manning of un-manned level crossings and (ii) conversion of level crossings into road over/ under bridges. The fund is fed from three sources viz. (i) contribution from Central Road Fund, (ii) Railway surplus left after payment of dividend and (iii) contribution made by the Ministry of Railways to the Railway Safety Works Fund (maintained by the Ministry of Finance) out of the Dividend payable to General Revenues. The balance in the fund does not earn interest.

The balances in Railway Safety Fund for the last five years are shown in the following table:

(Rs. in crore)

Year	*Opening Balance*	*Accretion during the year*	*Withdrawals during the year*	*Closing Balance*
2004-05	764.31	536.02	201.37	1,098.96
2005-06	1,038.58	780.92	262.24	1,557.26
2006-07	1,557.26	713.43	359.94	1,910.75
2007-08	1,910.75	727.26	533.35	2,104.66
2008-09	2,104.66	776.51	565.08	2,316.09

Note: Difference between closing balance of 2004-05 and opening balance of 2005-06 is due to transfer of Rs.60.38 crore to DF.

In 2008-09, the Railways spent only Rs.565.08 crore (43.47 per cent) against the budget estimates of Rs.1,300.00 crore. The shortfall in expenditure was due to slow progress of works in respect of conversion of unmanned level crossings into manned level crossings and conversion of level crossings into road over bridges/road under bridges.

1.10.5 Pension Fund: The Fund, constituted in 1964, for meeting expenditure on pensionary benefits to retiring railways employees. Railways contribute to this fund with reference to the trend of estimated expenditure. The fund receives interest at the rate at which dividend is payable to general revenue. The balances in the PF for the last five years are shown in the following table:

(Rs. in crore)

Year	*Opening Balance*	*Accretion during the year (including interest)*	*Withdrawals during the year*	*Closing Balance*
2004-05	1,430.62	6,875.71	6,696.89	1,609.44
2005-06	1,609.44	7,151.55	7,145.32	1,615.67
2006-07	1,615.67	7,633.57	7,448.15	1,801.09
2007-08	1,801.09	8,219.86	7,953.20	2,067.75
2008-09	2,067.75	10,721.56	11,264.52	1,524.79

There was net depletion of Rs. 542.96 crore in the fund balance during 2008-09 due to implementation of Sixth Central Pay Commission recommendations. The balance in this fund as on 31 March 2009 was Rs.1,524.79 crore, equivalent to 13.54 per cent of the expenditure of Rs.11,264.52 crore on this account during 2008-09.

1.11 Investments and Returns

The Ministry of Railways has made investments in Public Sector Undertakings, Special Purpose Vehicles, Autonomous Bodies, Joint Venture Companies. These organizations have been set up by the Ministry of Railways for various purposes, including laying of new lines, booking and carrying the freight business, railway catering, telecommunication besides mobilization of resources from market to meet development needs of railways.

As of 31 March 2009, railways has invested Rs.6,366.32 crore in these organizations from Capital i.e. Capital loaned from General Budgetary Support and their Capital Fund. During 2008-09, railways received Rs.268.46 crore as return on these investments as 'dividend' which is only 4.22 per cent of the total investments **(Appendix-III)**. In seven organizations where railways had invested Rs.958.75 crore, no return has been received during 2008-09 **(Appendix-III)**.

1.12 Comments on Appropriation Accounts

1.12.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Indian Railways for each financial year compared with the amounts of the voted grants and charged appropriations for different purposes as specified in the schedules appended to the Appropriation Act. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

1.12.2 Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution if so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

1.12.3 Summary of Appropriation Accounts:

Indian Railways operate 16 Grants which comprises of 15 Revenue Grants (Grant no.1 to Grant no.15) and one Capital Grant (Grant No. 16). The Capital Grant No. 16 has four segments viz- Capital (i.e. financed from Loan Capital i.e. General Budgetary Support), Railway Funds (financed from internally generated resources viz- Capital Fund, Depreciation Reserve Fund, Development Fund), Railway Safety Fund (financed from Central Road Fund from Diesel Cess) and Open Line Works-Revenue. The Summary of Appropriation Accounts (Railways) for the sums expended during the year ended 31 March 2009, compared with the sums authorized in the Demands for Grants and Supplementary Demands for Grants for expenditure on Central Government Railways and passed under the Article 114 and 115 of the Constitution of India is given in **Appendix- IV.** The position is briefly summed up as below:

(Rs. in crore)

	Original Grant/ Appropriation	***Supplementary***	***Total Sanctioned Grant***	***Actual Expenditure***	***Saving (-) / Excess (+)***
Voted					
Revenue	93,851.38	8,437.51	1,02,288.89	94,008.78	(-) 8,280.11
Capital	***53,718.25***	***4,507.01***	***58,225.26***	***55,218.58***	***(-)3,006.68***
Total Voted	**1,47,569.63**	**12,944.52**	**1,60,514.15**	**1,49,227.36**	**(-) 11,286.79**
Charged					
Revenue	70.22	73.89	144.11	95.74	(-) 48.37
Capital	*28.00*	*15.28*	*43.28*	*59.98*	*16.70*
Total Charged	98.22	89.17	187.39	155.72	(-) 31.67
Grand Total	**1,47,667.85**	**13,033.69**	**1,60,701.54**	**1,49,383.08**	**(-) 11,318.46**

The net overall saving of Rs.11,318.46 crore was the net result of savings of Rs.11,838.27 crore in nine revenue grants and four components of capital grant and nine revenue charged appropriations and two components of capital charged appropriation. This is offset by excess of Rs. 519.81 crore in six revenue grants and two revenue charged appropriations and one capital charged appropriation.

1.12.4 Financial Accountability and Budget Management

1.12.4.1Appropriation vis-à-vis Allocative Priorities

Unspent provision in a grant or appropriation indicates either poor budgeting or shortfall in performance or both. During 2008-09, is major portion of the aggregate savings of Rs.11,838.27 crore occurred in grants dealing with Operating Expenses, Pension and Other Retirement Benefits and Appropriation to Funds under Revenue grants and planned expenditure from Capital Grant. In eight cases savings were more than Rs.100 crore in each case as tabulated below. These cases constituted about 99 per cent of the aggregate savings. Reasons for savings under these grants are given in **Appendix-V**.

(Rs. in crore)

S.No..	***Particulars***	***Original Provisions***	***Supplem-entary provision***	***Actual Expenditure***	***savings (-)***
Revenue- Voted					
1	Grant No. 9- Operating Expenses - Traffic	8,526.81	1,205.18	9,582.57	(-) 149.42
2	Grant No. 10- Operating Expenses - Fuel	13,669.89	567.37	13,935.96	(-)301.30
3	Grant No. 12—Miscellaneous Working Expenses	2,413.82	353.57	2,266.06	(-) 501.33
4	Grant No. 13- Provident Fund, Pension and Other Retirement Benefits	9,705.75	3,065.36	11,450.64	(-)1,320.47
5	Grant No. 14—Appropriation to Funds	28,386.74	0.00	21,956.78	(-) 6,429.96
Capital- Voted					
6	Grant No. 16 – Assets-Acquisition, Construction and Replacement – Capital	29,938.85	4,507.00	33,908.65	-537.20
7	Grant No. 16 – Assets-Acquisition, Construction and Replacement – Railway Funds	22,419.50	0.01	20,696.13	-1,723.38
8	Grant No. 16 – Assets-Acquisition, Construction and Replacement – Railway Safety Fund	1,299.90	0.01	565.35	-734.56

In the 10 cases tabulated below, savings of more than Rs.100 crore each occurred under Plan Heads in Capital Grant No. 16. This also included two cases where savings were more than Rs.1,000 crore.

(Rs. in crore)

S.No.	Plan Head	Original Provisions	Supplementary provision	Actual Expenditure	savings (-)
Grant No. 16 – Assets- Acquisition, Construction and Replacement – Capital					
1	Rolling Stock	470.00	1,811.64	919.02	(-) 1,362.62
2	Other Specified Works	100.00	2.00	(-) 1.30	(-) 103.30
Grant No. 16 – Assets- Acquisition, Construction and Replacement – Railway Fund					
3	Doubling	25,32.70	0	1,848.43	(-) 684.27
4	Computerization	255.00	0	154.38	(-) 100.62
5	Rolling Stock	3,668.00	0	3,166.72	(-) 501.28
6	Bridge Works	603.70	0	415.94	(-) 187.76
7	Workshops including Production Units	829.95	0	462.55	(-) 367.40
8	Investment in Government Undertaking	2,100.00	0	900.00	(-) 1,200.00
Grant No. 16 – Assets- Acquisition, Construction and Replacement – Railway Safety Fund					
9	Road Safety Works- Conversion of Unmanned Level Crossing into Manned Level Crossing	599.99	0	249.68	(-) 350.31
10	Road Safety Works- Conversion of Level Crossing into Road over/under Bridges	699.91	0.01	315.67	(-) 384.25

1.12.4.2 Persistent Savings

In five cases during the last three years there were persistent savings of more than Rs.100 crore in each case as tabulated below:

(Rs. in crore)

S.No.	No. & name of the Grant	2006-07	2007-08	2008-09
Revenue – Voted				
1	Grant No. 9- Operating Expenses - Traffic	(-) 164.05	(-) 265.89	(-) 149.42
2	Grant No. 13- Provident Fund, Pension and Other Retirement Benefits	(-) 442.49	(-) 161.57	(-) 1320.47
3	Grant No. 14—Appropriation to Funds	(-) 556.54	(-) 373.99	(-) 6429.96
Capital - Voted				
4	Grant No. 16 – Assets- Acquisition, Construction and Replacement – Capital	(-) 998.00	(-) 789.46	(-) 537.20
5	Grant No. 16 – Assets- Acquisition, Construction and Replacement – Railway Safety Fund	(-) 350.66	(-) 517.44	(-) 734.56

1.12.5 Excess Expenditure:

The expenditure in six voted grants and three charged appropriations exceeded the approved provisions by Rs.519.81 crore as detailed in table below. Expenditure of Rs. 28,073.67 crore exceeded the approved provisions by Rs.502.70 crore in six revenue voted grants.

In addition, in three charged appropriations (two in Revenue and one in Capital), expenditure of Rs.39.74 crore was in excess of the sanctioned provisions by Rs.17.11 crore. These excesses require regularization by Parliament under Article 115(1) (b) of the Constitution of India.

(Rs. in crore)

S.No.	Particulars	Original Provisions	Supplem-entary provision	Actual Expenditure	Excess (+)
Revenue- Voted					
1	Grant No.4- Repairs and Maintenance of Permanent Way and Works	5,407.70	432.51	5,944.26	104.05
2	Grant No. 5- Repairs and Maintenance of Motive Power	2,570.49	258.62	2,924.36	95.25
3	Grant No.6 - Repairs and Maintenance of Carriage and Wagons	5,435.36	845.19	6,430.24	149.69
4	Grant No. 7- Repairs and Maintenance of Plant and Equipment	2,958.52	371.08	3,345.54	15.94
5	Grant No. 8- Operating Expenses Rolling Stock and Equipment	4,040.26	540.28	4,711.60	131.06
6	Grant No. 15 – Dividend to General Revenues	4,635.88	75.08	4,717.67	6.71
	Total Voted	**25,048.21**	**2,522.76**	**28,073.67**	**502.70**
Revenue- Charged					
7	Appropriation No. 3–General Superintendence and Services	0.09	0.00	0.10	0.01
8	Appropriation No .5- Repairs and Maintenance of Motive Power	0.23	0.11	0.35	0.01
Capital- Charged					
9	Appropriation No. 16 – Assets-Acquisition, Construction and Replacement – Capital	17.20	5.00	39.29	17.09
	Total Charged	**17.52**	**5.11**	**39.74**	**17.11**
	Total	**25,065.73**	**2,527.87**	**28,113.41**	**519.81**

In all above cases (except one) excess expenditure occurred despite obtaining supplementary provisions during the year. Reasons for excess expenditure are given in **Appendix-VI.**

In nine cases as tabulated below, excess of more than Rs.100 crore each occurred in Plan Heads of Grant No. 16- Assets, Acquisition, Construction and Replacement.

(Rs. in crore)

S.No.	Plan Head	Original Provisions	Supplementary provision	Actual Expenditure	Excess (+)
Grant No. 16 – Assets- Acquisition, Construction and Replacement – Capital					
1	New Lines Construction	1,590.99	325.31	2,519.19	602.89
2	Dividend Free Projects	0	316.00	611.37	295.37
3	Gauge Conversion	1,136.15	175.08	1,494.52	183.29
Grant No. 16 – Assets- Acquisition, Construction and Replacement – Railway Funds					
4	Gauge Conversion	1,603.70	0	1,831.44	227.74

S.No.	*Plan Head*	*Original Provisions*	*Supplementary provision*	*Actual Expenditure*	*Excess (+)*
5	Traffic Facilities-Yard Remodeling and Others	767.98	0	947.50	179.52
6	Track Renewal	4,697.90	0	5,248.80	550.90
7	Electrification Projects	327.00	0	465.92	138.92
8	Other Electrical Works	210.50	0	352.75	142.25
9	Passenger Amenities	700.10	0	826.50	126.40

1.12.6 Unnecessary/Excessive/Inadequate Supplementary Provisions: Ministry of Railways had obtained three supplementary provisions for Rs.13,033.70 crore (consisting of Rs.12,944.53 crore under voted grants and Rs.89.17 crore as charged appropriations during 2008-09).

Instances of unnecessary/excessive/inadequate supplementary provisions are tabulated below.

Under the Revenue sector more than 40 per cent of the supplementary provisions were not utilized in three cases of revenue voted grants and five cases of charged appropriations. This includes supplementary Grant of Rs.353.57 crore, obtained in Grant No. 12- Miscellaneous Working Expenses which proved unnecessary as the actual expenditure was less than the original sanctioned provision.

Further, in three cases supplementary provisions of Rs.1,817.98 crore proved insufficient by more than Rs.100 crore each leaving an uncovered expenditure of Rs.384.80 crore.

Under capital grant, in two plan heads, supplementary provision was insufficient as the excess expenditure was more than 100 per cent of the same. In another plan head supplementary provision remained unutilized to the extent of 75 per cent.

(Rs. in crore)

S.No	*Grant/ Appropriation No.*	*Original Provision*	*Supplem-entary Provision*	*Actual Expenditure*	*Excess (+) / Savings (-)*	*Percentage Excess (+) / Savings (-) to Supplem-entary provision*
	Supplementary Provisions remained unutilized					
1	Grant No. 10 – Operating Expenses – Fuel	*13,669.89*	567.37	13,935.96	(-) 301.30	(-) 53.10
2	Grant No. 12 – Miscellaneous Working Expenses	*2,413.82*	353.57	2,266.06	(-) 501.33	(-) 141.79
3	Grant No. 13 – Provident Fund, Pension and other Retirement Benefit	*9,705.75*	3,065.36	11,450.64	(-) 1,320.47	(-) 43.08
4	Appropriation No. 7- Repairs and Maintenance of Plan and Equipment	*0.05*	0.02	0.01	(-) 0.06	(-) 300.00
5	Appropriation No. 10 – Operating Expenses – Fuel	*3.01*	39.23	12.19	(-) 30.05	(-) 76.60
6	Appropriation No. 11 – Staff Welfare and Amenities	*0.32*	0.16	0.03	(-) 0.45	(-) 281.25

S.No	Grant/ Appropriation No.	Original Provision	Supplem-entary Provision	Actual Expenditure	Excess (+) / Savings (-)	Percentage Excess (+) / Savings (-) to Supplem-entary provision
7	Appropriation No. 12 – Miscellaneous Working Expenses	*60.71*	34.32	79.45	(-) 15.58	(-) 45.40
8	Appropriation No. 13 – Provident Fund, Pension and other Retirement Benefit	*0.66*	0.05	0.58	(-) 0.13	(-) 260.00
	Supplementary Provisions proved insufficient					
1	Grant No.4- Repairs and Maintenance of Permanent Way and Works	*5,407.70*	432.51	5,944.26	104.05	24.06
2	Grant No.6 - Repairs and Maintenance of Carriage and Wagons	*5,435.36*	845.19	6,430.24	149.69	17.71
3	Grant No.8- Working Expenses Rolling Stock and Equipment	*4,040.26*	540.28	4,711.60	131.06	24.26
		14,883.32	1817.98	17,086.10	384.80	
	Grant No. 16- Assets- Acquisition, Construction and Replacement –Capital					
1	Plan Head-New Lines Constructions	*1,590.99*	325.31	2519.19	602.89	185.44
2	Plan Head- Gauge Conversion	*1,136.15*	175.08	1,494.52	183.29	104.69
3	Plan Head-Rolling Stock	*470.00*	1,811.64	919.01	(-) 1,362.63	(-) 75.22

1.12.7 Surrender of unspent provisions

The savings in a Grant and Appropriation are required to be surrendered as soon as these are foreseen without waiting for the last day of the year. Further, these savings, as Financial Regulations require, should not be held in reserve for possible future excess. It was, however, noticed that out of unspent provision of Rs.11,838.27 crore (Rs.11,789.49 crore under Voted and Rs.48.78 crore under Charged) during the year, Rs.7,525.03 crore (Rs.7,521.09 crore under Voted and Rs.3.94 crore under Charged) were surrendered on last day of the financial year. This includes surrender of Rs.403.50 crore out of unspent amount of Rs.537.20 crore under Capital Grant No. 16 which was financed from the General Exchequer.

In two cases as tabulated below, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control.

(Rs. in crore)

S.No	Grant/Appropriation No.	Sanctioned provisions	Actual Expenditure	Savings(-)/ Excess (+)	Amount Surrendered
1	Grant No. 16- Assets- Acquisition, Construction and Replacement –Railway Fund	*22,419.51*	20,696.13	(-) 1,723.38	1,992.85
2	Appropriation No. 16- Assets- Acquisition, Construction and Replacement –Railway Fund	*20.70*	20.47	(-) 0.23	1.96

Further, at the end of 2008-09, there were, 04 Grants in which savings occurred but no part of which was surrendered. The amount involved in each case was more than Rs.100 crore as tabulated below:

(Rs. in crore)

S.No	Grant No.	Sanctioned provisions	Actual Expenditure	Savings
1	Grant No. 9- Operating Expenses - Traffic	*9,731.99*	9,582.56	(-) 149.43
2	Grant No. 10 – Operating Expenses – Fuel	*14,237.26*	13,935.96	(-) 301.30
3	Grant No. 12 – Miscellaneous Working Expenses	*2,767.39*	2,266.06	(-) 501.33
4	Grant No. 13 – Provident Fund, Pension and other Retirement Benefit	*12,771.11*	11,450.64	(-) 1,320.47

1.12.8 Re-appropriations: Re-appropriation of funds should be made only when it is known or anticipated that the appropriation from which funds are to be transferred will not be utilized in full. However, several instances of injudicious re-appropriation of funds during 2008-09 were noticed as discussed below:

Under capital grant, in four cases re-appropriation of funds from the plan heads was more than the anticipated savings

(Rs. in crore)

S.No.	Grant	Total Sanctioned Grant	Re-appropriation	Final Grant	Actual expenditure	Savings (-) (w.r.t. Sanctioned Grant)	Excess (w.r.t. to Final Grant)
	Grant No. 16- Assets- Acquisition, Construction and Replacement –Capital						
1	Rolling Stock	2,281.64	(-)1,387.75	893.89	919.02	(-)1,362.62	25.13
	Grant No. 16- Assets- Acquisition, Construction and Replacement –Railway Funds						
2	Doubling	2,532.70	(-) 715.29	1,817.41	1,848.43	(-) 684.27	31.02
3	Signal and Telecommunication Works	1,325.40	(-) 67.33	1,258.07	1,277.94	(-)47.46	19.87
4	Machinery and Plant	340.00	(-) 100.74	239.26	251.35	(-) 88.65	12.09

Further, in another three cases, funds were injudiciously re-appropriated from the plan heads despite the fact that actual expenditure was more than the sanctioned provisions

(Rs. in crore)

S.No.	Grant	Total Sanctioned Grant	Re-appropriation	Final Grant	Actual expenditure	Excess (w.r.t. Sanctioned Grant)	Excess (w.r.t. to Final Grant)
	Grant No. 16- Assets- Acquisition, Construction and Replacement –Capital						
1	Store Suspense	11,353.50	(-) 62.35	11,291.15	11,359.92	6.42	68.77
	Grant No. 16- Assets- Acquisition, Construction and Replacement –Railway Funds						
2	Staff Quarters	150.45	(-) 3.15	147.30	153.37	2.92	6.07
3	Leased Assets – Payment of Capital Component	1,810.00	(-) 45.20	1,764.80	1,813.91	3.91	49.11

1.12.9 Expenditure without Provision: No expenditure should be incurred on schemes/services without provision of funds. Under the following three revenue charged appropriations, Zonal Railways had incurred expenditure of Rs.31.09 lakh without any provision in the original estimates/supplementary demands and without any re-appropriations to this effect.

(Rs. in lakh)

S.No.	Appropriation/Railway	Expenditure incurred
	Appropriation No.4- Repairs and Maintenance of Permanent Way and Works	
1.	South Western Railway	11.31
	Appropriation No.5- Repairs and Maintenance of Motive Power	
2.	Southern Railway	1.20
	Appropriation No. 12 – Miscellaneous Working Expenses	
3.	South Western Railway	18.58

In addition to this, in seven cases under capital grant, Zonal Railways had incurred expenditure amounting to Rs.115.10 lakh without any provision for the same.

(Rs. in lakh)

S.No.	Plan Head/Zonal Railway	Expenditure incurred
	Grant No. 16- Assets- Acquisition, Construction and Replacement –Capital	
	Doubling	
1	East Central Railway	97.94
	Bridge Work	
2	South Western Railway	1.80
	Miscellaneous Advance – Capital	
3	Central Organization for Railway Electrification	1.87
	Open Line Works- Revenue	
	Track Renewal	
4	Western Railway	2.47
	Bridge Work	
5	Western Railway	3.85
	Staff Quarters	
6	South Western Railway	4.11
	Amenities for Staff	
7	North Central Railway	2.74

1.13 Comments on Accounts

1.13.1 Grant No. 16- Assets - Acquisition, Construction & Replacement: Rules on classification of expenditure stipulate that all expenditure pertaining to National Projects on New Lines are to be exhibited under Plan Head-8300-Dividend Free Projects. Besides Udhampur-Srinagar-Baramula New Line Project in Northern Railway, two New Lines Projects (viz- Kumarghat-Agartala and Jiribam-Tupui) and one Gauge Conversion Project (Lumding-Silchar including alignment between Migrendisa-Dittockchera (198 kms) and extension from Badarpur to Bairagram (44 kms) in Northeast Frontier Railway are also being executed as National Projects for which contribution is being made by Central Government as dividend free budgetary support. However, expenditure on projects under execution in Northeast Frontier Railway is not being classified separately as 'Dividend Free Projects' with the result that Northeast Frontier Railway Administration pays dividend on the Capital invested on these projects and receives subsidy of an equivalent amount. Matter was taken up with Ministry of Railways who replied that separate plan heads are to be opened for recording transactions on National Projects under execution in Northeastern region.

1.13.2 Irregular Reduction in Gross Expenditure: Rules provide that the Capital head should be credited with the sale proceeds of any land acquired at the cost of Capital when it is sold or surrendered. It is, however, noticed that Rs.45 crore received from Greater Hyderabad Municipal Corporation in October 2008 was wrongly minus debited to capital (Plan Head "Other Specified Works') instead of crediting to the same. This resulted in understatement of 'Gross Expenditure' in the Capital to that extant.

1.13.3 Defined Contributory Pension Scheme (DCPS): In September 2008, Controller General of Accounts (CGA) issued instructions for streamlining the procedure for remittance of contribution to Trustee Bank. These instructions inter-alia provide that the contribution should not be parked under the Major Head – 8342-other Deposits-117-"Defined Contribution Pension Scheme" even as a temporary measure for making payment to Trustee Bank. It was, however, noticed that Ministry of Railways has operated this Major Head for transactions of DCPS. As of 31 March 2009, Rs.239.37 crore pertaining to DCPS was still kept under this Major Head in contravention to the above instructions.

Further, DCPS is based on equal defined contributions from the employee and the Government. However, there was a mismatch in these two contributions during 2008-09. As against the employee contribution of Rs.171.88 crore credited to Major Head 8342 during the year, the Government contribution was Rs.168.24 crore. This mismatch, as explained by the Ministry of Railways, was on account of effecting the two contributions separately at different point of time.

Instructions, issued by Ministry of Finance in March 2008, on transferring the accumulated amount of DCPS to Trustee Bank, inter-alia provide that no interest will be given by the Government on the accumulations under DCPS after March 2008. It was, however, noticed that Ministry of Railways booked Rs.1.83 crore as interest on DCPS under Major Head-2049. In response to audit observations, Ministry of Railways stated that interest amount pertained to those employees whose money could not be transferred during the year

2007-08. Thus, delay in transfer of amount to the Trustee Bank resulted in avoidable expenditure on interest.

AP P E N D I X - I

(Reference Paragraph No. 1.9.4)

List of on-going projects costing Rs.100 crore and above – Delayed over 10 years

(Rs. in crore)

S .No.	*Name of the Project*	*Date of approval*	*Original Cost*	*Cumulative Expenditure*	*Anticipated Cost*	*Original date of commissioning*	*Anticipated date of commissioning*	*Time Over-run (in month)*
1	Rajkot-Veraval Somnath Section Material to Wansjaliya	4/1992	112.53	435.17	464.50	3/1996	8/2009	161
2	Freight Operation Information System	3/1984	520.00	429.53	634.13	3/1995	3/2010	180
3	Ambala-Moradabad	3/1993	152.21	262.85	265.00	3/1998	3/2010	144
4	Amravati-Narkher New Line Project	6/1994	120.90	214.93	284.27	6/1999	3/2011	141
5	Udhampur-Srinagar-Baramulla	3/1995	2500.00	5628.36	11,270.00	3/2001	12/2012	141
6	Rupsa-Bangriposi	2/1996	57.96	NA	137.57	3/1998	3/2010	144
			3463.60		13055.47			

AP P E N D I X - II

(Reference Paragraph No. 1.9.4)

List of on-going projects costing Rs.100 crore and above – slow progress

(Rs. in crore)

S .No.	*Name of the Project*	*Date of approval*	*Original Cost*	*Cumulative Expenditure*	*Anticipated Cost*	*Original date of commissioning*	*Revised date of commissioning*	*%age of cumulative expenditure to Anticipated cost*
1	Sriganganagar-Sarupsar	4/1997	143.92	4.77	168.80	NA	3/2010	2.83
2	Sukinda Road-Angul (RVNL)	4/1998	183.23	0.81	638.50	2/2015	11/2010	0.13
3	Gaelkera-Manoharpur	3/1998	186.92	0.02	283.10	2/2006	NA	0.01
4	Tanur (Kuttipuram)Guruvayur	4/1995	40.00	8.69	137.71	NA	NA	6.31
5	Banglore-Satyamangalam	2/1999	138.00	0.28	901.62	NA	NA	0.03
6	Macherla-Nalgonda	7/1998	125.00	0.27	243.17	7/2008	NA	0.11
			817.07		2372.90			

AP P E N D I X - III

(Reference Paragraph No.1.11)
Investments and Returns

S.No.	*Name of PSU*	*Investment (Rs. in crore)*	*Investment (%)*	*Dividend Received in 2008-09 (Rs. in crore)*
	Public Sector Undertakings/ Special Purpose Vehicles/ Joint Ventures which had paid dividend to Indian Railways			
1.	Rail India Technical & Economic Services Limited (RITES)	4.00	100 %	9.00
2.	IRCON International Limited	4.94	99.73 %	29.61
3	Indian Railway Finance Corporation Limited (IRFC)	800.00	100 %	100.00
4.	Container Corporation of India Limited	41.01	63.05 %	110.70
5.	Railtel Corporation of India Limited (RCIL)	15.00	100 %	10.00
6.	Indian Railway Catering and Tourism Corporation Limited (IRCTC)	20. 00	100 %	4.15
7.	Rail Vikas Nigam Limited (RVNL)	4,522.62	100 %	5.00
	Total	**5,407.57**		**268.46**
	Public Sector Undertakings/ Special Purpose Vehicles/ Joint Ventures which had not paid dividend to Indian Railways			
1	Konkan Railway Corporation Limited	411.29	52 %	Nil
2	Mumbai Rail Vikas Corporation Limited	12.75	51 %	Nil
3	Dedicated Freight Corridor Corporation of India Limited,	326.77	100 %	Nil
4	Bharat Rail Bijli Company Limited,	108.97	100 %	Nil
5	Hassan-Mangalore Rail Development Company Limited,	45.00	NA	Nil
6	Karnataka Rail Infrastructure Development Company Limited	1.30	NA	Nil
7	Pipavav Railway Corporation Limited	52.67	NA	Nil
	Total	**958.75**		

NA- Not available

APPENDIX – IV

(Reference Paragraph No. 1.12.3)

Grand Summary of Appropriation Accounts 2008-09

(In units of Rupees)

Number and name of the Grant/ Appropriation		Original Grant/ Appropriation	Supplementary	Sanctioned Grant/ Appropriation	Actual Expenditure	Excess (+)/ Savings (-)
1	**Revenue – Railway Board**					
	Voted	132,61,00,000	15,00,00,000	147,61,00,000	147,59,60,795	(-)1,39,205
2	**Revenue – Miscellaneous Expenditure (General)**					
	Voted	483,17,00,000	--	483,17,00,000	440,79,04,231	(-) 42,37,95,769
3	**Revenue – Working Expenses – General Superintendence and Services**					
	Charged	*8,48,000*	--	*8,48,000*	*9,52,322*	*(+)1,04,322*
	Voted	3166,06,71,000	427,25,77,000	3593,32,48,000	3571,75,84,787	(-) 21,56,63,213
4	**Revenue – Working Expenses – Repairs and Maintenance of Permanent Way and Works**					
	Charged	*4,27,46,000*	--	*427,46,000*	*297,34,328*	*(-)130,11,672*
	Voted	5407,69,94,000	432,51,11,000	5840,21,05,000	5944,26,92,825	(+) 104,05,87,825
5	**Revenue – Working Expenses – Repairs and Maintenance of Motive Power**					
	Charged	*23,00,000*	*10,89,000*	*33,89,000*	*35,08,659*	*(+)1,19,659*
	Voted	2570,49,58,000	258,62,14,000	2829,11,72,000	2924,36,28,565	(+) 95,24,56,565
6	**Revenue - Working Expenses – Repairs and Maintenance of Carriages and Wagons**					
	Charged	*7,00,000*	--	*7,00,000*	*2,93,168*	*(-)4,06,832*
	Voted	5435,35,64,000	*845,19,03,000*	6280,54,67,000	6430,23,89,039	(+)149,69,22,039
7	**Revenue - Working Expenses – Repairs and Maintenance of Plant and Equipment**					
	Charged	*5,15,000*	*1,41,000*	*6,56,000*	*54,595*	*(-)6,01,405*
	Voted	2958,51,44,000	*371,08,19,000*	3329,59,63,000	3345,53,46,651	(+) 15,93,83,651
8	**Revenue - Working Expenses – Operating Expenses – Rolling Stock and Equipment**					
	Charged	*14,10,000*	--	*14,10,000*	*38,338*	*(-)13,71,662*
	Voted	4040,26,20,000	540,27,88,000	4580,54,08,000	4711,59,77,735	(+)131,05,69,735
9	**Revenue - Working Expenses – Operating Expenses – Traffic**					
	Charged	*67,10,000*	--	*67,10,000*	*1,84,822*	*(-)65,25,178*
	Voted	8526,80,73,000	1205,17,90,000	9731,98,63,000	9582,56,36,711	(-) 149,42,26,289
10	**Revenue - Working Expenses – Operating Expenses - Fuel**					
	Charged	*3,01,00,000*	*39,23,79,000*	*42,24,79,000*	*12,19,44,167*	*(-)30,05,34,833*
	Voted	13669,89,21,000	*567,36,50,000*	14237,25,71,000	13935,95,69,415	(-) 301,30,01,585
11	**Revenue – Working Expenses – Staff Welfare and Amenities**					
	Charged	*31,51,000*	*16,00,000*	*47,51,000*	*3,33,815*	*(-)44,17,185*
	Voted	2318,31,89,000	*281,01,04,000*	2599,32,93,000	2582,95,77,725	(-)16,37,15,275

(In units of Rupees)

Number and name of the Grant/ Appropriation		Original Grant/ Appropriation	Supplementary	Sanctioned Grant/ Appropriation	Actual Expenditure	Excess (+)/ Savings (-)
12	**Revenue - Working Expenses – Miscellaneous Working Expenses**					
	Charged	*60,70,79,000*	*34,32,16,000*	*95,02,95,000*	*79,45,14,401*	*(-)15,57,80,599*
	Voted	2413,81,47,000	353,57,32,000	2767,38,79,000	2266,05,97,486	(-) 501,32,81,514
13	**Revenue - Working Expenses – Provident Fund, Pension and Other Retirement Benefits**					
	Charged	*66,36,000*	*4,93,000*	*71,29,000*	*58,18,384*	*(-)13,10,616*
	Voted	9705,74,85,000	3065,35,87,000	12771,10,72,000	11450,63,54,498	(-) 1320,47,17,502
14	**Revenue - Appropriation to Funds – Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund**					
	Voted	28386,74,00,000	--	28386,74,00,000	21956,77,77,008	(-) 6429,96,22,992
15	**Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of Over-Capitalization**					
	Voted	4635,88,00,000	75,08,00,000	4710,96,00,000	4717,67,23,341	(+) 6,71,23,341
16	**Assets – Acquisition, Construction and Replacement - Open Line Works – Revenue**					
	Charged	--	--	--	--	--
	Voted	60,00,00,000	--	60,00,00,000	48,45,86,834	(-)11,54,13,166
	Assets – Acquisition, Construction and Replacement - Other Expenditure – Capital					
	Charged	*17,20,00,000*	*500,00,000*	22,20,00,000	39,28,59,223	*(+) 17,08,59,223*
	Voted	299,38,84,92,000	*4507,00,30,000*	34445,85,22,000	33908,65,03,272	(-) 537,20,18,728
	Assets – Acquisition, Construction and Replacement – Other Expenditure – Railway Safety Fund					
	Charged	*10,00,000*	*28,00,000*	*38,00,000*	*22,22,005*	*(-) 15,77,995*
	Voted	1299,90,00,000	*55,000*	1299,90,55,000	565,34,95,859	(-) 734,55,59,141
	Assets – Acquisition, Construction and Replacement - Other Expenditure – Railway Funds					
	Charged	*10,70,00,000*	*10,00,00,000*	*20,70,00,000*	*20,46,97,985*	*(-) 23,02,015*
	Voted	22419,50,00,000	*95,000*	22419,50,95,000	20696,13,42,791	(-)1723,37,52,209
	Grand Total					
	Charged	*98,21,95,000*	*89,17,18,000*	*187,39,13,000*	*155,71,56,212*	*(-) 31,67,56,788*
	Voted	**147569, 62,58,000**	**12944,52,55,000**	**160514,15,13,000**	**149227,36,49,568**	**(-) 11286,78,63,432**
Grand Total		**147667,84,53,000**	**13033,69,73,000**	**160701,54,26,000**	**149383,08,05,780**	**(-) 11318,46,20,220**

APPENDIX - V

(Reference Paragraph No. 1.12.4.1)
Grant wise Reasons for Savings over Rs.100 crore

S.No.	*Grant*	*Net Savings (Rs in Crore)*	*Reasons*
1	Grant No.9- Operating Expenses - Traffic	149.42	Due to less activities under Minor Heads- Establishment in Offices, Yard Operations, Transshipment and Repacking Operations, Safety and Other Miscellaneous Expenses
2	Grant No.10- Operating Expenses- Fuel	301.30	Due to less activities under Minor Heads- Diesel Traction and Electric Traction
3	Grant No. 12- Miscellaneous Working Expenses	501.33	Due to less activities under Minor Heads- Security, Compensation Claims, Cost of Training to Staff, Other Expenses and Suspense
4	Grant No. 13- Provident Fund, Pension and Other Retirement Benefits	1,320.47	Due to less activities under Minor Heads- Superannuation and Retiring Pension, Commuted Pension, Ex-gratia Pension, Death-cum-Retirement Gratuity and Leave Encashment Benefits
5	Grant No. 14- Appropriation to Funds	6,429.96	Less appropriation to Capital Fund due to lower resultant internal resources
6	Grant No. 16 – Assets, Acquisition, Construction & Replacement- Capital	537.20	Due to less activities under Restoration of dismantled lines, Computerization, Rolling Stock, Signal and Telecommunication Works, Other Electric Works, Machinery and Plant, Staff Quarters, Other Specified Works and Metropolitan Transport Project
7	Grant No. 16 – Assets, Acquisition, Construction & Replacement- Railway Funds	1,723.38	Due to less activities under Plan Heads- Doubling, Computerization, Railway Research, Rolling Stock, Bridge Works, Signal and Telecommunication Works, Machinery and Plant, Workshop including Production Units and Investment in Government Undertakings
8	Grant No. 16 – Assets, Acquisition, Construction & Replacement- Railway Safety Fund	734.56	Due to less activities under Plan Heads- Road Safety Works- Conversion of unmanned Level Crossing into Manned level crossing and Road Safety Works- Conversion of Level crossing into Road over/under Bridges.

APPENDIX - VI

(Reference Paragraph No.1.12.5)

Grant wise Reasons for Excess Expenditure

S.No.	*Grant*	*Net Excess (Rs in Crore)*	*Reasons*
1	Grant No. 4- Repairs and Maintenance of Permanent Way and Works	104.05	Due to more activities under Minor Heads- Establishment in Offices, Maintenance of Permanent Way and Service Buildings
2	Grant No. 5- Repairs and Maintenance of Motive Power	95.25	Due to more activities under Minor Heads- Establishment in Offices, Diesel Locomotives and Electric Locomotives
3	Grant No. 6- Repairs and Maintenance of Carriages and Wagons	149.69	Due to more activities under Minor Heads- Establishment in Offices, Carriages, Wagons, Electric Multiple Unit Coaches, Electric General Services Train Lighting.
4	Grant No. 7- Repairs and Maintenance of Plant and Equipment	15.94	Due to more activities under Minor Heads- Establishment in Offices, Plant and Equipment- Electrical, Signalling and Telecommunication.
5	Grant No. 8 –Operating Expenses-Rolling Stock and Equipment	131.06	Due to more activities under Minor Heads-Steam Locomotives, Diesel Locomotives, Electric Locomotives, Carriages and Wagons.
6	Grant No. 15 – Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of Over-Capitalization	6.71	Due to higher payment of dividend to General Revenues on account of higher booking in Capital as compared to Budget Estimates
7	Appropriation No. 3- - General Superintendence and Services	0.01	Due to more payments of court decrees than anticipated.
8	Appropriation No. 5- Repairs and Maintenance of Motive Power	0.01	Due to more payments of court decrees than anticipated.
9	Appropriation No. 16 – Assets, Acquisition, Construction & Replacement- Capital	17.09	Due to more payments of court decrees than anticipated.

CHAPTER 2: EARNINGS

2.1 Non-observance of rules

2.1.1 South Western Railway: Loss due to irregular implementation of Terminal Incentive cum Engine on Load (TIEL) Scheme

Railway's action to detach engines from the rakes during loading under TIEL scheme and sending them to other stations vitiated the scheme and resulted in loss of earning capacity of the wagons (Rs.21.88 crore) besides payment of freight rebate (Rs.6.12 crore) to the customers

In Terminal cum Engine on Load (TIEL) scheme, train engine remains available during loading/ unloading operations in the sidings/goods sheds and waits on Railway's account so as to work the train immediately after the completion of the loading/unloading. While it improves the turn round of rolling stock, the customer also gets the incentive in the form of rebate in freight. If customer does not complete loading/unloading within the stipulated free time, the scheme stipulates a deterrent in the form of levy of penalty, demurrage charges and also withdrawal of freight rebate.

Review of records connected to the working under the scheme on six loading stations of Hubli Division for different periods between April 2007 and November 2008 revealed that on many occasions, engine bringing empties for loading was not stabled along with the rake till the completion of loading and was sent to other stations. As a result, loaded rakes were required to wait for another engine resulting in heavy detention to wagons ranging between 55 minutes and 268 hours.

In TIEL scheme, the payment of incentive to the customers in the form of freight rebate should be commensurate with the benefit to the Railway in terms of reduced detentions to their rolling stock. Detachment of the engines and sending them to other stations vitiated the scheme and resulted in a loss of earning capacity of the wagons to the extent of Rs.21.88 crore besides payment of freight rebate of Rs.6.12 crore to the customers due to completion of loading within the stipulated free time.

When this matter was taken up (March 2009) with the Railway Administration, they stated (April 2009) that due to imbalance in loco holding and number of rakes loaded, the engine carrying the empty rake can not be stabled along with the rake till the completion of loading. Detachment of engines was inevitable for their optimal utilisation. In view of the reply, namely detachment of engines being considered inevitable, the feasibility of implementation of the scheme requires to be reviewed.

2.1.2 Central Railway — Non-recovery of wagon hire charges from MbPT Railway

The failure of the Central Railway to effectively pursue the revision of allowance of free time to wagons exchanged with MbPT Railway has resulted in non-recovery of wagon hire charges of Rs.11.99 crore

As per clause 9 (b) of the working agreement executed (September 1990) between Mumbai Port Trust (MbPT) Railway and Central/Western Railway, all empty and loaded wagons exchanged between MbPT Railway and Central/ Western Railway were to be allowed to remain on MbPT Railway free of hire charges for a period of 32 hours and 50 hours respectively. After expiry of free time, wagon hire charges at the rate in force from time to time as per Rule 210.1 of Indian Railway Conference Association Rules Part II were payable by MbPT to Central Railway. In July 2006, Railway Board issued instructions to zonal Railways stating that free time allowed to ports for discharging the terminal activities on behalf of the Railway should be fixed on the basis of time and motion study. It was also stipulated that such total free time should not exceed 15 hours for single operation and 24 hours for double operation. These instructions were to be effective from 1 August 2006.

Scrutiny of records of Traffic Accounts Office of Central Railway revealed that since wagon hire charges were not due prior to August 2006, they neither took action to conduct time and motion study nor issued notice to the MbPT for revision of the free time. As such wagon hire charges due as per revised free time proposed by Railway Board were not recovered. Audit observed that the average monthly detention of wagons beyond permissible free time after August 2006 was 10 hour to 90 hours for single operation and from 47 hours to 87 hours for double operations in the year 2007 and the same was seven hours to 46 hours for single operation and 23 hours to 109 hours for double operation in the year 2008. On the basis of the average detention, the wagon hire charges recoverable from the MbPT Railways minus demurrage charges (collected by MbPT and paid to Central Railway) worked out to Rs.11.99 crore for the period from 1.8.2006 to December 2008.

When the matter was taken up with the Railway Administration (April 2009) they stated (July 2009) that after receipt of instructions from Railway Board, Advance Rates Notification was issued for the proposed changes but the MbPT Railway had protested the unilateral changes in the allowable free time and asked the Central Railway to defer the implementation till revised agreement was executed. They also stated that Central Railway had nominated a team to conduct time and motion study and this was also not agreed by MbPT Railway on the ground the study should be conducted with only 20 loaded wagons which was the hauling capacity of their locomotives. The reply is not tenable because Central Railway discussed the issue of revision of free time and execution of a revised agreement with the MbPT Railway authorities only in February 2008 and thereafter in March 2009. Despite lapse of almost three years after the instructions were issued by Railway Board, the issue of revision of agreement remained unresolved and it would be difficult to recover the legitimate dues from retrospective date.

Thus the failure of the Central Railway to effectively pursue the matter regarding revision of free time to wagons exchanged with MbPT Railway has resulted in non-recovery of wagon hire charges of Rs.11.99 crore.

2.1.3 North Western Railway: Loss due to sub optimal utilization of wagon capacity

Failure of the Railway Administration to optimally utilize wagon capacity in defiance of Railway Board directives resulted in loss of earnings of Rs.6.86 crore

Railway Board in May 2005 embarked upon a pilot project to maximize the available potential in track and bridges by carrying heavier axle loads on the broad gauge (BG) routes with carrying capacity (CC) +6+2 tons by loading CC+8+2 tons. The project aimed at fetching additional earnings and was accordingly extended on a yearly basis. All routes except a few routes were declared fit for CC+6+2 loaded wagons. The General Managers of the Zonal Railways were directed to obtain the sanction of Commissioner of Railway Safety (CRS) for running of CC+8+2 loads on the various routes within three months of the issue of the instructions.

On North Western Railway, there is a regular traffic of gypsum and limestone from Jaisalmer area of Jodhpur Division. The outward traffic moves to destinations over South East Central, South Eastern and Eastern Railways and is routed via West Central Railway (WCR)/ North Central Railway (NCR). Railway Board approved three routes for plying of CC+8+2 loaded wagons over North Western Railway (NWR) and sanction of CRS was to be obtained within three months. Accordingly, the CC+8+2 loaded rakes were booked from Jaisalmer (sixteen rakes) and Gotan (three rakes) in August 2008 but were stopped later on the grounds that Sawai madhopur - Kota (107.76 kms on WCR) and Bandikui-Yamuna Bridge (155 kms on NCR) were CC+6+2 routes and the sanction of CRS was not obtained for plying CC+8+2 loaded rakes on NWR. Presently, all the loaded rakes are being moved with CC+6+2 resulting in loss of earnings of two tonnes per wagon. This resulted in loss of Rs.6.86 crore during the period August 2008 to February 2009.

When the matter was taken up with the Railway Administration (March 2009), they stated (June 2009) that the section Sawai madhopur – Kota (107.76 kms.) and Bandikui – Yamuna Bridge (155 kms.) fall over the jurisdiction of other Railways and hence necessary action on the issue of plying CC+8+2 loaded rakes on these routes are to be taken by the concerned Railways/ Railway Board.

The remarks are not tenable because the Sawai madhopur-Kota section (WCR) is a part of the trunk route (Group 'A') from New Delhi to Mumbai Central and was fit for CC+8+2 loads as certified by West Central Railway in their report sent to Railway Board in March 2008. Similarly, Bandikui-Agra Fort section of NCR was also fit for CC+8+2 loaded rakes being laid with higher sleeper density and 52 kg 90 UTS rails as a part of golden triangle route and therefore meets the requisite track standards for CC + 8 + 2 loading. Further, a test check by audit indicated that 105 double headed rakes moved between Bandikui (NWR) to Agra (NCR) from January 2009 to May 2009 and as such the section was also fit for double headed loco operations. Thus the entire route was technically fit for CC+ 8 +2 traffic and only a notification was required to be issued by the Railway Board. Had the Railway Administration been proactive and coordinated with adjoining Zones/ Railway Board, the loss of Rs.6.86 crore could have been avoided.

2.1.4 Western Railway Loss due to over-carriage of parcels

The failure of the staff responsible for handling of the parcels in trains besides unnecessary occupation of precious space in the parcel vans has resulted in loss of Rs.1.96 crore on account of unrealized freight on over-carried parcels

As per provisions of the Indian Railway Commercial Manual, Guard/Assistant Guard of the train is responsible for custody of the parcel packages loaded in the Vans. The loading of parcel packages should be done in such a manner as to enable the Guard/Assistant Guard to arrange quick unloading at the destination station. The manual also stipulates that parcels over-carried must be carefully examined and re-weighed immediately and re-booked to the correct destination.

Scrutiny of records of Parcel offices at Indore and Ahmedabad in December 2007 and November 2008 respectively revealed that 1,46,604 packages of over-carried parcels were received at the two stations during the period from April 2006 to December 2008. These over-carried parcels were neither re-weighed nor re-booked as provided in the rules. On the contrary, these were sent back to their destination without issuing Parcel Way Bills. In the absence of re-booking particulars of the over-carried parcels the exact loss due to over-carriage could not be assessed. However, based on the average weight and freight of each parcel booked from Indore and Ahmedabad stations audit assessed the loss of freight at Rs.1.93 crore.

Audit also noticed that 84 parcels booked by Indore station and 536 parcels booked by Ahmedabad station were received back without unloading at the destination station. Similarly a parcel vehicle booked from Ahmedabad to Agra Fort in October 2007 was received back in unloaded condition after 57 days. The loss of freight due to double carriage works out to Rs.0.03 crore.

In reply to audit the Divisional Commercial Manager accepted that the loss could have been avoided and that all efforts were being made to minimize the instances of over-carriage of parcels

Thus the failure of the staff responsible for handling of the parcels in trains besides unnecessary occupation of precious space in the parcel vans has resulted in loss of Rs.1.96 crore on account of over-carriage.

When the matter was taken up with the Railway Administration (March 2009), they stated (November 2009) that over carriage of parcels arises on account of quantum of traffic and although efforts are made to limit such over carriage, a small percentage get affected. While they admitted that room carried by the over carried parcels could have been gainfully utilized for loading of fresh parcels, they have not agreed to the potential loss of revenue on the ground that packages are cleared by the other available trains. They have now stated that the system of sending advance intimation to destination stations has been introduced so as to facilitate the unloading.

The reply is not acceptable because the number of parcels over carried at two stations during a short span of one year indicates that the procedure was not followed. Moreover, had the parcels been unloaded at the correct stations, the available space could have been utilized to maximize revenue potential. Thus there is certain loss and remedial action is required to strengthen the system of handling the parcels.

2.1.5 Northern, Northeast Frontier: and East Coast Railways — Short realization of freight due to incorrect computation of freight of military traffic

Failure of forwarding Railways to levy the correct freight coupled with failure of the destination station resulted in short recovery of freight of Rs.1.69 crore from Defence Department

Rules provide that the destination station should check the freight and other charges mentioned in the invoices and report the undercharges noticed, if any, to the booking station.

Railway Board (Board) in March 2006 rationalized the rates for Military traffic with effect from 01 April 2006. As per revised instructions, the freight of Military goods traffic of any description including explosives, when booked in Military and Railway owned wagons, was to be levied and charged for the permissible carrying capacity (PCC) of the wagons used at class LR-1 and class 110, respectively. Further, the freight charges so levied should be for actual number of wagons in the train subject to a minimum of 40 bogie wagons per train. Rules also provide that at least two dummy wagons should be attached between the engine/guard's vans and the wagon loaded with explosives.

Scrutiny of records of Military traffic received at 6 stations (Pathankot, Baddowal, Dasua, Suranussi, Ludhiana, Bathinda Cantt.) revealed that while booking consignments of Military ammunition traffic, during April 2006 to March 2009, the staff of booking stations (POSG & Bhandak of Central Railway) did not charge the freight as per Board's instructions. The ammunition booked in wagons was charged at train load class rate though the condition of charging of freight for minimum of 40 bogie wagons was not fulfilled and the freight was charged for less than 40 wagons. More than two to 13 bogie wagons attached with the train as dummy wagons were charged at haulage rates. Similarly, the Military ammunition traffic, booked in the rakes of Railways owned BCN/BCNA wagons was not charged for the prescribed minimum number of 40 bogie wagons at the applicable correct class (class 110) on the basis of their applicable PCC. These irregularities were also not detected by the Commercial staff of receiving Railway. As a result, the undercharges of freight amounting to Rs.0.89 crore remained unrealized from the Defence Department. Similarly irregularities were noticed in East Coast Railway resulting in short recovery of freight amounting to Rs.0.24 crore. Further, in Northeast Frontier Railway, Edible oil consigned to Military Regimental Messes etc. was charged at class LR 4 instead of the prescribed class of 110 resulting in short recovery of Rs.0.56 crore.

When the matter was taken up with the Railway Board (October 2009), they stated (December 2009) that a letter to Central Railway has been written to start recovery of undercharges pertaining to Northern Railway and error sheets have been issued for undercharges pertaining to East Coast Railways. Nevertheless, the undercharge pointed out has not, so far, been recovered. In respect of Northeast Frontier Railway, Railway Board took a stand that no further action was required in the matter as the clarification for charging of stores like Edible oil consigned to Regimental Messes at class 110 was issued in October 2009 thereby making the instruction effective from 10 November 2009. This is not tenable. Since the clarifications simply reiterated the provision of rationalization letter of March 2006 stipulating charging of the item at class 110, there was no justification for making the instruction effective from 10 November 2009. As such, the short recovery pointed out requires regularization. Thus, the failure of the forwarding Railways to levy the correct freight coupled with failure of the destination station staff to collect the undercharges resulted in short recovery of freight of Rs.1.69 crore.

2.1.6 East Coast Railway: Non-realisation of surcharge due to irregular booking of goods

Failure to levy freight at Railway Risk rate as per extant orders resulted in short-realisation of Rs.1.39 crore

Where any goods are entrusted to a Railway Administration for carriage, such carriage shall, except where owner’s risk (OR) rate is applicable in respect of such goods, be at railway risk rate. Goods, for which owner’s risk rate and Railway risk (RR) rate are in force, may be entrusted for carriage at either of the rates and if no rate is opted, the goods shall be deemed to have been entrusted at owner’s risk rate.

In terms of Rule No.177 of Goods Tariff 41, (Vol.-I), class rates apply at RR except where the symbol ‘OR’ is given against the commodity. If the commodity, to which the symbol “OR” is attached, is offered for booking at RR, the freight charges to be levied would be 20 per cent higher than the charges at Owner’s Risk.

As per Goods Tariff effective from 01 April 2007 all the Main Commodity groups were brought under ‘OR’. The commodity ‘Iron Ore’ appears under the Main commodity group No.13 (i.e. Mineral and Ores) with risk rate ‘OR’ and class rate 160 (Train Load). The classification of these commodities remained in force at OR till 31 October 2007.

Scrutiny of related records at Goods Office, Bacheli revealed that in 32 Railway Receipts issued in April 2007, the consignor (NMDC Ltd.) in its forwarding notes had opted for Iron Ore to be carried at ‘RR’ to different stations over Indian Railways. The corresponding Railway Receipts revealed however that under the column Risk Rate, ‘Railway Risk’ was overwritten as Owner’s Risk without any attestation. Further in other five Railways, in receipts issued (April and May 2007), Iron Ore was booked as OR while the consignor had offered for booking at ‘RR’. Thus, irregular booking of goods had taken place in these cases. As a result there was a short-realisation of freight of Rs.1.39 crore on account of non-levy of 20 per cent over and above the normal charges.

When the matter was taken up with the Railway Board (September 2009), they stated (December 2009) that there was no short realization of freight, which has been realized on the basis of Owner's risk in consonance with the type of Risk accepted by the Railways in the concerned RRs. The reply is not acceptable because the consignments were not booked under Railway Risk Rate though the consigner opted for the same. Hence, by overwriting the RRs Railway had lost the opportunity to collect the surcharge which was leviable as per rules resulting in loss of freight.

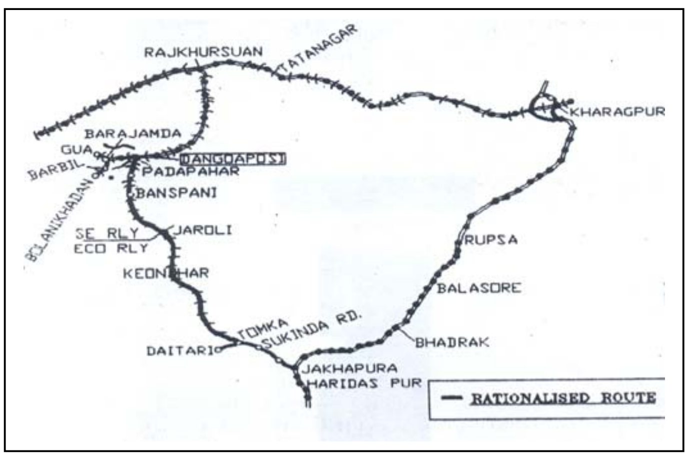
2.2 Routing deficiencies/incorrect computation of distance

2.2.1 South Eastern and East Coast Railways: Loss of revenue due to deficiency in rationalisation scheme

Deficiency in the orders of rationalisation scheme i.e. non inclusion of a station situated on rationalised route resulted in loss of revenue of Rs.2.26 crore due to charging of freight via shorter route

As per Railway Board's order issued (03 August 2007) amendment No.3 to the General Order No.1/2007 of Rationalisation Scheme was applicable with immediate effect. Iron ore traffic originating at Bolanikhadan, Barbil, Barajamda, Gua and Noamundi stations and their associated sidings on South Eastern Railway and booked to stations on Jaroli-Jakhapura-Cuttack-Paradeep Section should be carried via Tatanagar- Kharagpur-Bhadrak instead of the shortest route via Banspani-Jaroli-Jakhapura. This arrangement was extended further up to 30 June 2009 unless cancelled earlier.

Audit noticed that Banspani-Jaroli-Jakhapura line takes off from Padapahar Junction on Tata-Rajkharswan-Barajamda Section and Dangoaposi Station is the next station beyond Padapahar Junction towards Tata end. As per the above rationalised route, all iron ore traffic from Barajamda, Noamundi, Barbil and Gua and their associated sidings are carried through Padapahar and Dangoaposi stations. It was, however, seen that Dangoaposi station was not included in the above General Order of Rationalisation Scheme for booking of iron ore traffic to stations on Jaroli-Jakhapura-Cuttack-Paradeep section.



Records revealed that during the period from February 2008 to February 2009, on some occasions iron ore traffic booked from Dangoaposi to stations Tomka, Jakhapura, Paradeep in Jaroli-Jakhapura-Cuttack-Paradeep section was charged via longer rationalized route (Tatanagar-Kharagpur-Bhadrak). On eight occasions (June 2008, September 2008 and February 2009) iron ore traffic from Dangoaposi to Tomka (a station on East Coast Railway) was booked and charged via shortest route i.e. Banspani-Jaroli-Jakhapura indicating that uniform policy was not followed for routing of traffic and charging of freight for iron ore booked from Dangoaposi station. This irregularity had taken place because Railway Board had included only some of the stations in the General Order of Rationalisation Scheme without mentioning the entire section from Barajamda to Rajkharswan stations for booking of iron ore traffic. Since Dangoaposi station is located in the same section of route over which iron ore traffic from Barajamda, Noamundi etc. and its associated sidings is carried through, it should have been included in the rationalised route. In reply to an Audit query, Dy Chief Operations Manager, South Eastern Railway stated (May 2009) that a proposal is being sent to Railway Board for inclusion of Dangoaposi station in the list of notified stations for route rationalisation scheme (via Bhadrak).

Thus, Railway Administration's failure in not including Dangoaposi station in the rationalised route resulted in loss of revenue of Rs.2.26 crore in respect of those consignments, which were booked and charged via shortest route.

2.2.2 Eastern Railway: Non-rationalisation of longer route

Railway Administration's failure in reviewing the rationalisation scheme as required by the Railway Board from time to time and non-rationalisation of the actually carried route resulted in loss of revenue of Rs.1.27 crore

Railway Board had issued instructions (February 1976, April 1998 and November 1999) to all Zonal Railways to review and intimate them such streams of goods traffic which were being booked and charged by shorter routes but were actually carried by longer routes due to operational difficulties as a regular measure for rationalisation of such routes so that freight could be charged by the actual carried longer route.

Audit scrutiny of records of the office of the Goods Shed Superintendent, Ultra Tech Siding, Durgapur revealed that cement traffic, booked from Ultra Tech Siding, Durgapur to Sainthia, Malda and some other stations (viz.New Jalpaiguri, New Guwahati, North Lakhimpur etc.) on Northeast Frontier Railway, was regularly being carried via Khana-Sainthia route (longer route). However, the freight was being charged by Andal-Sainthia route (shorter route) and no action was taken by the Railway Administration to rationalise the longer route. Thus haulage of traffic by the longer route and charging of freight by the shorter route resulted in loss of revenue. Audit assessed loss of Rs.1.27 crore during the period from April 2007 to February 2009 in respect of 276 rakes, which were carried via longer route. The loss would continue till remedial action is taken.

When the matter was taken up (September 2009) with the Railway Board, they stated (December 2009) that sometimes consignments are carried by slightly longer and less congested routes to ensure (a) faster speed thereby achieving better utilistation of wagons and locomotives and (b) quick delivery of consignments to customers. They further added that the traffic, identified by Audit was basically a short lead traffic (less than 500 km.) and as such there was every possibility for diversion of the same to road and keeping in view the already declining trend of rail co-efficient it was considered prudent to rationalize the route and charge higher freight. They also stated that upward revision in classification has no relation with decline in Rail co-efficient of this traffic. The contention of the Railway Board that the traffic would divert to road if the route was rationalized and freight charged via actually carried longer route, is unfound as Railway had made upward revision in the classification thereby charging higher freight. Moreover, the fact remains that despite charging freight by the shortest route, the rail co-efficient declined as per figures reported by Railway Board.

2.2.3 Northern, North Western: and East Coast Railways — Loss due to non-observance of rationalisation orders, incorrect computation of distance and non/incorrect levy of busy season surcharge

Railway's failure to levy freight as per rationalization orders, incorrect computation of distance and non/incorrect levy of busy season surcharge resulted in loss of revenue amounting to Rs.1.19 crore

Rules provide for periodical inspections by officials of both Commercial and Accounts Department and internal check by Traffic Accounts Office to ensure that goods traffic is booked and charged correctly as per the extant rules.

Scrutiny of records in audit of outward food grain traffic booked from 32 stations of Northern Railway to stations of other Zonal Railways revealed failures regarding non-observance of Rationalisation Orders, incorrect omputation of distance and non/incorrect levy of Busy Season Surcharge.

(a) As per General Order No.1 of 2006 and 2007, (effective from 01 July 2006 to 30 June 2008) food grain traffic from Northern Railway to stations on Nagpur-Rourkela (excl.) section including Raipur-Vizianagram and Jharsuguda-Titlagarh sections for which the shorter route is via Annupur-Bilsapur was to be booked, routed and charged via Itarsi-Amla-Nagpur. All goods traffic for stations reached via Cuttack was to be booked and charged via Barang-Kapilas Road bye pass avoiding Cuttack. Further, as per para 3.3(c) of General Order No.1 of 2006(effective from 01 July 2006 to 31 March 2007) food grain traffic from Northern Railway to stations on Kharagpur-Waltair section was to be booked and charged via Mughalsarai-Gomoh. Audit noticed that in 17 cases the traffic was not charged via the routes specified by the Railway Board (Board). Besides, in 16 cases the chargeable distance for charging the freight was not computed correctly. This resulted in short-recovery of freight charges amounting to Rs.0.71 crore during April 2006 to November 2008.

(b) As per Board's directives, busy season surcharge at the rates specified from time to time was to be levied on the food grain traffic. It was, however, observed that in 11 cases, the charge was either not levied or levied incorrectly. This resulted in undercharge of freight amounting to Rs.0.39 crore during April 2006 to October 2007. The Accounts/ Commercial Staff also failed to detect this irregularity in their internal check/inspections.

Similarly, irregularities were noticed on North Western and East Coast Railways resulting in undercharge of freight amounting to Rs.0.09 crore.

Thus, Railway Administration's failure to levy freight as per rationalisation orders, incorrect computation of distance and non/incorrect levy of busy season surcharge as per Board's directives resulted in loss of revenue amounting to Rs.1.19 crore April 2006 to November 2008.

When the matter was taken up (November 2006 to December 2008), the Railway Administration stated that the undercharge of only Rs.0.75 crore was found to be due and the same will be referred to foreign Railway after due verification for recovery.

The reply of the Railway Administration is not tenable as apart from the undercharges of Rs.0.75 crore (Rs.0.36 crore plus undercharges of Rs.0.39 crore on account of non/incorrect levy of busy season surcharge) accepted by the Railway Administration, undercharge of Rs.0.27 crore was also found to be correct as recomputed in audit. Moreover, undercharge pointed out was yet to be recovered.

2.2.4 Southern Railway Loss of freight due to incorrect notification of chargeable distance in the Local Distance Table

Failure on the part of Railways in notifying correct chargeable distance of sections in the Local Distance Table resulted in loss of freight to the extent of Rs.1.16 crore

The chargeable distance (CD) between the originating and destination stations is notified in the Local Distance Table (LDT) by the Chief Commercial Manager. As per Railway Board's instructions (February 2003 & September 2004), for deriving the CD, actual engineering distances up to two decimal places of the various sections from originating station to destination station are added and the distance so aggregated rounded off to the next higher kilometer.

A check of Working Time Table (WTT) of Madurai Division and LDT of Southern Railway revealed that whereas the actual distance between Madurai and Dindigul shown in the WTT (September 2004) was 67.64 km, CD notified in the LDT of 2003 was 65.94 km. The difference was due to variations in the inter section distances between four sets of stations in this section.

In respect of Goods traffic booked from New Port of Tuticorin Siding (MVTS), there were five pairs of points involving short realization of freight due to adoption of less CD for this section. Out of these, records connected with one pair of points viz. MVTS to Tamilnadu Newsprint Limited Siding, Pugalur having regular traffic of coal and limestone were examined in Audit for the years 2006-07 to 2008-09 and loss of freight to the extent of Rs.1.16 crore was noticed.

When the matter was taken up (March 2009) with the Railway Administration, they stated (August 2009) that correct inter distance between Kodaikkanal Road (KQN) and Vadipatti (VDP) was 11.07 km. However, it was printed by mistance as 12.93 km. in WTT. The distance (67.64) km mentioned in the WTT has been corrected (May 2009) as 65.78 km.

Railway Board reiterated (December 2009) the above and further stated that with the correction in the distances in the WTT there was no variation in the WTT and LDT.

The reply is not acceptable as the inter distances between ABI-KQN (14.56 km.) and KQN-VDP (12.93 km.) have been certified repeatedly by the Civil Engineering Authorities as per their field records and these have been taken into account as such while preparing/modifying the WTTs from time to time. Railway Administration has corrected these inter distances in May 2009 on the certification of an office which has already certified in March 2009 that the inter section distances between Dindigul Jn and Madurai Jn (BG) section as mentioned in the existing WTT are correct. As such, LDT has not been revised corresponding to the WTT and revision made in WTT in May 2009 is not in order.

2.2.5 Southern Railway: Less realisation of freight due to non-ratioalisation of a longer carried route

Railway's failure in getting an operationally convenient longer carried route rationalised resulted in less realisation of freight to the extent of Rs.1.05 crore

As per Rules, all goods traffic should be despatched by the operationally feasible route and freight charges recovered by the shortest route. However, if some traffic has to be carried regularly by the longer route requiring incurrence of extra expenditure, such route may be rationalised by the Railway by issuing general orders under section 71 (1) (b) of the Railways Act 1989 and freight recovered by the rationalised route instead of shortest route.

Ichchangadu (ICG), a station in Vriddhachalam (VRI) - Tiruchchirappalli (TPJ) section, is the serving station for two sidings viz. Madras Cements Limited Siding (MCL) and India Cements Limited Siding (ICL). Traffic originating from these sidings includes traffic booked to stations beyond Erode (ED).

After the Gauge Conversion (GC), VRI – Salem (SA) section became the shortest route (November 2007) for the traffic moved to stations beyond ED. As such, this traffic was booked via the VRI – SA route. However, a review of records in Audit revealed that Railway was carrying this traffic regularly over the Tiruchchirappali Goods Yard (TPGY) – ED route, 19 km longer than the shortest VRI - SA route. Railway attributed following reasons for moving this traffic by the longer route.

- Ruling gradient of VRI - SA section is 1 in 100 which requires use of multi engines. However, the ruling gradient between ICG and Karur (KRR) on TPJ – ED section is 1 in 200 over which the same train can be hauled with single engine.
- Movement of traffic bound for destinations beyond ED via SA involves direction change at SA resulting in undue hold up of wagons.

Audit observed that the ruling gradient in KRR - ED section is 1 in 100 and a double/multiple locomotive is required for moving the traffic via longer route also. Thus, due to involvement of reversal of engine at SA, the traffic was not moved via the shorter route and the longer route was considered operationally convenient. In spite of this, Railway did not take any step for the rationalisation of the longer carried route resulting in less realisation of freight to the extent of Rs.1.05 crore in carrying 258 rakes via longer route during the period December 2007 to March 2009.

When the matter was taken up (January 2009) with the Railway Administration, they stated (August 2009) that the longer carried route was not got rationalised as Railway might have lost the traffic due to increase in the freight and tough competition from other modes of transport. The traffic was moved via the longer route solely for Railway's operational convenience. Freight less realised is negligible in comparison to the total freight earnings and loss due to undue hold up of wagons. The reply is not tenable as there was no chance for losing the traffic as the movement of subject traffic was all along by the longer route even prior to the GC of VRI – SA section. In fact, there was a loss of freight even after incurring expenditure on the GC of the shorter route. Since freight less realised is an avoidable loss, its comparison with the total freight earnings is not valid. Further, change in the direction of the traffic and undue hold up of wagons at SA were adequate reasons for the rationalisation of the longer route.

2.3 Detention to Rolling Stock

2.3.1 West Central Railway Loss due to detention of locomotives

The failure of the Railway Administration to follow the directions of the Railway Board regarding regulating the movement of locomotives to ensure timely trip inspection schedule has resulted in failure of locomotives causing productivity loss of Rs.12.25 crore on account of avoidable detention

Keeping in view the instances of retention of locomotives over due for inspection in service, Railway Board directed (July 2004) all zonal railways to ensure that a locomotive which becomes due for schedule is returned to the homing shed in time to avoid any safety hazard and ensuring reliability and availability of electric locomotives. Directions were also given to monitor the movement of locomotives to ensure their timely return for schedules.

Scrutiny of records of Electric Loco Shed Itarsi revealed that 97 locomotives had failed during service due to oil starvation in suspension bearings which occurred on account of lack of timely inspections. It was also observed that records regarding maintenance schedule given to locomotives were not being maintained to monitor as to when the next schedule was due. Failure of the locomotives during service caused avoidable detention of 636 days resulting in loss of productivity of Rs.12.25 crore during the years 2005-06 to 2008-09 (till December 2008).

When the matter was taken up with the Railway Board (October 2009) they stated (December 2009) that there were only 54 failures due to oil starvation and the cases of such failures have reduced. They also added that instructions to use locomotives provided with TAO motor within one zone and regulate the movement to ensure timely trip schedules were never issued. The reply is not tenable because as per records of the Itarsi Loco Shed, 97 locomotives have failed on line due to failure of the suspension bearings and the instances of failure had gone up from 16 in 2005-06 to 29 in 2008-09. The contention that no instructions regarding use of locomotives provided with TAO motor within one zone and regulate their movement to ensure timely trip schedules were never issued is not correct and Railway Board is required to refer to their letter No. 2001/Elect(TRS)/440/5 dated 15 July 2004.

Thus the failure of the Railway Administration to follow the directions of the Railway Board regarding regulating the movement of locomotives to ensure timely trip inspection schedule has resulted in failure of locomotives causing productivity loss of Rs.12.25 crore on account of avoidable detention.

2.3.2 Southern Railway: Stabling of manufactured wagons for want of long lead/free supply items

Railway's failure in procuring Air brakes in advance and arranging free supply items resulted in stabling of manufactured wagons and corresponding loss of earning capacity of Rs.11.11 crore

Railway Workshops involved in the manufacture of wagons are required to plan and ensure timely availability of long lead vital/free supply items so that manufacturing activities are started in time and regulated without any hindrance.

Special steel raw material is required for the manufacture of BLC and BOXNHL wagons. Golden Rock Workshop (GOC) placed indents on Railway Board (August 2006) for procurement of special steel raw material for manufacturing 1125 BLC wagons from April 2007 onwards. Based on the wagon placement orders received in January 2007, GOC planned to manufacture 240 BOXNHL wagons during 2007-08 and placed indents (May 2007) for the procurement of CRF steel sections/stainless steel raw material. As the requisite material was not received, GOC decided (July 2007) to undertake the manufacture of 240 BOXNHS from September 2007 wagons against Railway Board's order of May 2006.

Since Though Air brake a long lead vital non-stock item required for manufacture of wagons, the order for procurement of 240 sets of Air brakes was placed on 6 March 2008 allowing delivery of 50 percent of ordered quantity within one month and balance within three months thereafter. The supply was received in May 2008 and July 2008 (120 sets each). As a result, 148 BOXNHS wagons manufactured during the period December 2007 to May 2008, were stabled in GOC. Further apart from this some more wagons were also stabled due to non-availability of free supply items like HT Couplers, Casnub Bogies and Wheel sets also. This resulted in delay in utilizing the otherwise fully manufactured wagons leading to potential loss of earning capacity of Rs.11.11 crore.

When the matter was taken up (March 2009) with the Railway Administration, they stated (August 2009) that since the special steel raw material for the manufacture of BLC and BOXNHL wagons could not be made available at the initial stage, manufacture of BOXNHS wagons was undertaken under a contingency plan due to which an unrealistic and insufficient lead time of only two months was given for the procurement of Air brakes. The reply is not tenable as the manufactured wagons were stabled in GOC due to Administration's failure in initiating timely action for the procurement of Air brakes and ensuring supply of other free supply items for the Wagon order received as early as in May 2006.

2.4 Miscellaneous

2.4.1 South Western Railway: Loss of earnings due to delay in augmentation of train composition to 24 coaches

Railway's failure in augmenting the train composition to 24 coaches by the target date resulted in non-realisation of anticipated additional revenue to the extent of Rs.35.78 crore.

In order to provide confirmed berths to waitlisted passengers and earn additional revenue, Railway Board decided to increase the number of coaches in popular trains from the existing to 23/24 and issued detailed instructions (June 2006) to commence the process of augmentation. Railway Administration identified (December 2006) 19 trains including eight trains identified by the Railway Board for this purpose. Whereas the augmentation work of trains identified by the Railway Board was to be completed by the end of December 2007, the targeted fixed for this work for the trains other than those identified by the Railway Board was by the end of March 2008.

A review of records revealed that augmentation of only one train (2785/2786) was completed and concurrence to run augmented train was given in respect of another one train (1013/1014) belonging to other Railway. Augmentation of five trains (6525/6526, 2509/2510, 2591/2592, 6529/6530 & 6221/6222) could not materialise due to the presence of a Kerosene Bunk in the yard at the land belonging to the Corporation (BBMP). Removal of this Bunk was necessary for facilitating the required works like extension of Pit lines.

It was, however, noticed that Railway Administration sought clearance from en-route/destination Railways for running five identified trains (2629/2630, 2649/2650, 2607/2608, 2609/2610 & 2657/2658) with additional coaches by December 2007. Neither the concerned Railways responded nor was the matter chased by the Railway Administration. The capacity of the pit lines and platforms for making possible the running of other seven trains (2779/2780, 2725/2726, 2781/2782, 2975/2976, 6589/6590, 6591/6592 & 2863/2864) after augmenting the train composition could also not be up-graded by the target dates. The capacity of Pit lines at the following four stations was to be up-graded by the end of March 2009-

Station	P1	P2	P3	P4	P5	P6	Status
Hubli	21 coach	18					Work at proposal stage
Vasco	18						Work started in December 2008
Banagalore		21	21	18		21	Work not commenced
Mysore	21	21	21				Work in progress

Extension of platforms was required on 22 stations. By the end of March 2009, works were completed in respect of seven stations only. Whereas works were in progress in four stations, no work was started on the remaining eleven stations. As such, these 12 trains could not run with 24 coaches by the target dates fixed for them either due to lack of coordination among the Railways or due to non-execution/ non-completion of works for the extension of pit line/platforms. Taking into account the fares for sleeper class/second class sitting accommodations, non-running of 12 trains with the composition of 24 coaches has resulted in non-realisation of anticipated earnings to the extent of Rs.35.78 crore during January/March 2008 to March 2009.

When the matter was taken up (March 2009) with the Railway Administration, they stated (August 2009) that trains could not be augmented due to delay in pit lines extension on account of land acquisition process, requirement of high power locomotives, extension of platforms and non-receipt of concurrence from other Railways. However, Divisional Railway Managers have been asked to advise the feasibility of running four trains with additional coaches. The reply is not tenable as Railway should have initiated the land acquisition process in time after the receipt of Railway Board's orders in June 2006. Non-commencement of work for the extension of platforms on 11 out of 22 stations shows that Railway Administration was not determined to create required infrastructure in time. Further, as per Railway Board's statement, WDM3 locomotive has capacity to haul 24 coaches in gradient sections also.

2.4.2 South Central Railway: Loss due to faulty Liberalised Siding Rules

Electrification of non-electrified sidings at the cost of Railways under Liberalised Siding Rules has resulted in reduction of earnings by Rs.5.21 crore in comparison to earlier earnings even after incurring expenditure on the electrification of the siding

In non-electrified sidings on electrified territory, Railways collect siding charges in addition to freight from or to serving station. If a siding has complete facilities for the direct reception and despatch of trains, freight on through distance basis i.e. freight for the distance right from the siding to the destination is charged. Transportation charge collected on ‘through distance basis’ is normally less than that of the combined amount of freight from serving station and siding charges. Railway Board, however, ordered (February 1994) that freight on through distance basis would not be charged in respect of non-electrified sidings on electrified territory.

As per codal provisions, entire cost of electrification within the siding premises is to be borne by the siding owner. In view of poor response from the siding owners for the electrification of their sidings, Railway Board offered (February 1988) an incentive of 50 percent in the expenditure. As there still was no improvement, Railway Board implemented (September 2000) the Liberalised Siding Rules (LSR) under which Railway decided to bear the cost of electrification of those existing sidings where the Rate of Return (ROR) was 14 percent or above on traffic offered in the previous 24 months. Thereafter South Central Railway Administration electrified three sidings (two collieries and one Power House) and exchange yard of one siding in 2007, all served by Ramagundam station situated in electrified territory, at a total cost of Rs.10 crore.

An analysis of freight conducted in Audit in respect of one siding (GOSG) out of three revealed that electrification of siding at the cost of Railway has resulted in financial loss to the Railways. In respect of this siding, freight due on through distance basis for the traffic dealt with during the period September 2007 to November 2008 was less by Rs.5.21 crore (i.e. Rs.98.05 crore recoverable as freight plus siding chares minus Rs.92.84 crore on account of freight). This amount would have been paid by the siding owner legitimately as per the extant orders if the Railway had not electrified the siding under LSR.

When the matter was taken up (January 2009) with the Railway Administration, they stated (June 2009) that policy guidelines are evaluated and formulated by the Railway Board. Lesser realization even after incurring expenditure by the Railway on the electrification of the siding is as per the telescopic benefit, which is the basic principle in any transporting organisation. The reply is not tenable as the framing of LSR appears to be defective. Since the declaration of a siding for charging of freight on through distance basis is discretionary, such condition could be applied only after the recoupment of the expenditure on the electrification of the siding through the recovery of siding charges.

2.4.3 Western Railway Avoidable loss of earnings due to delay in opening of the section for passenger traffic

Railways suffered a loss of Rs.1.94 crore due to delay in opening of Neemuch –Ratlam section for passenger traffic despite clearance by Commissioner of Railway Safety

Gauge conversion work of Neemuch –Ratlam section over Western Railway was completed and the section was opened for goods traffic from 15 February 2007. With the intent to open the section for passenger traffic, the section was inspected by Commissioner of Railway Safety (CRS) on 20 March 2007. CRS gave provisional sanction for running of passenger trains with a maximum speed of 75 KMPH subject to strictly observing the speed restrictions. After two months Western Railway approached Railway Board on 14 May 2007 for fixing of a suitable date for inauguration. As no response was received from the Railway Board and the public was getting restless, the Western Railway again approached Railway Board on 6 June 2007 and requested either to fix an early date for inauguration or permit them to run local passenger trains immediately. The section was ultimately inaugurated by Minister of Railways on 16 June 2007. Thus the trains were not operated on the section merely for want of inauguration by a VIP for almost three months resulting in inconvenience to public as well as loss of earnings.

When the matter was taken up with the local Railway Administration in December 2007, they stated (February 2008) that passenger services could not be operated due to non-completion of the residual works. The reply is not tenable as the CRS had cleared the section for commencement of passenger services subject to observing certain speed restrictions and the delay was merely for want of inauguration to be done by a VIP.

Giving a reasonable period of ten days for completing the formalities for inauguration of the section after the CRS clearance, Audit observed that the Railway suffered a loss of Rs.1.94 crore during 1 April 2007 to 15 June 2007.

The matter was taken up with the Railway Administration (January 2009); their reply is awaited (December 2009)

CHAPTER 3: WORKS AND CONTRACT MANAGEMENT

3.1 Injudicious decision leading to avoidable/ wasteful expenditure

3.1.1 South Central Railway: Avoidable expenditure on doubling and electrification of a branch line

Injudicious decision of Railway to undertake the work of doubling and electrification of a branch line resulted in avoidable expenditure of Rs.87.29 crore

Samalkot – Kakinada Port branch line (15.6 km) emerging from Vijayawada – Visakhapatnam electrified route was an electrified single line. The charted and effective capacity of these lines was 16 trains and 14.4 trains per day respectively. Against this, the average traffic handled was 14 trains per day (seven goods and seven passenger trains).

Railway provided (October 2006) a crossing station at a cost of Rs.3.11 crore at Sarpavaram located between Kakinada Town and Samalkot on this branch line. As a result, the charted and effective line capacities became 23 trains and 20.7 trains per day respectively. Despite the availability of adequate spare line capacity, Railway Administration, in view of additional anticipated fertilizer traffic of 60 BCN wagons (1.5 rakes) per day, sanctioned (June 2007) the work of doubling of Samalkot – Kakinada Port branch line along with its electrification at an estimated cost of Rs.78.12 crore. The work was complete to the extent of 98 percent up to the end of August 2009 after incurring an expenditure of Rs.87.29 crore. The Commissioner of Railway Safety (CRS) had authorised (August 2009) the Railway to open the section to run trains with a speed of 60 kmph.

As the spare line capacity available on the branch line after the provision of crossing station at Sarpavaram was more than enough to meet the projected additional fertilizer traffic of 1.5 rakes per day, Railway Administration's decision to undertake the work for doubling and electrification of the branch line was injudicious resulting in an avoidable expenditure of Rs.87.29 crore.

When the matter was taken up with the Railway Administration (January 2009), they stated (October 2009) that 30 to 35 trains are running at present in this single line section. As such, the question of spare capacity did not arise. In order to deal with the present quantum of traffic and future increase in it, the proposal for doubling was taken up after due diligence and only after exploring other options. The reply is not acceptable as Audit analysis has revealed that the actual utilization of the section capacity during the year 2008-09 was 14.41 rakes per day whereas the effective line capacity available was 20.7 trains per day. Thus, the anticipated increase of 1.5 trains per day could have been taken care of within the existing line capacity.

3.1.2 North Western Railway: Idling of investment due to non utilization of converted track

Failure of the Railway Administration to utilise the newly converted Pipar Road – Bilara section resulted in idling of investment of Rs.45.59 crore besides loss of earnings of Rs.2.75 crore

In February 1997, Railway Administration submitted the project report and estimate of the gauge conversion of Pipar Road – Bilara section and construction of new Broad Guage (BG) line from Bilara to Bar. In the project report it was assessed that the project would yield a rate of return of 6.93 per cent. For Pipar Road –Bilara Section, a projection of 503 passengers per day each way (1996-97) and goods traffic of 834 wagons (2006-07) was made in the project report. The traffic was expected to fetch a net earning of Rs.2.75 crore per annum. The Railway Board sanctioned the detailed estimate of Pipar Road –Bilara gauge conversion project in July 2003. The sanction of Bilara – Bar new line project had, however, not been received till date (July 2009).

The work of gauge conversion of Pipar Road –Bilara Section commenced in December 2003 and was physically completed in February 2008. The section was inspected by Commissioner of Railway Safety (CRS) on 17 July 2008 and was authorised for opening for public carriage with effect from 21 July 2008. Audit observed that although the section was declared open for public carriage yet neither goods nor passenger traffic could be started till date even after a lapse of one year. The section was not even handed over to open line which was required to be done within a month of CRS's inspection. Initially, the Railway Administration had decided to operate one pair of passenger train on the section but later decided to ply two pairs of Rail bus. This decision was opposed by the local public and therefore the train services were not started despite issue of notification in September 2008. Although a firm approached the Railway Administration for offering of goods traffic and Ministry of Railways had also granted rail transport clearance (RTC) certificate to the firm for proposed siding at Bilara station, yet no efforts were made by the Railway Administration to open the section even for goods traffic and the section is still lying idle. The decision to ply two pairs of Rail bus with a capacity of 72 passengers each way was not prudent as it was inadequate to cater to the projected as well as the growing passenger traffic. Non opening of the section resulted in idling of investment of Rs.45.59 crore besides loss of earnings of Rs.2.75 crore from August 2008 to July 2009.

When the matter was taken up with the Railway Administration (March 2009); they stated (July 2009) that Rail bus service was already in existence between Merta Road and Merta City and was carrying on an average 794 passengers per day and hence estimated potential of 503 passengers on Pipar Road – Bilara section could be easily handled by Rail bus service. Further, projection of goods traffic of 834 wagons was based on RTC issued to a firm but later on the firm did not show any interest in goods traffic to be carried by rail and no communication was received from them. Moreover, the cost analysis of working expenses and gross earnings reveals that Railway

Administration was actually saving by not running passenger trains on Pipar Road – Bilara section.

The remarks are not tenable as the projected traffic of 503 passengers was based on the survey during the year 1996-97 and after passage of 13 years the quantum of passenger traffic would have substantially increased and as such justifying carrying the same quantum of traffic by Rail bus defies their own projection in the project report. Moreover, the two pairs of passenger train were proposed in the project report and on the basis of statistics provided therein the project was approved and executed. The subsequent imprudent decision to ply the Rail bus was in contravention to the original proposal itself. Further, the projection of goods traffic of 834 wagons was not based on RTC issued to a single firm as it was issued only recently in November 2008. In fact, the projected goods traffic was based on the prevalent as well as expected shifting of traffic from road by 11 industries other than those to whom RTC was issued. In respect of cost analysis it is stated that the loss on account of passenger services had already been considered/ taken into account while preparing the project report. The plying of goods traffic would have fetched substantial earnings as envisaged in the project report and would have compensated the loss on account of passenger services and thus the project and investment of Rs.45.59 crore made thereon as a whole would have been justified.

Thus, due to non opening of the Pipar Road – Bilara section, the investment worth Rs.45.59 crore is lying idle besides recurring loss of Rs.2.75 crore per annum.

3.1.3 Central Railway: Idling of investment in construction of a new line –Baramati to Lonand via Phaltan

The decision of the Railway to construct the line between Baramati and Lonand via Phaltan without ascertaining the availability of land as well as traffic prospects, has not only resulted in delay in completion but also likely to prove the entire investment (Rs.30.17 crore already spent) as redundant

In June 1997, Railway Board asked Central Railway to update the survey report for construction of a new line between Baramati and Lonand via Phaltan. Though the construction of line was not considered financially viable, Railway Board sanctioned the work in 1997-98 mainly on the ground of providing rail transport to the people and creating a shorter rail link between north and south for transportation of goods traffic. One of the objectives of this project was also to relieve pressure from Ghorpuri Yard. Though the project was initially planned to start from Baramati end, the Railway Board instructed Central Railway to take up Lonand –Phaltan section in Phase I. Detailed estimate of the work amounting to Rs.138.48 crore was sanctioned in November 2002.

Audit scrutiny of records revealed that though the process of land acquisition in Lonand – Phaltan section was initiated in October 2002, the actual possession was effected only after August 2007. In the meantime the work of construction of major and minor bridges was commenced in

September/October 2003. Despite incurring an expenditure of Rs.30.17 crore till March 2009, the physical progress of the work was only eight per cent and as of date no target date has been fixed for completion of phase I. The work in the remaining section viz Baramati to Phaltan has not commenced yet as Railway could not acquire land. In this connection the following audit comments arise:

- Main objective for construction of the line was to provide a shorter link for traffic coming from north of Daund and going towards south of Lonand. The new line was to save extra haulage of 65 Kms for each wagon. Audit, however, noticed that non-completion of the line has deprived the Railway the benefit of shorter route. Besides, the objective of relieving pressure on Ghorpuri Yard was also not achieved.
- While justifying the construction of this new line, Railway had observed that after opening of Konkan Railway and conversion of Miraj –Bangalore via Londa section, the traffic pattern was likely to change drastically rendering this section redundant. Since most of the goods traffic coming from North of Manmad which is expected to move via new link is already passing through alternative route via Konkan Railway, and another shorter route viz Daund-Kurdvadi-Miraj would be available on completion of gauge conversion of Kurdvadi –Miraj section, the new line is likely to prove a waste.
- Central Railway was aware that the area beyond dead end of Baramati station was heavily populated and as such it would be difficult to acquire the land. However, instead of first resolving the issue of acquisition of land for Baramati- Phaltan section, Railway commenced work in Lonand – Phaltan section. Even if the work on this section is completed the entire investment will remain unproductive till the link between Phaltan and Baramati is also established which in the present scenario, is a remote possibility.

Thus the decision of the Railway to construct the line between Baramati and Lonand via Phaltan without ascertaining the availability of land as well as traffic prospects, has not only resulted in delay in completion but is also likely to render the entire investment (Rs.30.17 crore already spent) redundant.

When the matter was taken up with the Railway Board (September 2009) they stated (December 2009) that it will be circuitous to move the traffic coming from north of Daund via Konkan Railway route and the route via Daund-Kurdwadi-Miraj is longer than Daund-Baramati-Lonand-Miraj. It was added that the Daund - Kurdwadi is already saturated. Therefore, new line will be beneficial as being short and less saturated They stated that the investment made in the Lonand Phalton section would be utilized as the survey to link this section with Pandharpur via Phaltan has already been carried out and efforts are being made to finalise the alignment of–Phalton section.

The reply is not acceptable because Railway has already been carrying most of the traffic via Konkan Railway and the route via Daund-Kurdwadi-Miraj is only 14 Km longer. Moreover, the issue of acquisition of land for Baramati –

Phalton section could not be resolved during the last seven years and the linking the Phalton section with Pandharpur will not serve the purpose for which the new line was sanctioned.

3.1.4 Northern Railway: Unproductive investment due to deficient project management

Additional Electric Multiple Unit/Main line Electric Multiple Unit (EMU/MEMU) Car Shed to supplement existing facilities at Ghaziabad remained incomplete due to deficient project planning

EMU/MEMU Car Shed at Ghaziabad (GZB) with its maintenance capacity of 300 coaches caters to the maintenance needs of EMU/MEMU coaches. The actual holding had subsequently risen to 318 coaches. In order to ease the over saturated existing EMU shed (GZB) and to minimize detention of EMU/MEMU coaches, it was proposed for setting up a second EMU/MEMU Car Shed at Saharanpur (SRE), where land was considered to be available.

The above work was sanctioned by Railway Board (2000-2001). The detailed estimate for this work was sanctioned (October 2001) by the Chief Administrative Officer/Northern Railway Construction Organization (NRCO) at a cost of Rs.10.21 crore and it was to be completed by March 2006.

As per the layout plan total land required for the shed was assessed at 1,30,200 sqm. NRCO started (December 2002) the work as per approved layout plan. In January 2004, the Railway Administration got authenticated their ownership on 81251 sqm. area of land. Accordingly, Northern Railway requested (May 2008) the Railway Board to sanction the Material Modification (MM) of Rs.15.24 crore (which inter alia provided for acquisition of land at a cost of Rs.4.60 crore) as against the sanctioned estimate of Rs.10.21 crore. The provision for procurement of M&P required for MEMU car shed was not included even in the MM. Instead a separate proposal for procurement of M&P worth Rs.6.94 crore was initiated (May 2008) for inclusion in the M&P (2009-10). Board, however, did not approve the MM and directed (January 2009) Northern Railway to de-link the proposed MM from the main work and to process the proposal for additional works separately through regular/Supplementary Works Programme. Till November 2008, Railway had incurred an expenditure of Rs.11.53 crore.

Scrutiny of records revealed that till August 2006, NRCO could not complete the work of stabling line and turn table) and could partially commission the EMU/MEMU car shed at SRE. Due to works remaining incomplete, only minor maintenance schedules of EMU/MEMU rakes are being done in this shed and the same are being sent to EMU Car Shed, Ghaziabad for undertaking maintenance schedule, POH and major repair works.

In the above context, the following observations are made:-

(i) Due to non completion of EMU/MEMU car shed at SRE, Railway Administration had to run 99 ‘overdue POH’ EMU/MEMU coaches for the period ranging from 1 to 6 months during April 2007 to March 2009. Besides overdue major schedule inspection ‘EMU/MEMU coaches ranging up to 5 remained in operation in each month during the same period. This was not in the interest of safety of Railways' passengers.

(ii) Failure to ensure clear title of land earmarked for the EMU Car Shed entailed acquisition of land and consequential delay in completion of the project.

(iii) The provision of M&P in the estimate was omitted at the planning stage. This was antithetical to basic project planning principles.

(iv) Since August 2006 (i.e. partial commissioning of the shed) EMU/MEMU rakes are still being sent to EMU Car Shed, GZB for conducting POH and major repair works. The expenditure by the way of empty haulage cost during December 2006 to March 2009 works out to Rs.0.40 crore.

The matter was taken up with the Railway Administration in December 2008 and March 2009. In reply the Railway Administration stated (July 2009) that all the major works of MEMU car shed, Saharanpur i.e. repair bay, inspection shed, washing line, all service buildings and boundary wall (1200 m) have been completed in October 2006. Railway Administration reply is not tenable because the Railway has yet to acquire additional land to complete the works of stabling lines and boundary walls. Besides, required M&P needed for the shed has not yet been procured. As a result, the shed is unable to undertake the POH and Heavy repairs of EMU/MEMU coaches.

Thus, due to deficient project planning to set up additional maintenance facility of EMU/MEMU car shed involving investment of Rs.11.53 crore, the intended project benefits could not be fully realized.

3.1.5 South Central Railway: Injudicious creation of passenger amenities at railway stations

Injudicious creation of passenger amenities in excess of prescribed norms and execution of construction works unnecessarily resulted in an avoidable additional expenditure of Rs.9.99 crore

In order to fulfill the increased expectations of the Railway travelers in regard to passenger amenities at Railway stations, Railway Board issued (June 2003) comprehensive instructions/revised guidelines categorizing the Railway stations in six categories (A to F) on the basis of annual passenger earnings at the stations. Norms for level of amenities at various categories of stations were also prescribed.

On South Central Railway, passenger amenities viz. waiting halls, waiting rooms, high level platforms, cover over platforms and foot over bridges were provided in excess of prescribed norms at 59 stations (Guntur-11, Secunderabad-6, Hyderabad-12, Vijayawada-1 and Guntakal-29) where only passenger trains stop and annual earnings are less due to very limited number of passengers. This resulted in avoidable additional expenditure of Rs.9.39 crore.

Railway also created unnecessarily following assets at a total cost of Rs.0.60 crore:

- A large verandah, portico and a rest room on the first floor at Diguvametta station, where the level of traffic was 14 passengers per train, and a dormitory at Markapur station, which was never put to use. (Total cost Rs.0.14 crore)
- A new Booking office on southern side at Nandyal station in addition to the existing Booking office at a cost of Rs.0.07 crore which was closed due to poor usage.
- A foot–over- bridge (FOB) at a cost of Rs.0.39 crore at Nandyal station which was planned to connect the new Booking office with other platforms for the convenience of passengers entering the station from the south side. Construction of the FOB was started by the Railway after the closure of the new Booking office.

Thus injudicious creation of passenger amenities in excess of prescribed norms and execution of construction works unnecessarily resulted in an avoidable additional expenditure of Rs.9.99 crore.

When the matter was taken up (March 2009) with the Railway Administration, they stated (May/September 2009) that due to greater emphasis on provision of better passenger amenities, it became necessary to provide slightly higher level of amenities than the scale prescribed. The expenditure incurred by the Railway on these works at 'E' class stations was justified due to various reasons. Further, even if limited number of passengers utilize the FOB at Nandyal, it was required in view of safety. The reply is not acceptable because while framing the guidelines for prescribing the quantum of passenger amenities at Railway stations of six categories, Railway Board had already considered the increased expectations of the passengers. The criteria for fixing the scale for passenger amenities were the number of passengers dealt with at the stations and the annual earnings. As per the earnings of these 'E' class stations, there was no justification for the provision of facilities at higher scale. Further, a FOB connecting the platform No.1 and 2 was already available at Nandyal for the safety of the passengers. Its extension to new booking office, which had already been closed, was not regular.

3.1.6 South Central Railway: Wasteful expenditure on undertaking an un-warranted work

Railway's decision to replace bridge timbers with steel channel sleepers on a Meter Gauge section just before its closure for Gauge Conversion resulted in wasteful expenditure of Rs.1.44 crore

Railway Board's instructions (February 1992) stipulate that Railways should not make investment of any kind on up-gradation or development of any section slated for gauge conversion (GC).

Railway undertook GC work of Pakala- Dharmavaram Meter Gauge (MG) section to Broad Gauge (BG) section in two phases viz. Pakala to Madanapalli

(83.14 kms)-Phase I and Madanpalli to Dharmavaram (144.28 kms)-Phase II.. When the GC work was going on in Phase I, in view of proposed early closure of this MG section, General Manager instructed (August 2006) not to undertake the sanctioned complete track renewal (CTR) work and go for casual renewals on condition basis only.

In Phase II, Railway initiated (May 2006) action for award of contracts by inviting tenders for the strengthening of bridges to BG standards and awarded contracts for bridge No.998 and 989 in July and November 2006 respectively. But, Railway simultaneously issued Letter of Acceptance in June and August 2006 for the replacement of bridge timbers on MG bridges with modified steel channel sleepers in this section. The work against one contract was completed in January 2008 at a cost of Rs.1.18 crore. However, in view of Railway's decision to close the section for Phase II of GC w.e.f.10 March 2008, the work against another contract commenced in January 2008 was shelved in February 2008 without replacing bridge timbers on two major bridges.

Railway Administration, thus, neither followed Railway Board's instructions (February 1992) nor their own line of action adopted (August 2006) during GC in Phase I. Further, the life of bridge timber is 10 years. The bridge timbers which were replaced were in use for more than three to four decades. As such, Railway Administration who did not replace wooden sleepers for more than two decades beyond their normal service life decided to replace them just before discarding the MG track. After the replacement of bridge timbers, Railway could not achieve any benefit expected from the replacement of bridge timbers as the new track was to stabilise.

As the replaced steel channel sleepers were fabricated to MG standards, these were required to be removed during gauge conversion resulting in wasteful expenditure of Rs.1.44 crore.

The matter was taken up with the Railway Administration/ Railway Board in March 2009/October 2009. Railway Administration stated (March 2009) that the decision to replace bridge timbers was taken for running the trains safely on the existing track. The work was taken up purely on condition basis and causal renewal could not be planned due to ban on procurement of wooden sleepers.

Railway Board further added that the bridge timbers which had served more than 20-25 years became fully unserviceable due to ageing. As such, these were proposed to be replaced on few bridges, in view of safety.

The reply is not acceptable. Railway Administration took no prompt action to ensure safe running of trains on this track in spite of a mid-section derailment in 2002 and specific CRS recommendations thereafter. However, Railway decided to replace the bridge timbers in 2006 belatedly only to be discarded during GC works. Moreover, the bridge timbers on two major bridges were not replaced and trains were running on the existing bridge timbers up to the closure of the line. Further, although there are instructions that wooden sleepers more than five years old should be inspected thoroughly every year for judging their fitness, in the present case, bridge timbers in use for the last three to four decades remained in service without timely replacement.

3.1.7 North Western Railway: Extra expenditure on construction of a bridge

Injudicious decision to switch over from PSC girder to open web steel girder in construction of a major bridge resulted in extra expenditure of Rs.1.18 crore

In connection with the Ajmer-Chittaurgarh gauge conversion project involving 30 major bridges and 214 minor bridges, the Railway Administration invited a tender in December 2005 with a completion period of 11 months for 'Earth work in banks and cutting for formation, construction, strengthening of minor/ major bridges of span 0.45m to 30.5m including bridge no.232, casting, supplying and erecting etc' in Chanderia-Chittaurgarh (CNA-COR) section of the Ajmer-Chittaurgarh project at a cost of Rs.4.53 crore. The tender was opened in January 2006 and lowest eligible tenderer after negotiations withdrew his offer resulting in discharge of tender in April 2006. While considering (May 2006), the lone offer received after retendering, the Chief Engineer who was convener of Tender Committee (TC) informed that Member Engineering during his inspection in June 2006, had advised to use open web steel girders in lieu of 30.5 m PSC girders to expedite the commissioning of CNA -COR section. Decision for non-invitation of fresh tender was justified on the ground that lowest and only tenderer was the same in both discharged and existing tenders. The recommendations of the TC were accepted (September 2006) by deleting four items of schedule 'C' (costing Rs.1.12 crore) and work was awarded at a cost of Rs.4.59 crore.

Audit scrutiny revealed that the purpose of expediency and economy as claimed while switching over to open web steel girders could not be fulfilled and on the contrary the completion of the work was delayed by more than one year resulting in an extra expenditure of Rs.1.18 crore.

When the matter was taken up with the Railway Authorities (March 2007); they stated (April/ July 2007) that the decision to switch over to steel girder was taken as a matter of expediency and economy which resulted in saving of Rs.0.98 crore. It was further opined that subsequent correction to the original scheme was a regular phenomena in the execution of all the major projects.

The contentions of the Railway are not acceptable as the work was eventually completed after a delay of more than a year and entailed overall excess expenditure of Rs.1.18 crore. As regards saving, if any, claimed by Railway Administration, no derails have been furnished for validation.

Thus, the decision to construct the bridge on open web steel girder claiming economy and expedience proved to be imprudent and consequently resulted in extra expenditure of Rs.1.18 crore.

The matter was again taken up with the Railway Administration (January 2009); their reply has not been received (December 2009).

3.2 Improper planning leading to blocking up/ idling of investment/ avoidable expenditure

3.2.1 North Central Railway: Blocking of funds

Award of contract for construction of road over bridges before obtaining clear possession of land resulted in blocking of fund to the tune of Rs.7.44 crore

Railway Board (Board) issued instructions (August 1980) to all Zonal Railways that contracts for works should not be awarded unless soil tests, site investigations had been completed, all plans drawings and estimates duly approved/sanctioned by competent authority and there was no hitch in handing over the site to the contractor.

Contract for construction of two Road over bridges (ROB) on National Highway-3 at chainage 2534 and on the Agra-Shamsabad Road at chainage 16866 in connection with Agra Cantonment Junction to Etawah Junction new broad gauge line, was awarded to M/s Sona Builders in September 2003 at a cost of Rs.6.85 crore to be completed by May 2005.

The contractor could not complete the work mainly due to non-handing over land required for road diversion in the case of the NH-3 ROB and for approaches in case of Agra-Shamsabad ROB. To complete the work, the contractor was granted extension upto 31 August 2006. Even after expiry of the first extension period, the land relating to Agra-Shamsabad ROB could not be handed over and a second extension was granted upto 31 March 2007.

In February 2007 the contractor requested the Railway Administration to close the contract as the land had not been handed over to him till then. Subsequently, in April 2007, the contractor requested for extension up to 31 May 2007 and simultaneously also asked for closure of the contract. The request for closure of the contract was acceded to by the Railway Administration in July 2007. The contract was closed at a cost Rs.4.65 crore.

Two separate contracts for the balance work on the NH-3 and Agra-Shamsabad roads were awarded in August 2008 and December 2008 for Rs.6.43 crore and Rs.2.24 crore respectively. In the case of the Agra-Shamsabad ROB, though the land was acquired by the Railway Administration in July 2008 permission for cutting of trees had not been obtained as yet (March 2009). Hence, no progress could be made. In the case of the ROB on NH-3, Rs.2.79 crore was paid upto February 2009 for work done and the progress of work was 75 percent.

When the matter was taken up with the Railway Administration in March 2009, they stated (May 2009) that the land for approaches in both the cases was pursued actively and possession obtained in March 2005 in case of NH-3 ROB. They added that it was not anticipated by them that the State would take so much time in making available the piece of land for the approaches of Agra-Shamsabad ROB lying in forest area. The reply is not tenable. Had the Railway Administration ensured the possession of clear site before awarding the contract, the blocking of funds to the tune of Rs.7.44 crore could have been avoided.

Thus, failure to follow the instructions of the Board in awarding of contracts without having possession of clear sites resulted in delay in execution of the contract.

3.2.2 Eastern Railway: Injudicious award of a contract

Failure to observe the Railway Board's instructions to complete pre-requisites before awarding a contract led to extra expenditure of Rs.4.60 crore

Railway Board had reiterated (October 2006) that either the contracts for works should not be awarded without completion of prerequisites such as site clearance, soil tests and preparation of all plans, drawings or in case such an action was warranted for expeditious completion of the work, the requisite works should be completed in time to hand over the same to contractor immediately so that the progress of work was not hampered.

The Railway Board's instructions were not followed at the time of awarding a tender (Tender No.03 of 1999-2000) that led to extra expenditure of Rs.4.60 crore due to rise in price of steel and cement. The Tender Notice was published on 03 July 1999 and the letter of acceptance was issued in favour of M/s. CCAP Limited in January 2001 after a delay of one and half years with the date of completion (DOC) as 17 July 2003.

Scrutiny of records of progress of work revealed that the land and approved drawings were not immediately handed over to the contractor despite his requests (February 2001). Part of the drawings and land was handed over to the contractor only in March 2001 and the work was started in April 2001. The work was hampered further due to following reasons:

(i) Although the work was to be completed by 17 July 2003 the Railway Administration was not in receipt of physical possession of 1.194 hectare of land required for the work even in May 2007 (i.e.46 months beyond the DOC).

(ii) As of May 2004, the drawings of 17 bridges out of the total 40 to be constructed were not delivered. In respect of 5 bridges drawings were made available but the Railway Administration either could not hand over the land for their construction or could not fix the locations of those bridges. Ten drawings remained un-issued till June 2006 (i.e., even after 36 months beyond the DOC).

(iii) There was delay in removal of infringement (H.T. line of the Bihar State Electricity Board) that obstructed the progress of work in patches and such patches could not be handed over to the contractor as of September 2007.

As a consequence of these delays the contractor expressed (February 2007) his unwillingness to continue with the project on the ground that only truncated payments towards variation of prices due to escalation were being made to him whereas his quotation was on the basis of prices prevailing in July 1999. Finally the contract was closed in November 2007 without any liability on either side.

To complete the residual work a fresh contract at a much higher rate was awarded (August 2008). The difference in price of steel and cement alone amounted to Rs.4.60 crore.

When the matter was taken up (August 2009) with Railway Board, they stated (November 2009) that Railway had already applied for acquisition of land and had continuously been pursuing the State Government for handing over the same. Had the Railways waited till entire acquisition of land before tendering, the tender would have in any case been finalised after May 2007 i.e. at current rate and Railway have benefitted as 60 per cent of the work was completed by awarding contract at market rate of 2001.

The reply is not acceptable and does not follow the intent of Railway Board's instructions. Board's argument/claim that savings were achieved by getting a portion of work done at old rates also does not hold good in view of the fact that financial viability of a project largely depends on its timely completion. The Railway Reforms Committee in its Report of April 1982 observed that "the financial return of the project is greatly dependent on the schedule of investment; the return of the project falls with the increase in the period of completion even if there is no escalation in the cost". They also observed that "with the increase in the period of completion, the net gain of the project drops down heavily and the position gets aggravated with inflation. The lingering of the projects increases their costs and makes it difficult to monitor their physical progress. The establishment once created has to be continued without sufficient workload, and the projects remain unproductive for an unduly long period".

3.2.3 Western Railway: Idling of assets due to improper planning

Improper planning of construction of loop line coupled with indecision of the Railway Administration resulted in idling of investment of Rs.3.23 crore

The work of providing a directional up side loop line at Vaitarna station of Western Railway was sanctioned in the year 2001-02 at a cost of Rs.2.59 crore. The construction of this loop line was justified on the ground of smooth passage to trains going toward Mumbai and annual saving of Rs.1.09 crore on account of avoidable detention to trains. As the station was having steep gradients, the points and crossings of the proposed loop line were planned in grades steeper than 1:260 and this required the permission of Railway Board.

The work of providing the loop line as per approved plan was commenced in 2003-04. While processing the proposal for approval of the provision of gradients of steeper than the permissible limits, the Chief Transportation and Planning Manager (CTPM) desired that the changes in plan should be made as points and turn-outs can not be provided at a gradient of 1 in 150 and 1 in 210. After considering all implications of changes, the General Manager decided (August 2005) to prepare a revised plan with flatter gradient of 1:400 or flatter and to stop the work till final decision was taken. By this time, 90 per cent of the work at a cost of Rs.3.23 crore had already been completed. Thereafter, the Railway could not decide the right course of action as the revised plan with flatter gradient of 1:400 or flatter required lifting of both Up and Dn main lines, construction of Dn loop line etc. However, neither the proposal to revise the gradient was accepted nor the Railway Board was approached for approving the construction of loop line with grades more than the permissible limits. Subsequently in March 2009, the General Manager approved the proposal of lowering the Up loop line by dismantling of track and dredging of formation at an approximate cost of Rs.0.15 crore to Rs.0.20 crore. The work has, however, not been carried out so far and the entire investment of Rs.3.23 crore is lying idle for the last more than four years.

When the matter was taken up with the local Railway authorities (November 2007), they stated (April 2009) that the original plan to provide gradient steeper than 1:260 was very much feasible but required condoning by Railway Board. However, instead of approaching the Railway Board, decision was taken to revise the plan. They added that the proposal to connect the loop line by lowering the track has been approved (March 2009) and the paper work connecting the Up loop line to the main line is in process. The reply is not tenable because the gradient planned initially was defective as connection of the same with main line was not possible and required lowering involving infructuous expenditure. Moreover, Railway Administration could not take decision for almost four years with the result the entire investment is likely to remain idle till the loop line is commissioned.

Thus, improper planning of construction of loop line coupled with indecision of the Railway Administration in non-achievement of the intended benefit of avoiding detention to train besides idling of investment of Rs.3.23 crore.

The matter was taken up with the Railway Administration (January 2009), their reply is still awaited (September 2009).

3.2.4 Eastern Railway: Avoidable expenditure due to delay in finalisation of drawings

Failure to observe Railway Board's directives on preliminary works before award of contract resulted in avoidable extra expenditure of Rs.1.91 crore

As per Railway Board orders (August 1980), contracts for works should not be awarded unless soil tests and site investigations are complete, all plans, drawings are approved by the competent Authority.

To enhance the safety of Railway system a work of re-girdering two Road Over Bridges (No. S-1 and S-3) and one Railway bridge (No. S-26) in Sealdah-Diamond Harbour Section was awarded (August 2005) to a firm at a cost of Rs.4.72 crore for completion by February 2007 subsequently extended upto February 2008. Review of records, however, revealed that there were abnormal delays in finalisation of drawings due to frequent changes/modifications in the original plan as enumerated below:

During processing of the plan, some technical complications had arisen as such the work of strengthening the foundation of the bridge No. S-1 had to be dropped and the Over Head Equipment clearance was also found to be inadequate. Difficulties were also experienced in finalisation of drawings of another two bridges (S-3 and S-26). The drawings in respect of one Bridge No. S-3 were finalised in May 2007. Therefore, contractor could not start the work and requested for closure of the contract. The contract was finally terminated (July 2007) at the risk and cost of the contractor. A risk cost tender opened in August 2007 was subsequently discharged due to quotation of high rates. The contractor submitted (30 August 2007) a representation against risk and cost, highlighting the Railway's lapses in this case. The Railway Administration admitted that the contractor could not be held solely responsible for non-performance and decided to close the contract without any liability on either side. The contract was subsequently awarded (18 January 2008) to a joint venture firm at a cost of Rs.6.63 crore with the stipulation to complete the work within 6 months (17th July 2008). The work in respect of bridge No. S-26 is, however, yet to be completed (May 2009).

When the matter was taken up with the Railway Administration in February 2009, they stated (May 2009) that had the tender been called after finalisation of all drawings, the completion date of these urgent safety works would have been deferred for a much longer period imposing safety threat to running of trains. Further, the reasons for delay in finalisation of drawings were unforeseen and beyond control of Railway Administration. The reply is not tenable as the Railway Board's instructions were violated in the instant case. The Railway Administration should have finalised drawings prior to awarding of the contract as per existing orders. Moreover, Railway Administration could not complete the work even two years after the scheduled date of completion (February 2007) in spite of the urgency of the work involving safety.

3.2.5 West Central Railway: Delay in construction of staff quarters resulting in avoidable expenditure on leasing of accommodation and blockade of capital

The Railway Administration's failure to get the site cleared of all infringements before award of contract for construction of quarters has not only blocked the capital of Rs.1.68 crore but also delayed the construction with the result an expenditure of Rs.0.14 crore was incurred on leasing of accommodation

In terms of Railway Board's instructions of August 1980, no contract for work should be awarded till all the plans and drawings have been approved and the site is clear in every respect for handing over to the contractor.

Consequent upon formation of West Central Railway in April 2003, land measuring 52 acre was taken on lease (March 2004) for construction of staff quarters. As this land was earlier occupied by a company which had not removed their scrap material, machinery and structures from the land, it was decided (October 2004) in a meeting held between representatives of Madhya Pradesh Government and the Railway that the latter would remove and dispose of the assets of the company and the deposit the cost with State Government after deducting the expenditure incurred for removal and disposal from the sale proceeds.. Railway assessed the value of the assets at Rs.2.77 crore.

Audit scrutiny of records revealed that Railway prepared the lots of loose material and auctioned the same for Rs.0.70 crore but took no action for removal of structure and other fixed assets. A contract for construction of 107 quarters of various types and one bungalow for General Manager at a cost of 7.46 crore was awarded in April 2005. The work was to be completed within a period of 15 months from the date of issue of letter of acceptance. However, as the progress of the work was not satisfactory, the contract was terminated in November 2006 after incurring an expenditure of Rs.1.07 crore. To complete the balance work, another contract was awarded at a cost of Rs.8.05 crore entailing an extra expenditure of Rs.1.66 crore. This contract was also terminated in September 2008 as the documents furnished by the contractor were found fake. By then the contractor had done work of Rs.0.61 crore. The tender for the balance work has not been finalized so far and the work could not be completed even after four years of its commencement and expenditure of Rs.1.68 crore being incurred. As a result of non-completion of the work of construction of quarters, the staff have been accommodated in the leased houses which included Rs.0.14 crore during the period from August 2006 to March 2009.

In this connection following comments arise:

- Railway awarded the contract for construction of quarters without ensuring availability of a clean site. Due to the infringements and delay in handing over the requisite drawings, the contractor could not carry out the work smoothly as a result of which the contract was terminated after incurring an expenditure of Rs.1.07 crore.
- Railway failed to verify the authenticity of the documents furnished by the contractor to whom the left over work was awarded. As a result the contract was terminated (September 2008) after incurring an expenditure of Rs.0.61 crore.
- The balance work has not yet been awarded to any one (September 2009). Non award of balance work would not only delay the completion further but also result in continued leasing of accommodation on which an expenditure of Rs.0.14 crore has already been incurred.

When the matter was taken up with the Railway Administration (March 2009), they stated (July 2009) that the layout drawings were made available to the contractor in June 2005 but he took up the work of foundations of Type IV quarters alone and abandoned the site in April 2006. As regards the second contract, they added that the credentials were duly verified from the document issuing authorities. They further stated that the notice for recovery of risk and cost charges of Rs.1.53 crore was issued to the defaulting contractor in August 2008 but he has not deposited the amount and on his request the case has been handed over to the Arbitrator. They also added that the completion of construction of quarters and leasing of accommodation for staff are two distinct issues and the leasing of accommodation to staff is permitted under rules.

The reply is not tenable as the first contractor could not do the work mainly because of non-availability of clear site and drawings. Moreover, the accommodation had to be leased because Railway could not complete the construction of quarters as per schedule. Due to delay in handing over clear site and drawings, on the part of Railways, recovery of dues at risk and cost is not achieved.

Thus the Railway Administration's failure to ensure free site before award of contract for construction of quarters has not only blocked the capital of Rs.1.68 crore but also delayed the construction with the result an expenditure of Rs.0.14 crore was incurred on leasing of accommodation.

3.2.6 Western Railway Infructuous expenditure of Rs.1.42 crore due to improper planning

Improper assessment and planning of the work of provision of MG pit line and sick line facilities at Mhow has resulted in infructuous expenditure of Rs.1.42 crore

The work of provision of Meter Gauge (MG) pit line and sick line facilities at Mhow station of Western Railway was sanctioned (June 2006) as a material modification to Neemuch- Ratlam gauge conversion project. This work was justified on the grounds that with the conversion of MG section between Neemuch and Ratlam into Broad Gauge, the coaches required for running of trains in the remaining MG section would be maintained at Mhow and holding of coaches would go up from existing 100 to 250.

Audit scrutiny of records revealed that construction organization awarded two contracts for construction of covering shed 63m x16m along with two inspection pits of 25 m long and construction of two washing pits, office building, transportation of P. way material and dismantling of MG track for provision of additional MG pit line and sick line facilities at Mhow at a cost of Rs.1.12 crore and Rs.1.58 crore in October and November 2006 respectively. When these works were being carried out, the General Manager during his inspection in February 2008, observed that in view of the approval of the gauge conversion of Ratlam–Mhow-Khandwa section during the year 2008-09, the works in connection with provision of pit line and sick line facilities at Mhow be reviewed and closed. The construction organization, however, closed only the work of construction of pit line and the work of construction of covered shed was continued on the ground that the shed would be utilized for maintenance of BG coaches after gauge conversion work is completed. By this time an expenditure of Rs.1.42 crore had already been incurred on these works. In this connection the following audit comments are made:

- Though in pursuance of Railway's policy of Unigauge System on Indian Railways, the gauge conversion of the entire section of Ratlam –Mhow – Khandwa was under consideration, Western Railway proposed the work of provision of MG pit line and sick line facilities in June 2006 without making proper assessment for its future requirement with the result one of the works was abandoned after incurring an expenditure of Rs.0.80 crore.

- Though Western Railway was aware that the work of creation of examination-cum-washing pit line and associated sick line facilities at Indore (situated at 21 kms from Mhow) had already been sanctioned (February 2006) and was being carried out for maintenance of BG Coaches, they continued the work of construction of covered shed at Mhow. As the BG Coaches will be maintained at Indore, the prospects of utilization of the shed are remote thereby rendering the entire expenditure (Rs.0.61 crore already incurred) infructuous.

When the matter was taken up with the Railway Board (October 2009) they admitted (December 2009) that though the proposal for gauge conversion of Ratlam-Mhow –Khandwa section was in process it was not known as to when the work would be sanctioned. They added that the expenditure incurred for the construction of MG pit line and sick line facilities at Mhow would not go waste as the same would be utilized in BG. It was also added that the complete gauge conversion of Ratlam-Mhow-Khandwa-Aklo section would take 5 to 7 years and the facilities would be utilized for maintenance during this period. The reply is not acceptable because Railway has already abandoned the work midway ruling out the possibility of utilizing the facilities for maintenance of MG stock. In case, the facilities are to be utilized for maintenance of BG stock, the complete lay out would require overhauling as the MG tracks cannot be commensurate with BG stock. Moreover, for maintenance of BG stock, Railway has created facilities at Indore which is merely 21 kms from Mhow.

Thus improper assessment and planning of the work of provision of MG pit line and sick line facilities at Mhow has resulted in infructuous expenditure of Rs.1.42 crore

3.2.7 East Coast Railway: Idling of assets

Improper planning led to non-completion of work and non-utilisation of new pit line resulting in blockage of capital amounting to Rs.1.07 crore

The coaching depot at Sambalpur carries out the primary maintenance of passenger trains. A proposal for construction of one new integrated washing cum pit line of 400 meter (18 coaches) length adjacent to the existing two pits cum washing lines along with other infrastructure was approved (April 2003) so as to remove the operational constraints arising out of inadequate berthing space in the existing pit lines. The contract for the work was awarded in March 2004.

Scrutiny of records revealed that the work could not be completed within the targeted date i.e. January 2005. The work was closed midway (October 2006) on administrative grounds after execution of almost 339.535 meter of pit line (15 coaches length) against 18 coaches length. Subsequently the contractor was paid a reduced agreemental value of Rs.0.90 crore. The value of the Railway stores (P.Way materials) utilised in the construction of the new pit line was assessed in audit at Rs.0.16 crore. The reasons for delay in execution and non-completion of the washing cum pit line with adequate length (400 m.) were as under:-

(i) Flaws detected in the structure during execution of the work as per the approved drawing.

(ii) Non-shifting/dismantling of the existing overhead water tank coming in the alignment of the washing cum pit line.

Further, the new pit line could not be put to use after its completion since the same was not connected with the yard line for feeding the rakes due to its linkage with the ongoing works of yard remodeling and Route Relay Interlocking (RRI). Therefore the asset created (new pit line) with an investment of Rs.1.07 crore remained unutilised and incomplete for more than two years.

When the matter was taken up (March 2009) with the Railway Administration, they stated (June 2009) that the work of pit line for balance 3 coach length and yard remodeling with RRI work, are targeted for completion by June 2009. Hence, the new washing-cum-pit line will be utilised after commissioning along with yard remodeling with RRI work. The reply is not tenable. The work of new line was not executed as per the original plan. Therefore, another contract had to be awarded for balance 3 coach length. Further, the line could not be utilised immediately on completion due to operational constraints and subsequent linkage with yard remodeling and RRI work which clearly indicates that the work was not planned properly resulting in idling of assets. Moreover, there is no chance of commissioning of the pit line before December 2009 as the date of completion of one of the works linked with the commissioning of pit line has been extended upto December 2009.

3.2.8 East Coast Railway: Poor assessment of site/soil condition

Railway's failure to properly assess site/soil conditions before awarding of work led to short-closure of contracts and avoidable expenditure of Rs.0.85 crore

Review of the two contract cases of Construction Organisation at Bhubaneswar and Vishakhapatnam revealed poor assessment of site conditions before awarding of the work that led to short closure of contracts and avoidable expenditure of Rs.0.85 crore as detailed below:

(A) The works for execution of earthwork, minor bridges, and other allied works between Km.464.800 and 471.300 were awarded in July 2004 with target date of completion as 29 October 2005. During execution of the work, the contractor informed (March and July 2005) about the adverse site condition between Km.467.200 and 470.480 due to water logging and requested a rate Rs.300/- per cum. for the earthwork. Railway after inspection of site assessed an additional requirement of about 24000 cum. of earthwork at the rate of Rs.161 per cum to bring the formation above the water level. Instead of negotiating with the existing contractor, part of the contract from Km.467.100 to Km.471.300 was rescinded (22 August 2005) at the risk and cost. The contractor executed the balance work at a cost of Rs.0.90 crore and the contract was finally closed (April 2009) without any liability on either side.

In December 2005, the left over work was awarded to another contractor for completion by June 2006 by incorporating new items for execution of earthwork in the water logged area at a basic value of Rs.161/- per cum plus TI of 13 per cent as non-risk cost items. Audit noticed that the rate adopted for other schedules of the work was much higher than the previously accepted rate resulting in extra expenditure of Rs.0.61 crore mainly due to inadequate assessment of site conditions despite failure of two earlier contracts in the same chainages since 2001.

When the matter was taken up (April 2009) with the Railway Administration, they stated (July 2009) that due to demand of contractor for higher rates for carrying out earthwork in water logged area, the contract was terminated. They added that site conditions had already been considered by the Tender Committee for arriving at the reasonableness of rates. The reply is not tenable because the work was ultimately awarded at higher rates and as such conducting negotiation with the existing contractor would have been desirable.

(B) The existing Bridges No.313 and 303 between Borraguhalu and Karakavalasa stations on Waltair division were found insufficient to discharge the heavy inflow of water during flood of 1990 causing damage to the track. In order to provide additional waterways, the work of both the bridges was awarded to a contractor. In the first instance, the casting of boxes and pushing them under Bridge No.313 was taken up (12 August 2003) to observe the eventualities, if any. Though a number of problems such as existence of large boulders in the formation was noticed, the work of Bridge No.303 was also commenced without waiting for the results of work of Bridge No.313. While the work of Bridge No. 313 was completed in five years (i.e. in July 2008), the contractor executed only the design of Box and casting of the Thrust bed in respect of Bridge No.303 and stopped the work thereafter on account of similar problems faced in respect of earlier bridge. The contract was finally closed on 03 January 2007 without repercussions on either side. However, the work has not been resumed till March 2009 while expenditure of Rs.24 crore has been incurred without result.

When the matter was taken up (April 2009) with the Railway Administration, they stated (July 2009) that the execution of the works in Bridge-303 was not possible without including the new items of works such as soil stabilisation along with new methodology developed after the experience of Bridge-313. The experience of box pushing in Bridge-313 was utilised in framing the schedule for the new tender for Bridge-303. The future work of Box pushing, when taken up, shall utilize the existing thrust bed. The reply is not tenable because the soil test should have been done before awarding of the contracts so that appropriate steps or improved method, as required, could have been taken up to complete the work. Non completion of the work taken up as safety measure is a matter of concern.

3.3 Deficiencies in contract management

3.3.1 South Western Railway: Loss due to delayed finalization of risk and cost tenders

Railway's failure in finalising two risk and cost tenders with in the prescribed time limit resulted in loss of risk and cost totaling Rs.4.79 crore.

When a contract is terminated at the risk and cost of a defaulting contractor, risk and cost clause of the contract agreement is invoked for recovering the differential cost. For establishing Railway's claim, the contract for the left over work should be awarded within six months.

Construction Organisation awarded (June 2004) a contract for 'Earthwork in embankment, construction of minor bridges/roads and protective works etc.' at a cost of Rs.2.79 crore. Contractor could not commence the work and the contract was terminated (February 2005) at his risk and cost. Railway floated the risk and cost tender (March 2005). Tender Committee (TC) conducted negotiations with the lowest tenderer and observed the negotiated offer of Rs.4.61 crore on higher side. Railway discharged the tender and invited new tenders (September 2005) against which the lowest offer for Rs.3.53 crore was received. TC felt that the rates quoted for certain items were on higher side and recommended (February 2006) counter offer. Lowest tenderer, however, withdrew his offer and this tender was also discharged (March 2006). Railway Administration invited (March 2006) the tenders again and awarded finally the contract (September 2006) at a cost of Rs.5.01 crore.

Another contract for 'Earthwork and construction of minor bridges in Hirisave – Shravanabellagola section' awarded (March 2005) at a cost of Rs.4.69 crore was terminated (December 2005) at the risk and cost of the contractor as he could not commence the work. Railway floated the risk and cost tender (February 2006) and lowest offer for Rs.6.58 crore was received. TC considered this value to be on higher side and held negotiations with the tenderer who did not agree to reduce the cost. Railway discharged the tender and invited fresh tenders (June 2006). Contract was finally awarded (November 2006) for Rs.7.22 crore.

After the termination of contracts at the risk and cost of the defaulting contractors, Railway Administration took 19 and 11 months respectively in finalising the risk and cost tenders. As a result, Railway's chances for the recovery of risk and cost assessed at Rs.4.79 crore (Rs.2.26 crore + Rs.2.53 crore) are remote as same is not enforceable.

When the matter was taken up with the Railway Administration (September 2007/August 2007), it was stated (November 2008) in respect of first work that risk and cost is enforceable on the defaulting contractor as Railway has called and finalised three tenders in 17 months. The reply is not tenable as six months time has been prescribed for calling and finalising the risk and cost tender.

When the matter was taken up (August 2009) with the Railway Board, they stated (November 2009) quoting Railway Board orders of August 1988 that the time of six months cannot be sacrosanct limit, since from the legal point of view, it does not make any difference so afar as imposition of recovery is concerned. Railway Board's contention is not acceptable as these orders pertain to the initiation of recovery proceedings from the defaulting contractor, whereas in present case, the recovery of risk and cost amount itself is in doubt as the risk and cost tender has not been finalized within six months, it is quite pertinent to mention that in a similar case, honourable arbitrators had rejected the counter claim of Railways for risk and cost amount from the defaulting contractor on the grounds that the risk tender was not finalized within six months. Further, apart from withholding the Security Deposit and Earnest money Deposits, Railway Administration has not so far been able to recover any amount towards risk and cost in either case.

3.3.2 Northern Railway: Avoidable expenditure due to poor contract management

Railways failure to ensure timely availability of approved drawing and design of works and supply of requisite items of material resulted in avoidable expenditure of Rs.4.48 crore

Central Organization for Railway Electrification, Allahabad (CORE) awarded (February 2003) a contract to M/s Ranjit & Company, Ranchi at a cost of Rs.13.68 crore with date of completion (DOC) of work by (August 2004).

Scrutiny of records of CORE revealed that the Railway had to terminate the contract without financial repercussions on either side instead of terminating the contract at contractor's risk and cost mainly due to delay in approving design, non-completion of remodeling work and non-supply of some material. Till then, the contractor had been paid Rs.4.56 crore for the value of work done (Rs.0.50 crore) and material (Rs.4.06 crore) supplied by him.

In order to complete the balance work of Najibabad-Harthala section (after excluding electrification work of MB Yard), another contract was awarded (7 June 2006) to M/s ECE Industries Ltd., Chennai at a cost of Rs.11.31 crore (including cost of material worth Rs.4.06 crore purchased from first contractor and now to be supplied by Railway) with DOC of the work by 6 July 2007. The DOC of the work was extended thrice up to 31 August 2008 while contractor's request for fourth extension upto 30 November 2008 was pending as of February 2009.

In the above context the following audit observations are made:-

(1) Had CORE ensured timely availability of approved design and drawings and wiring plans and supplied the requisite materials, the first contractor would have completed the work within the stipulated DOC and the extra expenditure (Rs.3.22 crore) incurred on account of termination of contract 'without financial repercussions on either side' could have been avoided.

(2) The Railway had to incur a sum of Rs.1.26 crore on hiring, operation and maintenance of 10 KVA DG sets for ensuring un-interrupted power supply for Colour Light Signaling System (CLS) during June 2006 to October 2008. Had the OHE work been completed in time by the first contractor, the avoidable expenditure of Rs.1.26 crore could have been saved.

In reply the Railway Administration stated (June 2009) that extra expenditure can not be termed as loss to the Railways as no capital was invested for the extra expenditure in the present contract. The work of colour light signaling is a requirement for 25 KV charging of the OHE. In the non electrified OHE sections, when colour light is provided, provision of DG sets is essential as a standby source. The contention of CORE is not tenable for the reason that had the CORE ensured timely availability of D&D of works, wiring plans, supply of requisite material etc. to the contractor, either the completion of the work could have been ensured at contractor's risk and cost as the work was terminated at contractor's risk and cost.

As per CORE's reply DG sets is essentially required as a standby source till OHE is charged at 25 KV supply for supply of power to the colour light signaling system through auxiliary transformers. As such, Audit has correctly concluded that in case OHE works were completed prior to completion of CLS, the expenditure on hiring DG sets could have been avoided.

Thus, CORE's failure to ensure timely availability of approved drawing and design of works for execution and supply of requisite items of material resulted in avoidable expenditure of Rs.4.48 crore.

3.3.3 Northeast Frontier Railway: Loss due to non-recovery of risk and cost from a defaulting contractor and payments of unjustified rates to another contractor

Non-recovery of risk and cost amount from a defaulting contractor and repeated payments of high rates to another contractor for supply of ballast resulted in loss of Rs.3.53 crore

In August 2006 Ministry of Railways (Railway Board) sanctioned the estimates for gauge conversion of Haibargaon to Mairabari and Senchoa Junction to Silghat Junction from Metre Gauge (MG) to Broad Gauge (BG). Accordingly, the Construction Organisation executed six contract agreements for supply of ballast with three contractors. It was noticed in audit that Railway Board vide their letter of 2 August 2005 had banned the business dealing with one of these contractors on all Indian Railways. However, the Construction Organisation entered into a contract with the contractor on 8 August 2005 for supply of ballast and continued to indulge in correspondence with him to show progress of work till it was finally rescinded on 24 January 2006 due to 'nil' progress of work. Though the risk and cost tender was invited thereafter and a fresh contract was entered (October 2006) with another working contractor at an exorbitantly high rate, the Construction

Organisation could not recover the risk and cost amount of Rs.1.85 crore from the defaulting contractor till date. Besides, awarding the risk and cost contract at high rate also resulted in further loss of Rs.1.68 crore to the Railways.

When the matter was taken up with the Railway Administration (February 2009); they stated (June 2009) that the banning of business dealing with the defaulting contractor was received on 16 August 2005 and the CA was executed on 8 August 2005, i.e. prior to receipt of the letter. Further, the awarded rates are based on facts duly considering the site condition of the project and therefore no loss has been incurred on account of higher rates.

The reply of the Railway Administration is not tenable because although the letter regarding banning of the business with the contractor was received on 16 August 2005, the Railway Administration should have taken immediate cognizance of the Railway Board's instructions for cancellation of the contract agreement with the banned contractor in terms of the Clause 61 (1) and 62 of General Conditions of Contract and Special Conditions of Contract, 1998. The acceptance of exorbitant rate as recommended by the TC was unreasonable because at the initial minutes of the meeting, the TC had admitted that there was scope for reduction of rate due to quoting of exorbitant rate which was 119.67 per cent higher than the estimated rate. Further, as per minutes of the meeting of the TC, the issue of long stretch having no proper approaches did not figure in the recommendations for acceptance of the exorbitant rate. The issue was considered only during negotiation stage in order to justify the acceptance of exorbitant rate. Moreover, as per rule, the risk and cost tender should be finalised within six months from the date of termination of the previous contract; otherwise the risk and cost amount could not be claimed against the defaulting contractor.

Thus, due to non-recovery of risk and cost amount from the defaulting contractor and payment of exorbitant rates to another contractor for supply of ballast, Railway suffered a loss of Rs.3.53 crore (Rs.1.85 crore due to non-recovery of risk and cost amount and Rs.1.68 crore on account of payment at exorbitant rates).

3.3.4 Eastern Railway: Poor contract management

Railway's failure in lodging claims on defaulting contractors within six months as well as change in scope of work deprived them of the recovery of Rs.3.00 crore

As per General Conditions of Contract (GCC), when a contractor fails to execute a work or effect supply, the Railway Administration, after issue of due notice, can terminate the contract and fix a fresh agency for execution of the left over work or for procurement of balance quantity of materials at the risk and cost of the defaulting contractor. Further, as per instructions issued by the Railway Board in July 1988, risk purchase action should be completed within six months, and where it was not possible to do so, a provisional claim for risk and cost charges be lodged with the defaulting contractor within six months.

Scrutiny in audit revealed that contracts for earthwork to form embankments and other ancillary works in connection with the section Singur-Nalikul were awarded in two parts.

(i) A contract (costing Rs.2.03 crore) for the portion between Singur-Kamarkundu and from Bridge No.30 (CH 14817) to Nalikul (NKL) yard was awarded to M/s Triupati Engineers in January 2003 for completion by July 2004. The progress of the work was unsatisfactory from the beginning and ultimately after granting extensions repeatedly, the contract was finally terminated in April 2006. A risk and cost contract for residual work awarded to M/s Bhaskar Enterprise (August 2006) was also terminated in April 2007 due to poor progress of work.

(ii) A contract (costing Rs.1.87 crore) for the portion between Singur-Nalikul (CH 13693 to CH 14800) was awarded to Sri Dilip Kumar Dutta at a cost of Rs.1.87 crore in February 2005 for completion by May 2006. However, this contract as well as risk and cost contract awarded to M/s PMC-BEC PL-JV for residual work was terminated in November 2005 and May 2007 respectively due to poor progress of work.

Thereafter a fresh contract for the residual work (valuing Rs.3.93 crore) for the entire section (after clubbing the residual works of both the parts) was awarded (August 2007) to M/s CIVTECT (INDIA) at a total cost of Rs.5.59 crore. In this case too, the work could not be completed within the scheduled date of completion (January 2008) which was extended upto 28 March 2009. The risk cost amount recoverable from the two original contractors (M/s Triupati Engineers and Sri Dilip Kumar Dutta) was however worked out in January 2009 and demand notices for a sum of Rs.1.34 crore were served during February and March 2009. Since Railway had failed to lodge a claim for risk and cost charges within six months, the chances of recovery from them are remote. Further, the Railway's action to award the fresh contract after clubbing the two residual works had changed the scope of the work. Resultantly the Railway had now no right to claim the additional expenditure of Rs.1.66 crore (Rs.5.59 crore- Rs.3.93 crore) as risk cost charges from the defaulting contractors (M/s Bhaskar Enterprise and M/s PMC-BEC PL-JV).

Thus, Railway's failure in lodging claims within six months as well as change in scope of work deprived them of recovery of Rs.3.00 crore from defaulting contractors towards risk and cost charges.

When the matter was taken up (February 2009), the Railway Administration stated (June 2009) that though there was some initial delay for making claim, the demand notice had already been served to the defaulting contractors. They further added that clubbing of the residual works was indispensable for selection of a good contractor for expeditious completion of the work. The Railway's contention is not tenable. They had not terminated the contracts within reasonable time and had gone on granting extensions repeatedly. Due to delay caused by repeated extensions and in processing/finalising risk and cost tenders, the matter had become complicated, resulting into rise in land value and cost of work. As a result, two residual works were clubbed resulting in change of scope of the work and thus Railway lost their right to claim the additional expenditure as risk and cost charges.

3.3.5 East Coast, Northern,: South Eastern and South Central Railways — Non-realisation of penalty charges from contractors

Non-implementation of Railway Board's orders resulted in non-realisation of penalty charges worth Rs.2.99 crore from contractors for damaging cables during execution of works

For executing the work in the vicinity of underground signaling, electrical and telcom cables, a Joint Procedure Order (JPO) was issued (December 2004) by the Railway Board indicating therein broad guidelines in order to avoid damage to the underground cables.

In May 2007, Railway Board reiterated that the JPO referred to above should be strictly adhered to and also decided for imposition of a flat penalty of Rupees one lakh per cut on pilot basis upto march 2008. The position was to be reviewed thereafter on imposition of penalty or otherwise. No further instructions were, however, issued for the period beyond March 2008.

Scrutiny of records of Signal and Telcom Department Khurda Road, revealed that during the period from December 2006 to April 2007, cables were found cut/damaged at 22 locations by the private contractors engaged by the executing departments for undertaking digging works. As such the necessary debits amounting to Rs.0.04 crore were raised on the concerned departments for recovery from contractor's bills. Further, debits for Rs.0.42 crore were raised for the period from May 2007 to March 2008 as per Board's instruction of May 2007. Thus, a total amount of Rs.0.46 crore was recoverable from the defaulting contractors towards cost of damages due to failure to observe the following provisions of the JPO referred to above.

(i) Necessary permission from competent authority of the concerned section was not obtained by the Engineering Officials before taking up any digging activity.

(ii) No specific clause of penalty for default to safeguard the cables was incorporated in the agreement.

(iii) Signal and Telecommunication Department (S&T) had only informed the concerned departments for recovery. However no follow up action was taken to recover the amount so far indicative of lack of co-ordination among them.

When the matter was taken up (January 2009) the Railway Administration stated (May 2009) that:-

(i) the amount raised by S&T department was unilateral without establishing the facts and fixing responsibility.

(ii) inclusion of specific clause in the agreement for deduction of penalty (e.g. deduction of Rupees One lakh from contactors' bill for each cable cut) is not logical in case of low value of contracts and might lead to complicacy in contract management.

(iii) existing clause 24 of GCC safeguards loss and damage to Railway property hence no specific clause in this respect was included.

The reply is not tenable. The determination of facts and responsibility better co-ordination among the departments concerned to ensure recovery of cost of damages to cables from the contractors. The difficulty in imposing the penalty as per Board's instructions in case of low value contracts was not brought to the notice of the Railway Board for their decision. Moreover, this contention does not hold good in case of high value contracts. Further clause 24 of GCC was also not resorted to for recovery of actual cost of repair/replacement of damaged cables.

A similar review conducted on the other two Divisions (Sambalpur and Waltair) revealed that a debit of Rs.0.10 crore was raised against Engineering Department for recovery from contractors towards damages to cables in Sambalpur and no debit was being raised for the cables damaged in Waltair division.

Further review on other three Railways (Northern, South Eastern and South Central) revealed the similar position of non-recovery of amounts from the defaulting contractors due to cutting of cables during execution of works which was as follows:

Divisions	**Railway**	**Period**	**No. of cases**	**Amount (Rs. in crore)**
Ambala, Ferozpur Lucknow	Northern	August 07 to February 08	10 19 8	0.10 0.19 0.08
Chakradharpur (const.) Chakradharpur (open line)	South Eastern	9 May 07 to March 08	74 33	0.74 0.33
Secunderabad Guntakal Vijayawada Nanded Hyderabad	South Central	April 06 to March 08	61 6 33 9 8	0.52 0.06 0.24 0.09 0.08
Total				**2.43**

Thus, due to non-observance of the procedure laid down in the JPO for safeguarding the cables during execution of engineering works and lack of co-ordination between the Departments, Railway Administration failed to realise an amount of Rs.2.99 crore from the defaulting contractors as penalty towards cost of damage to the cables.

3.3.6 Central Railway: Extra expenditure due to improper planning and poor contract management

Non-compliance of Railway Board's instruction for awarding contract has besides delay in completion of the POH facilities hampering the work, has resulted in extra expenditure of Rs.2.47 crore

As per extant instructions (1980), no contract should be awarded unless necessary tests and site investigations are completed and all plans, drawings have been approved and there is no hitch in handing over the clear site to the contractor. Further Para 1108 of the Engineering Code stipulates that all works should be carried out as expeditiously as possible.

The work of creation of 'facilities for periodical overhauling (POH) of 25 BG non-AC Coaches per month' was approved in the Works Programme (2004-05 and 2005-06) at an estimated cost of Rs.19.95 crore comprising mechanical works (Rs.11.08 crore), civil works (Rs.7.83 crore) and electrical works (Rs.1.04 crore).

Audit scrutiny of records related to execution of the above work revealed that while mechanical department has procured and commissioned most of the plants and machines except for one EOT crane (Rs.0.57 crore) and one spring load testing machine (Rs.0.14 crore), the progress of civil works was only 30 per cent to the end of May 2009 owing to inadequate planning and poor contract management. Audit observed that a contract for 'construction of RCC framed structure building (G+1) industrial flooring, other miscellaneous work and P.Way work was awarded in July 2006 at a cost of Rs.2.34 crore. The work was to be completed within 15 months from the date of issue of acceptance letter. It was, however, noticed that though the General Administrative Drawings (GAD) were handed over to the contractor in July 2006 itself, the working drawings for foundations and RCC details were given after six to eight months i.e. in January 2007 and March 2007. The site of the work was also not handed over immediately and as a result the contractor raised certain disputes and did not give satisfactory progress. The contract was, therefore, terminated in July 2007 after completion of ten per cent work. The balance work was awarded to another contractor in June 2008 at a cost of Rs.4.56 crore entailing extra expenditure of Rs.2.47 crore. Though the second contractor is supposed to complete the work in September 2009, the physical progress was only 30 per cent as of May 2009. Non-completion of the work has therefore, hampered the periodical overhauling of the coaches which are detained for more than the prescribed time.

When the matter was taken up with the Railway Board (September 2009) they accepted (December 2009) the facts but contended that the GAD of the work given to contractor in July 2006 contained all details and on the basis of these drawings, the contractor could have executed 77 per cent work. They, therefore, put the entire blame for slow progress on the contractor and stated that notice for recovery of the risk and cost charges has been sent to the contractor. They added that an amount of 0.08 crore has already been recovered by en-cashing the BG and forfeiting the security deposit. As regards demand of arbitration, they stated that the arbitrator has not yet been appointed and that Railway will put forth their point to prove the contractor's fault. The reply is not tenable. Railway has been able to recover only 0.05 crore against their claim of Rs.2.47 crores. Since the Railway has admitted the delay in making available the work drawings, the claim for recovery of risk and cost amount from the defaulting contractor is doubtful.

Thus non-compliance of Railway Board's instruction for awarding contract besides delay in completion of the POH facilities hampering the work has resulted in extra expenditure of Rs.2.42 crore.

3.3.7 East Coast Railway: Non-return of excess materials

Non-recovery of cost of materials issued to the contractors in excess of requirement and missing fittings resulted in loss of Rs.1.95 crore

As per clause 45 (C) of additional special conditions of contract, materials should be issued to the contractor as per actual requirements of the work. Excess material issued, if any, should be returned by the contractor in acceptable condition to the Railway. If the contractor failed to do so, the cost thereof should be recovered from him at issue rates plus other charges at the rates fixed by the Railway. To this would be added an increase of 100 per cent.

A contract was awarded in November 2002 (Contract Agreement No.40/CE (C)-I/BBS/SER/2002) for execution of Permanent Way Linking, and other miscellaneous works in connection with DKB Rail Link.

Scrutiny of records revealed that the Railway Administration had extended the completion date (May 2003) in the above contract up to 30 September 2007 mainly to provide watch and ward staff to the track till handing over of the section to Open Line. The contractor after completion of the work had not returned railway track materials issued in excess of requirement. The contractor was also held responsible for Permanent Way fittings valuing Rs.0.003 crore found missing from the track during handing over of the section to Open Line (18 September 2007). The contractor did not make good the missing fittings and return the balance Permanent Way materials not used in the work to the Railway Store depot despite asked (December 2007 and June 2008) to do so. As assessed in audit as per clause 45 (c) of the contract the total amount recoverable from the contractor works out to Rs.1.88 crore. The contractor was paid Rs.1.55 crore up to CC-13 and on A/c bill dated 4 May 2007. The final bills have not yet been prepared.

Records revealed that the contractor's dues of Rs.0.30 crore as per final variation statement and Security Deposit (SD) of Rs.0.03 crore only are available with the Railways, which are insufficient to adjust the cost of non-returned materials. Even after adjustment an amount of Rs.1.55 crore will remain un-recovered from the contractor.

A similar review of two more completed Contract Agreements in connection with DKB Rail Link Project revealed that the balance materials were not returned by the contractor after completion of the work. As assessed by audit an amount of Rs.0.35 crore and Rs.0.44 crore is recoverable from M/s Vishram Varu and Co. (Agt. No.11 of 2003) and M/s. Vaishno Devi Construction (Agt. No.38 of 2002) respectively towards the cost of materials whereas dues of only Rs.0.18 crore (including SD of Rs.3 lakh) and Rs.0.22 crore (including SD of Rs.3 lakh) respectively are available with Railways as per the final variation statement.

Thus, failure of the Railway Administration to maintain strict watch on issue and utilization of materials resulted in non-recovery of Rs.1.95 crore from the contractors towards the cost of materials.

When the matter was taken up (April 2009) with the Railway Administration, they while accepting the excess issue of material, stated (June 2009) that the contractors were to return the unused materials which they had not done. They also added that in addition to the final bill dues of the contractors, an amount of Rs.0.51 crore is lying with the Railway as SD under different agreements for adjustments. The reply is not tenable as Railway Administration failed to assess the exact quantity and the cost of the surplus materials as well as missing fittings two years after completion of work. Since the final bills of other contracts of the contractor have not been prepared, it is not possible to verify whether any excess amount is available after recovery of necessary dues against that contract. Hence, the delay in preparation of final bills clearly indicates slackness on the part of Railway Administration in recovering their dues.

3.3.8 West Central Railway: Non-recovery of risk cost charges due to improper contract management

The failure of the Railway Administration to verify the credential and past performance of the contractors coupled with non-maintenance of requisite records for monitoring the recovery from the defaulting contractors has resulted in non-recovery of Rs.1.75 crore

Indian Railways standard conditions of contract provide that when a contractor fails to deliver the stores within the period fixed for such delivery, the purchaser, without prejudice to his other rights may recover from the contractor as agreed liquidated damages or cancel the contract and authorize purchase of similar stores at the risk and cost of the contractor.

Consequent upon the reporting of cases of non-recovery of risk and cost by Comptroller and Auditor General of India, the Railway Board issued instructions in September 1990 and asked the zonal Railways to effectively monitor the recovery of extra expenditure by maintaining proper registers and also to ensure that action to recover the risk and cost charges was initiated in time.

Audit scrutiny of records of West Central Railway revealed the following:

- Registers required to monitoring the recovery of risk and cost charges were not maintained; as a result the follow up of recovery was not effective.
- In 15 contracts though railway had incurred extra expenditure of Rs.1.75 crore, the demand notices were issued after delay of eight days to five months. No recovery has been effected as yet (December 2009).

Audit also observed the following deficiencies in tendering and awarding of risk and cost contracts after cancellation of contracts of defaulting contractors:

- A contract for supply of 1000 units 'Bolster Spring Inner' was placed on M/S Conventry Spring & Engineering Co.Ltd., Nagpur on 5 April 2004 with delivery period up to 12 August 2004. Though the supplier had not supplied a single piece another contract for supply of 20825 units of 'Bolster Spring Inner' was awarded to the same supplier. The failure of the contractor to supply against the earlier contract was totally ignored. It has also been observed that ICICI Bank had filed a petition in Calcutta High Court in 2003 and the High Court had ordered winding up of the company. It is thus clear that besides lapses in verifying the contractor's credentials, Railway overlooked the performance of contractor in the previous contract.
- Three contracts for supply of 288 sets of 'Stainless Steel Lav Inlay' were placed on M/S Seema Enterprises between June 2005 and March 2006. The contractor after supplying 140 sets, requested Railway that keeping in view heavy increase in the prices of steel, he would be able to supply the remaining material on increased price. The probable increase per set was to the extent of Rs.15000. Railway without considering the overall market trend rejected the contractor's demand and initiated risk purchase action. The balance quantity was purchased at 60 per cent higher rates as against 28 per cent higher demanded by the existing contractor. This resulted in extra expenditure of Rs.0.12 crore.

Thus failure of the Railway Administration to verify the credentials and past performance of the contractors coupled with non-maintenance of requisite records for monitoring the recovery from the defaulting contractors has resulted in non-recovery of Rs.1.75 crore.

When the matter was taken up with the Railway Board (August 2009), they stated (October 2009) that registers had since been opened and monitoring of recovery was being done. They added that an amount of Rs.0.23 crore had been recovered from the defaulting contractors and that two contractors from whom Rs.1.04 crore were recoverable had gone to court while another one had become bankrupt. They also stated that efforts were being made to recover the balance of Rs.0.44 crore. The reply is not acceptable because Railway had not maintained the requisite records for monitoring the risk purchase cases which led to non-recovery of Rs.1.75 crore and chances of its recovery are very remote. Moreover, non-verification of past performance and credentials of a contractor is a serious deficiency in contract management.

3.3.9 East Central Railway: Blockage of funds due to poor contract management

Lack of co-ordination between Engineering and Electrical Departments for execution of work led to blockage of funds to the tune of Rs.1.17 crore

Rules provide that no work should be awarded to a contractor before the site is ready for handing over and estimate, plan and drawings have been framed and sanctioned by competent authority. It follows therefrom that all concerned departments of Railway should work in tandem towards the execution of projects.

Audit scrutiny of three contracts awarded by Mughalsarai Division however, revealed the following position:

A. The work of electrification of a pilgrim siding and its associated cross over/turn out at Gaya was taken up to reduce the operating cost by replacing diesel engines with electric engines to receive trains/rakes at the siding. Accordingly a contract (KA-VI/OT/08/CO/TO/GYA/05-06) was awarded (17 February 2006) at a cost of Rs.0.56 crore for execution of the above work and the target date of completion was 14 August 2006. The work included supply of materials and erection of mast. In April 2007, the contractor informed the Railway that the work was held up as the Railway had failed in providing the foundation marking as well as some of the items included in the schedule of work. A payment of Rs.0.52 crore was made (upto September 2009) to the contractor towards 90 per cent of value of work done which mainly constituted supply of materials. Extension of time had not been allowed after 31 December 2007 as the site for work was still not cleared by the Engineering Department. Hence the contract had been closed on administrative ground.

B. In similar case a contract (KA-VI/OT/2/PSI/13/05-06) was awarded (25 November 2005) for replacement of power supply installation equipments at a cost of Rs.0.81 crore. It was seen that the work was not yet completed (February 2009) although the target date for completion of the work was 24 May 2006 and the extension of time was allowed upto 31 October 2008 on administrative grounds and further upto 31 December 2009 with liquidated damages. The contractor was paid Rs.0.42 crore towards 90 per cent of the value of work (upto September 2009). The main reason for the inordinate delay in completion of the work was non-availability of required site by the Engineering Department and power block.

C. A contract (KA-VI/OT/09/CO/TO/SEB/05-06) was awarded (09 March 2006) for wiring of one cross over and four turnouts at SEB Yard as part of SEB-MGS III line electrification at a cost of Rs.0.38 crore. The target date for completion was 180 days ending 5 September 2006 but it was extended upto 30 April 2009 on administrative ground. The contractor was paid an amount of Rs.0.23 crore till August 2007 as 90 per cent of the value of work done. The above work could not be completed as the site has not been cleared by Engineering Department.

Following comments arise in this connection:-

(1) Although it was stipulated in the Agreements (clause-3) that 'time was essence of the contract', the Railway kept on extending the date of completion of the works on administrative grounds. These grounds were invoked on account of Railway's deficient internal co-ordination with departments concerned.

(2) The inordinate delay had belied the justification put forth to get the works sanctioned on urgent basis. The electrification of pilgrim siding at Gaya was projected to improve traffic efficiency by use of electrical engine in an electrified route/section in place of diesel thereby reducing operational cost.

On the matter being taken up by Audit (February 2008), Sr. Divisional Electrical Engineer stated (March 2008) that the Engineering Department did not make available the sites in readiness. Therefore, these works could not be completed.

Thus the Electrical and Engineering Departments failed to work in proper co-ordination with each other so as to provide the work site in readiness to the contractor, thereby locking funds to the tune of Rs.1.17 crore and intended benefits not being realized.

The matter was taken up (March 2009) with the Railway Administration; no reply has been received (December 2009).

3.3.10 Central Railway: Non-recovery of risk purchase cost

The failure of the Railway Administration to follow the instructions issued by Railway Board for monitoring of the risk and cost purchase cases has resulted in non-recovery of risk and cost charges of Rs.0.48 crore

As per provisions in the Indian Railway Code for the Store Department, in case of any default by the supplier, the Railways has the authority to purchase the balance quantity of stores at the risk and cost and recover the extra expenditure, if any, incurred from the defaulting firm. Keeping in view the increasing trend in the cases of non-recovery of such amounts pointed out by Comptroller and Auditor General of India, Railway Board had issued instructions in September 1990 to all zonal Railways stipulating that all cases of recovery of risk and cost should be noted in a register and simultaneously intimated to the respective Accounts Department.

Audit scrutiny of records of Central Railway revealed that 62 purchase orders pertaining to the period from September 2002 to September 2008 were cancelled at the risk and cost of the defaulting firms. Though Railway had issued notices for recovery of risk and cost (in 16 cases notices were issued only after these were pointed out by Audit), the amount of Rs.0.51 crore could not be recovered mainly because either the cases were not entered in the register meant for watching the progress of recovery or demand notices were not issued to the firms. In nine cases, Rs.0.04 crore were not recovered from the pending bills of the firms despite the fact that the recovery particulars were known to the Accounts Department and pending bills were paid.

When the matter was taken up with the Railway Board (September 2009) they reiterated the reply furnished by Railway Administration (April 2009). Railway Board accepted that an amount of 0.50 crore was recoverable on account of risk and cost and general damages and out of this Rs.0.02 crore had been recovered. They added that action is being taken to ensure that remaining amount on account of risk and cost charges is recovered from the defaulting firms by keeping a strict watch on the recovery register. They also stated that the cases where the firms have no further dealing with the Railway are being advised to other zonal railways for withholding the amount from the pending bills of defaulting contractors. The reply is not acceptable because there was lack of coordination between the Stores and Accounts Departments and proper records were not maintained as a result of which an amount of Rs.0.48 crore is still recoverable and chances of its recovery are remote as most of the firms have no dealing with the Railways.

Thus the failure of the Railway Administration to follow the instruction issued by Railway Board for monitoring of the risk and cost purchase cases has resulted in non-recovery of risk and cost charges of Rs.0.48 crore.

3.4 Miscellaneous

3.4.1 South Central Railway: Avoidable payment of interest due to delay in opening of newly laid lines for passenger traffic

Railway's failure to create, in time, the posts of staff for the maintenance of newly laid lines resulted in avoidable payment of interest (Rs.22.50 crore) besides non-fulfillment of the objectives of undertaking projects

Provision of adequate man-power for the maintenance of track is required for the safety of running trains. As per Para 1608 (viii)-E, a new line should not be considered fit for opening without adequate arrangement for the maintenance of track. Railway Board has directed (March 1991) that posts of the maintenance staff should be created and man-power posted before the opening of section. Railway should initiate action six months in advance from the intended opening of section.

After the completion of Gauge Conversion of Hingoli – Akola section (cost-Rs.552.47 crore) and doubling of Krishna Canal – Mangalagiri (cost-Rs.25.16 crore) and Pullampet – Hastavaram sections (cost Rs.29.62 crore), the Railway Administration submitted between March 2008 and May 2008 the opening documents to Commissioner of Railway Safety (CRS) for conducting inspection. Till then, Railway had not initiated any action for the creation of posts of staff required for maintenance. Railway Administration initiated action only when the CRS insisted (July 2008) on the sanction of required posts prior to the inspection. As Railway decided to outsource some of the maintenance activities, the CRS asked Railway Administration (August 2008) to furnish a copy of Railway's instructions duly approved by the Railway Board for the implementation of outsourcing along with details of activities identified for outsourcing. The Railway Administration failed to furnish the required information (March 2009) though the position of creation of some posts and activities identified for outsourcing was intimated.

The CRS, however, inspected Hingoli - Akola section and the line was opened for Goods and Passenger traffic in November 2008. However, Krishna Canal – Mangalagiri section and Pullampet – Hastavaram section had not been opened even for Goods traffic (March 2009).

Railway failed in timely initiating the action to post maintenance staff to the satisfaction of CRS before opening of these sections. This resulted in blocking of capital valued Rs.607.25 crore for six to eleven months resulting in avoidable payment of interest to the extent of Rs.22.50 crore on blocked capital besides non-fulfillment of objectives of undertaking these projects.

When the matter was taken (March 2009) with the Railway Administration they stated (May 2009/September 2009) that a decision was taken for outsourcing of identified activities for the maintenance of sections. There was some delay in complying with the observations of the CRS as the maintenance activities to be outsourced were to identified. The reply is not acceptable as the action to create posts for the maintenance of track was to be taken six months before the scheduled dates of intended opening of these lines.

3.4.2 North Eastern Railway: Infructuous expenditure on creation of traffic facilities at halt stations

Railway Administration’s faulty decision to convert halt stations into crossing stations led to infructuous expenditure of Rs.2.90 crore

Railway Administration decided (2003-04) to provide three line crossing stations in place of existing two halt stations at Nonapur and Ahilyapur on Gorakhpur-Chhapra section at an estimate cost of Rs.7.88 crore. Accordingly two contract agreements were executed in December 2003 at a cost of Rs.1.50 crore for construction of railway quarters including renovation of old quarters, S&T building, rail level platform, track linking and other miscellaneous works in connection with providing the facilities of crossing stations.

Scrutiny of records in Audit revealed that the Railway Administration decided (March 2006) to stop further works in respect of above stations since Gorakhpur-Chhapra section was included in doubling project during the year 2006-07 and these two stations were planned to continue as halt stations after doubling. Subsequently these contracts were closed in September 2007 and at that time the progress of works was 70 percent and 85 per cent at Nonapur and Ahilyapur stations respectively. The total expenditure incurred (January 2008) on creation of three line crossing facilities at these stations was assessed at Rs.6.54 crore. It was seen that amount of the quantum of stores and the works executed through contracts likely to be utilized against doubling works at these stations worked out to Rs.3.64 crore only. Thus, the balance expenditure of Rs.2.90 crore incurred on providing the facilities of crossing stations became infructuous.

When the matter was taken up (January 2009), the Railway Administration stated (August 2009) that there was no proposal in 2003 for doubling of

Gorakhpur-Chhapra section. Hence, a decision for conversion of these halt stations to three line crossing stations was taken up. Moreover, the facilities created for crossing stations would be utilised after the completion of doubling work of the section which is under progress.

The Railway's reply is not acceptable as the proposal of BG doubling for Gorakhpur-Chhapra section was already in their knowledge since 1991-92. The Railway Administration was well aware of the proposed doubling of Barabanki-Gorakhpur-Chhapra sections as they had conducted the survey of the same in 1989 and proposal was included in the PWP way back in 1991-92. The Railway Board had already sanctioned doubling of Barabanki to Chhapra section in phases. As such the facilities should have been created to commensurate with doubling requirements. Moreover, the working of halt stations is managed by contractor (Halt agent); as such the posting of railway official is not needed. The facilities of railway quarters, S&T building, rail level platform, track linking work and other miscellaneous works meant for crossing stations became redundant. These facilities would also not be adjusted against doubling works as these stations would remain now only halt stations as decided by Railway Administration.

Thus, due to faulty decision to convert halt stations into crossing station led to infructuous expenditure of Rs.2.90 crore.

3.4.3 West Central Railway: Extra expenditure due to award of work at higher rates

The failure of Railway Administration to ascertain the rates of items before award of the contract and ensure proper testing of the material during execution has besides use of defective material resulted in incurrence of avoidable extra expenditure of Rs.2.55 crore

Tenders for fabrication, galvanizing, supplying and fixing of steel channel sleepers with fittings by removing existing bridge timbers on various girder bridges on Jabalpur Division of West Central Railway were invited and two contracts at a cost of Rs.5.09 crore and Rs.5.32 crore were awarded to M/S Royal Forging and M/S J. Jones &Sons respectively in September 2004. The accepted rates were 32 and 41 per cent higher than the rates mentioned in the tender schedule.

The work included supply and transportation of elastomeric pads, elastomeric neoprene pads and grooved rubber pads for which the rate of Rs.4792 per set comprising the following was estimated:

Sl. No.	Description	Quantity
1.	10mm thick grooved neoprene pad plates between main rail and canted bearing plate to drawing No.RDSO-No-T-5199	2 Nos.
2.	25mm thick elastomeric neoprene pad plates between channel sleepers and pad plates to drawing No. RDSO-No.B-1636-R2	2 Nos.

Sl. No.	Description	Quantity
3.	6mm thick grooved rubber pad plates between below guard rails	4 Nos.
4.	Channel shaped pads covering head of T-Bolt	4 Nos.

Though the set comprised four different items available in numbers, the Railway Administration had adopted a different unit i.e. Cubic Meter (without mentioning the dimension and specifying the volume of each item) for calculation of rates.

Audit scrutiny of records revealed that the rates arrived at by the Railway at the time of tendering were exceptionally high as compared with the rates mentioned in the invoices of actual purchase of these items by the contractors. By applying the rates mentioned in the purchase invoices and the formula adopted by the Railway, Audit observed that the rate per set worked out to Rs.2045 instead of Rs.4792 arrived at by the Railway. A total of 6809 sets of this item was executed by both contractors and Railway administration had incurred extra expenditure of Rs.2.55 crore. It was also noticed that the contractors had not created the facilities for inspection and testing; as a result no testing of the supplies was conducted. It was observed that when the elastomeric pads supplied by M/S J Jones and Sons were got tested from other sources, most of them were found defective and the same had not been replaced by the contractor.

When the matter was taken up with the Railway Administration (March 2009) they stated (July 2009) that Railway Administration had already taken note of the facts stated by Audit and departmental action was underway. However, the reply did not indicate specific line of action been taken. As regards, non-replacement of defective elastomeric pads, they stated that they had withheld Rs.0.13 crore on account of payment of final bill and Rs.0.27 crore on account of security deposit. The reply fails to clarify how the defective material has been proposed to be replaced to address the safety aspect of the bridges.

Thus the failure of Railway Administration to ascertain the rates of items before award of the contract and ensure proper testing of the material during execution has besides use of defective material resulted in incurrence of avoidable extra expenditure of Rs.2.55 crore.

3.4.4 Western Railway — Extra expenditure due to award of contract at abnormally higher rates

The acceptance of abnormally high rates in November 2006 as compared to the rates of accepted in March 2006 and October 2006 has resulted in extra expenditure of Rs.2.54 crore and Rs.2.15 crore respectively

In terms of Para 602 of the Indian Railway Financial Code Vol. I, it is the primary duty of the officers authorized to enter into contracts to obtain the best value possible for the money spent and the tender system should be given very careful and serious consideration to secure competitive rates.

Western Railway floated an open tender (August 2006) for the work of design, supply, erection, testing and commissioning of 25 KV AC 50 Hz single phase

'Over Head Equipment' (OHE) between Kalapipal and Parbati stations over Maksi – Bhopal section of Ratlam Division. The single offer received from M/S Bright Power Projects was accepted and the contract was awarded in November 2006 at a total cost of Rs.7.03 crore.

Audit scrutiny of the records of Ratlam Division related to similar works revealed that Railway had awarded two other contracts over Ratlam Division in March 2006 and October 2006. A comparison of rates accepted in respect of three items which were common in all contracts revealed the following:

- In the contract finalized in November 2006, the rates of three items viz. (i) supply and erection of large span terminating wire (130 sqmm), (ii) supply and erection of OHE and (iii) supply and erection of 37/2.25 HDB shouled copper cross feeder (150), were higher by 153 per cent, 109 per cent and 153 per cent respectively when compared with the rates of same items included in the contract awarded in March 2006.
- The rates for two items (included in the contract of November 2006) viz. (i) supply and erection of large span terminating wire (130 sqmm), and (ii) supply and erection of OHE were higher by 112 per cent and 86 per cent respectively when compared with the rates accepted in October 2006.

Audit observed that the acceptance of abnormally high rates in comparison to the rates of accepted in March 2006 and October 2006 has cost the Railway an extra expenditure of Rs.2.54 crore and Rs.2.15 crore respectively.

When the matter was taken up with the Railway Board ((October 2009) they accepted (December 2009) the award of contract at higher rates but stated that there was steep rise in the rates of copper and steel during the period between March 2006 and October 2006. It was added that the work in Sehore-Phanda was not making progress at that time and as such the rates accepted were not considered a reliable benchmark. As regards comparison of rates with the work awarded in October 2006 it has been contended that the work of Ratlam yard was very small and was not comparable.

The reply is not acceptable because the rates after reaching their peak levels in April 2006 had shown declining trend till October 2006 and increased only thereafter. Moreover, the quantum and location of work can not be considered a factor for comparison of rates particularly when the major cost involved supply of material. Moreover, non-consideration of the last accepted rates merely on the ground that the work awarded had not progressed by that time is a deviation from the well established procedure which has resulted in incurrence of extra expenditure of Rs.2.15 crore.

3.4.5 South Eastern Railway: Non-realisation of the cost of power cum traffic block

Failure of Railway Administration to incorporate requisite provision in MOU for realisation of cost of Power –cum-Traffic Block charges from NHAI has resulted in loss of Rs.1.70 crore

For construction of Road over Bridge (ROB) across railway track, power-cum-traffic block (PTB) is granted by the railway to facilitate carrying out work under train running condition. The PTB is granted only on charge basis.

On receipt of a request from any organisation in this regard, the Railway Administration prepares necessary estimates for depositing the required amount in advance to the Railway.

Scrutiny of records in Audit revealed that during construction of national highways (No.5, 6 and 60), six ROBs were to be constructed by National Highway Authority of India (NHAI) over railway tracks. Memorandum of Understanding (MOU) signed between Railway and NHAI authorities during February 2003 to November 2003 had established the liability of NHAI for advance payment of various charges to railways i.e. charge for shifting of signaling and electrical installation etc., if found necessary. One of the clauses of the MOU also provided that to carry out the work under train running condition, railway would arrange for PTB as per requirement of NHAI. However, it was noticed that the relevant clause did not specify any liability of NHAI for payment of cost towards such PTBs. As a result, although PTBs were granted to NHAI for a period of 51 hours during the period April 2002 to April 2006 for completion of bridges in all the six cases, the Railway Administration had failed to realize the cost of PTBs i.e. Rs.1.70 crore.

When the matter relating to ROB No.2 on NH 6 and ROBs No.1 and 4 on NH 60 was taken up (December 2007) with the Railway Administration for a loss of Rs.0.53 crore as per their estimation, they reassessed the PTB charges and informed (May 2008) that a demand had been preferred (April 2008) on NHAI for payment of Rs.0.65 crore. It was, however, noticed that NHAI had declined (May/July 2008) to make any payment on the ground that no separate payment was envisaged in the MOU for PTBs as and when needed for construction work.

Similar review in other three cases revealed the following position:

(1) ROB No.3 on NH-60:- A bill amounting to Rs.0.13 crore had been raised (February 2009) on NHAI for PTBs granted for 4 hours (2hours on 25 September 2004 and 2 hours on 2 October 2004).

(2) ROB No.2 on NH-60 and ROB No.156/1 on NH-5:- Railway claimed that no power block was availed by NHAI as such no PTB charges were raised in respect of these two ROBs. However, it was seen that eight hour's power block was sought for (October 2005) by NHAI in respect of ROB No.2 for the work of erecting supporting arrangements for construction of ROB proper span over the two railway tracks. Therefore, it was imperative to take the required power blocks in the given situation following the safety norms in the electrified section. As assessed in audit, the cost payable worked out to Rs.0.29 crore. Further in respect of ROB No.156/1, power block was sought for 16 hours (to be distributed over nine days) for the erection and dismantling of girders. Therefore, Railway's contention that NHAI had completed such work without taking any power block is not acceptable. As assessed in audit, the charges recoverable worked out to Rs.0.63 crore. Moreover, Railway had not denied that they did not grant any power block in both the cases.

When the matter was taken up (January 2009) with the Railway Administration, they stated (August 2009) that bills for PTB charges have been raised at different stages and the matter was being pursued with NHAI at highest level so that payment is realised at the earliest. However, Railway Administration's claim has not been substantiated by any documentary evidence in support.

Thus, failure of Railway Administration to incorporate requisite provision in MOU for realisation of cost of PTB charges from NHAI has resulted in loss of Rs.1.70 crore as the prospect of realisation of Railway's old dues is remote in the absence of any legal binding/ obligation enforceable on NHAI.

3.4.6 North Western Railway: Loss due to dismantling of newly laid track in Chittaurgarh yard

Failure of the Railway Administration to design and construct the yard according to the planned requirement resulted in their dismantling causing avoidable loss of Rs.1.26 crore

As per provisions of para 1109, 1110 (a), 1110 (d) and 1110 (e) of Indian Railway code for the Engineering Department, any change in the alignment likely to increase or decrease the length of line by over one kilometer, a change in the layout of a yard affecting the general method of working or increasing or reducing the number of trains that can be dealt with, and if, it affects the speed of trains or the number of trains to be dealt with than contemplated originally, would be a material modification requiring approval of the authority who has sanctioned the estimate of the work.

The detailed estimate of Ajmer (AII) - Chittaurgarh (COR) and COR - Udaipur city gauge conversion project was sanctioned by the Ministry of Railways (Railway Board) in October 2000 and January 2002 respectively. As per the approved plan, the COR station was to have ten running lines plus two lines for Accident Relief Medical Equipment (ARME) and Accident Relief Train (ART) besides a bye pass line at Berach. Citing the provision for the Berach bye pass line, the Railway Administration proposed (November 2005) for reduction of lines in COR yard. In March 2006 the Railway Administration reversed their earlier decision of November 2005 and the work was completed as per provisions in the Project Report. While the linking work was in progress, the General Manager decided (October 2007) to dismantle the five newly laid lines (line nos.4,5,6, ART and ARME) without any reason on record and also without the sanction of the Competent Authority i.e. Railway Board (who had earlier sanctioned the estimate of the work). The change in the layout of yard implied material modification for which no sanction was obtained from the competent authority. Thus, the inexplicable decision to dismantle the five lines resulted in avoidable expenditure of Rs.1.26 crore on its construction and subsequent dismantling during the period May 2004 and June 2008.

When the matter was taken up with the Railway Administration (March 2009), they stated (May 2009) that safety requirement of ART and ARME at COR was reviewed by the General Manager in consultation with the Chief

Operations Manager, Western Railway before taking decision on dismantling of ART and ARME lines. Moreover, the change in yard layout had not affected the general method of working or capacity of yard and this did not involve material modification; hence no separate sanction of Railway Board was obtained. Further, dismantling of lines was done with the approval of General Manager as per duly approved yard plan. This resulted in substantial savings in terms of cost of released material and recurring expenditure on maintenance of surplus facilities.

The remarks of the Railway Administration are not acceptable because the Safety Department had expressed the need for keeping ART/ ARME at COR in view of its locational convenience vis a vis the busy Ratlam, Ajmer and Kota junctions, yet the ART/ ARME lines were dismantled. Further, there was a massive change in the yard layout of COR in which 3.3 kms of track was dismantled which is a clear case of material modification and hence sanction of the competent authority i.e. Railway Board was necessary in this regard. The savings on account of cost of released material as claimed by the Railway Administration is misleading as the same was not taken into account while calculating the wasteful expenditure of Rs.1.26 crore.

CHAPTER 4: STORES AND ASSETS MANAGEMENT

4.1 Deficiencies in procurement

4.1.1 Eastern Railway: Injudicious procurement of non-stock stores items

Injudicious procurement of non-stock items leading to non-disposal of stores and overstocking resulted in blocking up of capital valuing Rs.24.66 crore

All stocks of stores on hand, whether with the Stores Department or other departments of the Railways, represent funds that are not productive. While stocks should be such that stores required are readily available, they should be kept to the minimum possible, and losses due to obsolescence or deterioration should also be kept to a minimum.

A review of transactions over various Stores Depots including at Andal and Asansol under Construction Department had revealed (2001-02) huge surplus track materials and the issue when taken up with the Railway Administration, it was reported to be under continuous monitoring for disposal of stores. Audit, however, noticed that effective remedial action for disposal of stores was not taken by the Railway Administration.

Scrutiny of records of above mentioned two Stores Depots during February 2008 revealed that 17 non-stock items (12 in Andal and five in Asansol Depots) valuing Rs.2.48 crore were still lying unutilised/un-disposed off over the last 15 years. The depot store keeper/Andal admitted (February 2009) that these items were lying idle since their procurement. Records further revealed that the quantities of 5 high value items had increased over the years in the Asansol depot resulting in huge overstocking of items valued at Rs.22.18 crore indicating lack of proper material management as evidenced under:

(a) The procurement of materials was in total disregard to their stock position and trend of issue.

(b) The above non-stock items were procured every year for stocking purpose which is a clear violation of codal provisions.

(c) Though some items were not utilised for years together, no action was taken to declare them as 'dead surplus' and dispose them off. Hence, their obsolescence/deterioration cannot be ruled out. The possibility of their future use has thus become very remote.

The matter was taken up (March of 2009) with the Railway Administration. In reply, they stated (June 2009) that materials were procured judiciously on the basis of actual requirement at site and some portion of materials became surplus due to modification of track structure. Eastern Railway has about 585 Km. new lines and 267 Km. doublings in progress and all these materials would be utilised in the near future. Further, this depot being a central depot, these materials are always required for emergency situations. The Railway Administration's contention is not accepted because some of the items in Andal Store Depot were lying idle since their procurement 15 years ago.

Regarding utilization of these items in the ongoing new line and doubling of lines works, these works were started from the year 1999-2000 and 2000-2001 respectively and had the P. Way fittings lying unutilized in Asansol Depot been utilised in these works over the last four years (2005 to 2008), the question of such huge stock lying unused would not have arisen.

4.1.2 Eastern Railway: Avoidable loss due to delay in procurement process

Delay in procurement process, apart from incurrence of expenditure of Rs.2.58 crore on idle manpower resulted in production loss of Rs.7.30 crore on account of closure of foundary shops

Jamalpur Workshop is the prime manufacturer of Brake Blocks (a safety item) for Eastern Railway's own consumption as well as for supply to other nearby Railways. For manufacturing of Brake Blocks, B.P. Hard Coke (a special grade of foundry coke) is required.

Scrutiny of records revealed that though as of September 2003, the stock of the Coke was sufficient only for another six months (i.e., upto March 2004), the requisition for its procurement was sent to Zonal Headquarters at Kolkata only in January 2004. Despite the urgency, the Railway took another three months to finalise the tender and placed a Purchase Order on M/s Bharat Coking Coal Limited (BCCL) in April 2004 for supply of 2500 MT of Hard Coke. The firm's demand for Price Variation Clause (PVC) was not accepted. Of the ordered quantity, 200 MT was to be supplied immediately and the balance (2300 MT) by August 2004. An amount of Rs.8.35 lakhs towards value of 200 MT was deposited on 21 May 2004 and BCCL issued a sale order on 3 June 2004. No material was received up to 19 June 2004. The Railway Administration deposited a further amount of Rs.0.96 crore towards the value of 2300 MT on 12 July 2004. Thus a further period of three months had elapsed in making full payment for the total supply of the coke that was to be received.

In the meantime BCCL issued a notification on 21 July 2004 raising the price of Hard Coke to Rs.12,400/MT retrospectively with effect from 16 June 2004 and demanded (July 2004) an additional amount of Rs.2.07 crore (being the difference between two rates).

Finally, in view of urgent need of coke and finding no other alternative, the Railway deposited (February 2005) the amount of Rs.2.07 crore. As the firm had stopped supply for want of payment, the foundries remained closed for 197 days during 2004. This resulted in production loss (Rs.7.30 crore) besides expenditure of Rs.2.58 crore incurred towards salaries of idle manpower as per Railway's own assessment.

When the matter was taken up (March 2009) with the Railway Administration, they stated (August 2009) that the procurement action was finalised within three and a half months (approximately) from the date of receipt of the demand. Hence, delay cannot be attributed to the procurement process. The reply is not acceptable because firstly there was delay on the part of the

Railway Administration at the stage of placing the indent and then the urgency of requirement was not kept in view during tender finalization. Moreover, delay in making full payment, in view of non-acceptance of firm's demand for PVC contributed to overall delayed receipt of the material, besides additional expenditure on increased cost.

Thus, due to delay in the procurement process the Railway Administration had to suffer a production loss of Rs.7.30 crore apart from an expenditure of Rs.2.58 crore on idle manpower due to closure of the foundries.

4.1.3 South Western: Railway — Unfruitful expenditure due to incorrect specifications and inadequate drawings of a machine

Failure on the part of RWF in supplying correct specifications/adequate drawings of a machine to the supplier resulted in an unfruitful expenditure of Rs.1.95 crore besides a cost over run to the extent of Rs.2.63 crore

Manual sprue washing of newly manufactured wheels in Rail Wheel Factory, Yelahanka (RWF) is time consuming and health hazardous. With an objective to avoid manual operations, minimise grinding time and enhance the aesthetic look of the wheels, RWF entered into an agreement (May 2003) with M/s HYT Engineering Company Ltd., Pune, for designing, manufacturing, supplying, testing and commissioning three of CNC controlled automatic Sprue Grinding Machines at a total cost of Rs.6.55 crore. One machine was to be supplied initially and two after the acceptance of the first.

The firm supplied (September 2003) the first machine which failed to prove the performance capacity. RWF served a notice (September 2004) to the firm threatening to forfeit the security deposit and recover the amount paid if the rejected equipment was not replaced and pending works completed within eight weeks. The firm challenged the rejection and requested (November 2004) Railway Board to intervene. Railway Board directed (March 2005) RWF to procure the second machine if proven thoroughly at the manufacturer's works before taking delivery and get the first machine reconstructed thereafter by the firm to the full satisfaction. However, RWF could not prevail upon the firm to accede to this decision. The firm submitted (July 2006) another proposal, which was examined by a Committee (appointed in August 2006). The Committee observed (December 2006) that specifications and drawings given by the RWF to the supplier were not correct. RWF accepted the Committee's suggestion to accept the first machine with a reduction of 10 percent in the basic price and to procure three machines instead of two with improved specifications and additional features. Accordingly, RWF decided (February 2007) to accept the first machine at a cost of Rs.1.95 crore and to procure three more machines at a total cost of Rs.12.30 crore. One machine received in March 2009 is yet to be commissioned and the remaining two machines are yet to be received (August 2009).

Although Railway Board had directed that the first machine may be got reconstructed from the firm to the full satisfaction of RWF, it was purchased without any modification at a slightly reduced rate. The machine could not be commissioned on line due to its incompatibility with the online production of wheels and has been used offline negligibly. Against the monthly production of 12500 wheels, the monthly average number of wheels processed on the machine was 84, 261 and 287 during 2006-07, 2007-08 and 2008-09 respectively. Against the projected time of 4.5 minutes for the operation, time taken was as high as 18 to 26 minutes. Thus failure of the RWF to give correct specifications and drawings of the machine resulted in an unfruitful expenditure of Rs.1.95 crore besides a cost over run to the extent of Rs.2.63 crore in the complete deal.

When the matter was taken up (May 2008) with the Railway Administration, it was stated (July 2008) that the machine was supposed to be an online machine but it could not perform satisfactorily to meet the operational requirements. However, this was a prototype development. The cost overrun was on account of passage of time, inclusion of an additional machine and revision of specifications and drawings. The reply is not acceptable as this was not a prototype development but an order for three machines and shortcomings in the machine were directly attributable to incorrect specifications/inadequate drawings prepared by RWF leading to their revision. Further, the cost over run pointed out by audit has been assessed by RWF themselves.

4.1.4 Eastern Railway: Irregular execution of work and injudicious procurement of stores

Railways incurred avoidable expenditure of Rs.1.39 crore on construction of Central Panel Buildings and procurement of Axle Counters without ascertaining their necessity

As per extant rules, no liability should be incurred on Material Modification until the proposed modification is approved by the Railway Board.

The sanctioned scope of work of the electrification project of Krishnanagar (KNJ) _ Lalgola (LGL) section provided Multi Aspect Colour Light Signalling (MACLS) and Central Panel (Standard I Relay Based) as well as Relay Battery Equipment (RBE) Room and Diesel Generating (DG) Room for all the 15 stations of the section. The Central Organisation for Railway Electrification (CORE) placed (October 2003) a purchase order for procurement of eight Axle Counter Block Systems (ACBS) for single line to work with panel interlocking which were received (December 2004) along with one maintenance set at a cost of Rs.0.81 crore.

Meanwhile, in September 2004, CORE proposed a Material Modification to the Railway Board for improvement in interlocking (Std.-III) as well as Central Panel Buildings in lieu of RBE Rooms at all stations. It was, however, noticed that CORE had awarded contracts for construction of six Central Panel Buildings at six stations during February 2004 to October 2004 without obtaining sanction of the material modification by the Railway Board.

In June 2005 CORE proposed a revised material modification Panel Interlocking (PI) with relay based interlocking in lieu of PI with Software Embedded Electronic Interlocking System (SSI). The Railway Board, did not agree to the proposed material modification and directed (October 2005) CORE to execute the work with existing standard of interlocking etc. for which Eastern Railway was to propose a separate work for upgrading standard of interlocking on a time frame suitable to them.

Accordingly, Railway took the decision not to construct the Panel Rooms (December 2005) by which time six central panel buildings had either already been constructed or were under construction. Agreements were entered into (June 2006) for RBE rooms along with DG rooms in respect of remaining nine stations in the section. Records revealed that the Railway Administration had incurred an avoidable extra expenditure of Rs.0.78 crore on construction of six CP buildings in lieu of RBE rooms, which could have been built at a cost of Rs.0.39 crore during that period. Out of eight axle counters procured, only two could be used by RE/Ambala project and balance six amounting to Rs.0.61 crore remained unutilised.

When the matter was taken up (September 2009) with the Railway Board, they stated (November 2009) that for installation and commissioning of Panel Interlocking with MACLS, in addition to RBE rooms, Central Panel rooms are required. However, Central Panel rooms were not included in detailed estimate of Civil Engineering portion of the work. Axle Counter Systems were procured as per sanctioned detailed estimate. The reply is not acceptable because Central Panel rooms were not included in detailed estimate of Civil Engineering portion of the work, as accepted by the Railway Board. The Railway Administration should have informed the Railway Board and obtained their approval before awarding the contract for their construction. The confusion regarding the standard of interlocking also arose from Railway Administration's failure to seek clarification from the Railway Board. This resulted in unnecessary construction of CP rooms at higher cost (in lieu of RBE rooms) as well as the procurement of Axle Counters, which became redundant in KNJ-LGL section.

Thus, procurement of materials without ascertaining their necessity and construction of Central Panel rooms without the sanction of competent authority led to an avoidable expenditure of Rs.1.39 crore.

4.2 Unproductive investment due to under/non-utilisation of assets

4.2.1 Northern Railway: Unproductive investment due to under utilization of brake dynamometer equipment

Railways failure to provide complete description of wheels sets in the PO coupled with indecisiveness in procuring the required kits, entailed machinery worth Rs.10.26 crore lying under utilized

Brake Dynamometer Equipment (BDE) is used for analysis of braking characteristics of Brake Blocks as well as analysis of effect of braking on the surface of wheels. Research, Design and Standards Organisation (RDSO), Lucknow (LKO) had a BDE which had deteriorated and also some of its important features had become inoperative.

RDSO placed a Purchase Order (PO) for a BDE on a firm of Germany in March 2003 at a cost of Rs.6.20 crore. The specifications, accompanied with the PO provided that BDE should be able to test brake assemblies on wheels of diameter of 600 mm to 1250 mm. RDSO, however, failed to specify the size of the hubs of these wheels in the specifications. Besides, RDSO was to provide two wagon wheels and two discs assemblies, to the firm for demonstrating the testing of brake systems during inspection of the machine at firm's premises (Germany) and the firm was to supply two adaptation kits for Brake Blocks and two adaptation kits for disc brake pads. Firm had developed the software and adaptation kits and got the same approved (November 2004) by RDSO's representative at their premises.

On receipt of BDE in June 2005, RDSO observed that the adaptation kits and software received with the machine were capable only for mounting wagon wheel for testing on 215 mm hub bore wheel of 1000 mm diameter. RDSO pointed out (July/September 2005) this discrepancy to the firm and requested to supply adaptation kits and software for locomotives (1092 mm diameter and carriages (915 mm diameter). In reply, the firm refused (20 September 2005) to supply the required adaptation kits and apprised RDSO that BDE was capable of testing all specified brake assemblies on wheels of outer diameter between 915 mm to 1092 mm and that the adaptation kits supplied with machine had been prepared as per the decision taken in the meeting with the RDSO's representatives held on 10 May 2004. RDSO finally commissioned the BDE after testing brake block assemblies only on wagon wheels and issued the PTC on 22 September 2005.

Despite the fact that warranty period of the BDE had expired on 22 November 2007, RDSO had yet to prove its usability and suitability for testing brake assemblies on wheels of carriages and locomotives.

In October 2005, RDSO decided to procure four numbers of adaptation kits from the supplier of BDE for testing of brake assemblies on wheels of locomotives and carriage. But the required adaptation kits were procured and put in use (September 2009) after the lapse of about four years since the commissioning of the BDE.

In reply the Railway Board stated (December 2009) that provision for mounting wheels from 600 mm to 1250 mm diameter on the BDE was a compulsory requirement. The contention of Railway Board is not tenable. Had the RDSO provided the complete specifications of wheels of carriage and loco in the PO the procurement of adaptation kits compatible for the same could have been ensured by RDSO's representatives during pre-acceptance inspection.

Thus, RDSO's failure to incorporate complete description of wheels in the PO coupled with indecisiveness in procuring the required kits, entailed machinery worth Rs.10.26 crore lying under utilized for the last more than three years.

4.2.2 North Western Railway: Non utilization of track machine

Failure of the Railway Administration to utilise a costly ballast cleaning machine resulted in blocking of capital worth Rs.6.63 crore

As per codal provisions, the stipulated life (gross unit of work done in km.) of ballast cleaning machine (BCM) is 1500 kms. and the maximum life of machine is 15 years.

A BCM No.KBC-121 was imported from USA against Railway Board's contract of December 1995 at a cost of Rs.6.63 crore. The BCM was consigned to Southern Railway and was commissioned in September 1999. It remained with Southern Railway till March 2003 and was subsequently transferred to Western Railway and remained with them till February 2005 and thereafter it was transferred to North Western Railway in the month of March 2005.

Audit scrutiny revealed that the BCM No.KBC-121 could not be put to any use since its deployment (March 2005) over North Western Railway. The machine was left stabled without due care and watch which resulted in theft and damage to various vital parts, thus rendering it totally non-functional. The Railway Board in June 2006 viewed the matter seriously and stated that track machines being costly assets, their idling for a long duration was not desirable and issued instructions to utilise the machine. However, no progress was made to utilise the machine and even the proper and safe storage of the machine was not ensured. The machine was only used for supplying spares to other machines which were worth only 2.5 per cent of the actual cost of the BCM. The machine had already outlived nearly 2/3rd of its normal life with minimal utilization and in its present state the machine would require heavy expenditure (Rs.2.00 crore) for its restoration. Further, the machine was utilized in Southern and Western Railways only for 130.07 kms. during the period September 1999 to March 2005 as against the stipulated 600 kms. on pro-rata basis.

When the matter was taken up with the Railway Administration (January 2009), they accepted (March 2009) that the machine had not been put to any use since its deployment over North Western Railway in March 2005.

Thus, due to utter negligence of the North Western Railway Administration, an asset worth Rs.6.63 crore procured by spending expensive foreign exchange is lying in a non functional state for the last four years with very little scope of its reuse.

4.2.3 Eastern Railway and: COFMOW — Injudicious award of contracts to a firm with poor track record

Injudicious procurement of cranes worth Rs.1.56 crore from a firm with a poor track record, led to their under utilisation due to unsatisfactory performance

Eastern Railway had a bitter experience with the crane supplied by M/s Reva Industries Ltd. for Asansol Electric Loco Shed and the defects found during joint inspection were intimated (30 April 1996) to the Central Organisation for

Modernisation of Workshop (COFMOW). When the requirement of cranes of various capacities was under finalization by COFMOW, the Chief Electrical Engineer, Eastern Railway requested (April 1998) COFMOW that the performance of a particular crane as reported earlier should be given due consideration and if possible, orders should be given to a reputed firm.

Scrutiny of records, however, revealed that despite reporting the poor performance of the cranes supplied by M/s Reva Industries in the past, the following cranes were procured from M/s Reva Industries and received on Eastern Railway.

S.No.	AT No.	Date	Cost	Date of commission
1&2	COFMOW/IR/S-3630/97/OP-871	09.03.1998	0.75 crore	31.03.2001
3.	COFMOW/IR/S-3630/97/OP-870	17.03.1998	0.29 crore	31.03.2001
4.	COFMOW/IR/S-3774/97/2001/P1/OP-1153	25.01.2002	0.38 crore	10.07.2002
5.	COFMOW/IR/S-3808/01/P-I/OP-1198	18.11.2002	0.14 crore	05.12.2003
	Total		**1.56 crore**	

It was noticed that the above cranes continued to give trouble due to inherent defects and suffered frequent breakdown. While three cranes in Howrah Electric Loco Shed were giving service, albeit unsatisfactorily, two cranes in Kanchrapara and Liluah Workshops remained almost totally inoperative.

In view of the above continued poor performance, an effort was made to review the records of COFMOW so as to ascertain the reasons for procurement of the cranes from the same firm despite COFMOW office having been made aware as back as in April 1996 of the poor performance of the cranes purchased in past. The records of purchases made in January 2002 revealed that reports of unsatisfactory performance of the firm’s cranes at Chittaranjan Locomotive Workshop (CLW) were recorded in the Technical Evaluation Report. It was further noticed that despite the poor performance of cranes at Asansol and cranes at Sl.No. 1 and 2 above, the performance was mentioned as ‘generally satisfactory’ in the same report and the offer of the firm was considered to be technically suitable. Hence, it can be concluded that poor performance of the cranes supplied by M/s Reva Industries was not given due consideration and in spite of available adverse reports, the firm was awarded more contracts.

Thus, the Railway Administration failed to take adequate action against the firm for supplying cranes which developed frequent problems subsequently as well as their poor response in rectifying the defects. Due to the poor performance of the Reva make cranes in Kanchrapara and Liluah Workshops, the POH outturn in Kanchrapara Workshop was affected, and the Railways had to depend on other cranes in Liluah Workshop.

When the matter was taken up (March 2009) the Railway Administration admitted (May 2009) the factual position of poor performance of the cranes received as well as the unsatisfactory performance even after their frequent repair by the outside agencies and added that COFMOW was regularly being apprised of the poor performance of the supplied cranes.

Thus, due to injudicious award of contract to the firm with a poor track record, the Railway Administration incurred expenditure to the tune of Rs.1.56 crore for cranes which could not be effectively utilised.

4.2.4 Northern Railway: Unproductive expenditure on procurement of machines

Inefficient management of procurement and work related to the commissioning of machines rendered the expenditure of Rs. 1.23 crore unproductive

Central Organisation for Modernisation of Workshops (COFMOW) has been designated as the nodal agency for procurement of Machinery and Plant (M&P) for the various Zonal Railways/Production Units. It is also responsible for commissioning of M&P and coordinating warranty services with vendors.

Northern Railway purchased two machines i.e. Axle Turning Lathe Machine and Traverser through COFMOW during 2005. A review of case records of these machines by Audit revealed the following:

Axle Turning Lathe Machine

An indent for procurement of Axle Turning Lathe Machine was placed (May 2001) on COFMOW for Charbagh Workshop, Lucknow (WS/CB/LKO). The Purchase Order (PO) for procurement of this machine was placed on M/s HYT, Pune by COFMOW in September 2002 at a cost of Rs.0.37 crore. The machine was received in the WS/CB/LKO on 22 January 2005 and commissioned on 24 March 2005. During commissioning, the machine failed to meet with the parameters provided in the PO. The Workshop Authorities rejected the machine and advised COFMOW accordingly on 17 September 2007. COFMOW invoked (25 June 2008) the Performance Guarantee (PG) Bond of Rs.3,69,000 and en-cashed the same. Thereafter, no action was taken to get the machine replaced.

On this being taken up by Audit (March 2009), the Railway Administration issued a notice (August 2009) to the firm for payment of ground rent till it took back the machine. Railway Board in their reply (December 2009) stated that COFMOW was working on the modalities for getting the machine rectified by M/s HYT. However, the fact remains that the machine costing Rs 0.28 crore procured in January 2005 is yet to be utilized (December 2009).

Traverser

Workshop Jagadhari (JUDW) placed (March 2004) an indent on COFMOW for procurement of one Traverser (70 Tonne capacity). In pursuance, COFMOW placed (December 2004) a PO for the supply of a Traverser on M/s Metal Engineering and Treatment Co. Pvt. Ltd., Calcutta at a cost of Rs.1.09 crore. The machine was received in the Workshop on December 2005, but could not be commissioned during December 2005 to August 2006 due to delay in completing the work on Traverser pit and track by Construction

Organization. For want of removal of defects in the machine by the supplier the machine could not be commissioned until January 2008. Further due to sinkage of newly laid traverser track and delay in completing the rectification work the machine could not be put in use until November 2009. The performance test certificate of the machine is yet to be issued.(December 2009). Thus, the machine lay idle for about four years since the date of its receipt in the Workshop with the Railway Administration incurring an expenditure of Rs.0.95 crore on its procurement.

On this being taken up, the Railway Board stated (December 2009) that the delay in rectifying the work of track is due to abandoning of work by the contractor and the need of executing the work through a new contractor. Nevertheless the fact remains that a delay of four years in using the machine is indicative of inefficient management in procurement and work related to the commissioning of the machines.

Thus inefficient management of procurement and work related to the commissioning of machines rendered the expenditure of Rs. 1.23 crore unproductive for a period of about four years.

4.2.5 Southern Railway: Non-commissioning of a Surface Traverser due to defective planning

Delay in procurement of a Surface Traverser and its commissioning for want of track for movement resulted in idling of the new equipment

Carriage and Wagon Workshop, Perambur undertakes the Periodical Overhauling of coaches and wagons. The movement of coaches from one activity centre to another in the Workshop is carried out through a Surface Traverser (ST).

Workshop Administration decided (2002) to replace the 17 year old existing 75 Ton ST on the ground of bad condition of the old ST. An indent was placed (July 2002) on COFMOW to procure a 100 Ton ST with shrouded type Down Shop Lead (DSL).

When the supplier furnished (April 2004) the General Arrangement Drawing (GAD), Workshop Administration sought for (August / November 2004) angle iron DSL instead of shrouded type DSL. The change was sought for quoting the frequent failures experienced in the shrouded type DSL provided in Paint Shop traverser. COFMOW, however, did not accept (August 2005) the change as the shrouded type DSL was superior to angle iron DSL. GAD was approved (January 2006) and the firm supplied the ST (October/November 2006).

Audit observed that change in DSL was not required as-

- frequent failures of the shrouded type DSL of Paint Shop traverser were due to uneven track condition,
- the new 100 Ton ST was proposed to be run on the twin tracks to be laid afresh with even level span and with proper foundation and
- with such a new track, the maintenance problems faced earlier were not expected in the shrouded type DSL of new ST.

Further, as per specification No.55.3 (ii) (c) of the accepted tender, the runway rails for ST were to be supplied by the consignee and the laying of the track for ST was to be completed, matching with the supply of the ST. However, due to improper planning by the Workshop Administration, the contract for the laying of the twin track was awarded in October 2007. Moreover, due to non-availability of site, the track was laid for a length of 62.5m (March 2009) against the requirement of 250m.

Workshop Administration unnecessarily sought change in the DSL delaying the procurement process by about 20 months. After the receipt of ST in November 2006, ST could not be commissioned (March 2009) due to delay in awarding contract for laying twin track and for want of handing over the site to the contractor. As a result, proposed replacement of an old ST of lower capacity, whose replacement was considered inescapable, could not materialise. Eventually the Workshop Administration had no option except to utilise the old ST with poor reliability in spite of investment on new ST (Rs.1.02 crore).

The matter was taken up with the Railway Administration/Railway Board (March/October 2009). Railway Administration stated (August 2009) that:

(a) The Electrical Department felt that the Angle Iron DSL would meet the requirement better.

(b) The award of contract for laying the twin track was delayed as time was needed to design and prepare the drawing, tie up funds and finalise the tender.

(c) The work for laying the track had to be executed in phases without hindering the existing coach movements.

Railway Board further contended (December 2009) that the delay in placing procurement order was caused because the firm did not raise the issue of increase in the cost of Angle Iron DSL initially and reiterated that the work for the track for traverser could be executed in phases so as not to disturb the normal coach outturn.

Above contention is not acceptable as –

(a) The justification for change sought in the type of DSL of the traverser not apparent as Shrouded type DSL was reported to have given satisfactory performance as compared to Angle Iron DSL. Further, the question of supplier seeking increase in cost would not have arisen if the issue of Angle Iron DSL had not been raised by the Railway. As such, Workshop Administration is ultimately responsible for the delay in procurement of the traverser.

(b) The track for the traverser was to be laid by the Railway matching with the supply of the equipment. However, commissioning of the traverser was delayed due to Workshop Administration's failure in ascertaining the track condition initially. The track should have been completerly laid by the time the equipment was ready for commissioning. However, laying of twin track for a considerable length (75 per cent) was awaited on account of non-availability of site for the execution of work.

4.3 Deficiencies in contract management

4.3.1 Chittaranjan Locomotive Works: Non-inclusion of minus option clause

CLW could not get benefit of the consistently falling price of power converter due to non-inclusion of minus option clause which led to avoidable extra expenditure of Rs.2.37 crore

As per one of the clauses of Additional Special Conditions of the contract, the purchaser is entitled at any time to increase or decrease the total quantities of each description of stores by not more than 30 per cent after reasonable notice in writing of any such increase or decrease to the contractor.

Railway Board approved (December 2006) procurement of 56 sets of “Power Converter with Control Electronics/ Traction Converter for 3-phase Electric Locos” for the production year 2007-08. Accordingly, Chittaranjan Locomotive Works (CLW) placed (January 2007) Purchase Orders (POs) to three firms (M/s BHEL-20 sets, M/s BTIL-20 sets and M/s NELCO-16 sets) at a total unit rate of Rs.2.703 crore. All the 56 sets were received by March 2008, April 2008 and June 2008 respectively as per the extended delivery periods on various administrative grounds viz., reduction in 3-phase loco production programme, shortage of space in godown etc.

Audit scrutiny of relevant records revealed that though the Tender Committee (TC) was aware of the fact of consistently falling rates of the subject item over the years, the minus option clause was not recommended. They opted for only plus 30 per cent option clause in the contract as it would provide safeguard against any increase in rates in future. It was also decided that the option clause was to be invoked depending on the outcome of fresh tender mainly on the ground that as per production plan for 2008-09, the requirement of this item would further increase to 100.

In May 2008, POs were placed (Tender opened on May 2007) for supply of 95 sets of subject item against the requirement of 2008-09 on the above three firms at a total unit rate of Rs.2.555 crore. Audit noticed that the production programme was revised (October 2007) before the delivery periods of the earlier POs and it was brought down to 55 sets (2008-09) whereas 43 sets were yet to be supplied by the three firms in respect of PO placed during 2007-08. Also, 18 sets were supplied after scheduled delivery periods at higher rates (November 2007, December 2007 and March 2008) i.e. by which time CLW was well aware about the revised production programme. Thus, due to non-operation of the minus 30 per cent option clause, CLW could not get the benefit of lower price which could have resulted in saving of Rs.2.37 crore.

When the matter was brought to the notice of Railway Board in September 2009, they stated (December 2009) that TC had taken full care at the time of finalization of TC and they could not judge the future market rate. They further added that the POs placed against tender opened in May 2006 and in May 2007 were with PVC and their updated rates in December 2007 were Rs.2.664 crore and Rs.2.631 crore and hence the difference in rates was only Rs.3.22 lakh.

The reply is not acceptable as it is evident that TC was aware of the facts of falling rates as envisaged in para 3.0 and 4.0 of the minutes of TC meetings (July 2006). It is also relevant to point out that the TC had recommended operation of 30 per cent clause without specifying whether it is to be applied to increase or decrease the quantity.

4.3.2 South Eastern Railway: Improper material management

Failure to properly plan procurement of non-stock material burdened the exchequer with avoidable liability of Rs.1.77 crore

Signal & Telecom Department (Construction) (S&T/CON) had placed requisition for procurement of non-stock item (6 quad cable) for a quantity of 479 Kms (April 2003). Subsequently, two more requisitions were placed for 140 Kms in June 2003 and 273 Kms in October 2003. All these were marked as essential requirement. The tender for the first requisition was processed (October 2003) including the condition to increase/ decrease in quantity (upto 30 per cent) offered by the tenderer within the contractual delivery period (DP). Two Emergency Purchase Orders (POs) were, however, issued (April 2004) without incorporating the option clause for a quantity of 407 Kms and 72 Kms at the rates of Rs.1.43 lakh and Rs.1.40 lakh per Km respectively and the delivery of the material was received by the extended date (21 February 2005).

Scrutiny of records revealed that another tender for the remaining two requisitions offering option for 30 per cent increase/decrease of tendered quantity was processed (May 2004) within the currency of the DP of the aforesaid two POs and two emergency POs for supply of 371.7 km and 41.3 km of cables were issued (December 2004 and January 2005) at a higher rate of Rs.1.85 lakh per km with an option clause for 30 per cent increase/decrease in quantity. It was noticed that out of the total 894.175 kms cable actually received against the four POs, 65.412 Kms cable had been issued to a foreign railway and 102.566 Kms cable still remained unutilized.

In this connection, the following observations are made:

Had the requirement of this high value non-stock item been properly assessed, the emergency POs resorted to could have been avoided and a single requisition placed for an entire consignment without splitting (April, July and October 2003), the Railway Administration could have availed of the financial benefit of procuring the entire consignment through the first tender (October 2003) at lower rates (Rs.1.43 lakh and Rs.1.40 lakh per km) avoiding procurement of 413 Km of cable at a higher rate (Rs.1.85 lakh per km) through a subsequent tender. This has resulted in extra financial liability of Rs.1.77 crore for purchase of a part consignment at a higher rate.

When the matter was taken up (August 2009) with Railway Board, they accepted (December 2009) that the cable procured could not be fully utilised as per target. They further added that procurement of material by Railway Administration was placed much before the sanction of detailed estimates. The reply is not acceptable because Railway Administration's failure to place a single requisition for entire consignment on account of improper assessment of requirement resulted in avoidable expenditure of Rs.1.77 crore for procurement of non-stock item (6 quad cable) at higher rate in excess of requirement.

4.3.3 Railway Board: Extra expenditure due to non-application of option clause

Failure of Railway Board to exercise the plus 30 per cent option clause in the existing contract resulted in extra expenditure of Rs.1.29 crore

Railway Board floated an Open Tender for 13,338 High Tensile Centre Buffer Couplers which was opened on 29 March 2006. Of the fourteen offers received, the lowest was from M/s HEI Kolkata, a Part I RDSO approved, source at the rate of Rs.25,500 each. As the rate was higher than the derived updated last purchase rate (LPR), the TC recommended negotiation with the lowest bidder. After negotiation, the rates were reduced by 10 per cent and TC recommended acceptance of the post negotiated rate of Rs.22,950 each and counter offered the same to other firms also. Keeping in view the pending supplies of the item against earlier orders, purchase orders were placed on the following four firms in November 2006.

Sl. No.	P.O. No. & Date	Name of Firm	Quantity in Nos.
1	2005/RS(I)/174/5(TC) dated 08.11.2006	M/S Jupiter Alloys & Steel (India) Limited	300
2	2005/RS(I)/174/5(TC) dated 20.11.2006	M/S Frontier Alloys Steels	519
3.	2005/RS(I)/174/5(TC) dated 20.11.2006	M/S Texmaco Limited	2800
4.	2005/RS(I)/174/5(TC) dated 08.11.2006	M/S Hindustan Engg. & Industries Limited	2400

A fresh tender for couplers was opened on 10 April 2007, and the lowest rate quoted by M/s HEI was higher than the updated rate of Rs.23,538 for the existing contract. In order to avail the benefit of the existing lower rate, it was proposed to exercise plus 30 per cent Option Clause. This clause was exercised on 24 April 2007 in respect of M/s Jupiter Alloys & Steel (India) Ltd. In respect of M/s Frontier Alloys Steel Ltd, Kanpur the option clause was not exercised on the ground that the firm was banned for 5 years by the Railway Board on 21 February 2007. Audit observed that the ban was stayed by the court on 20 March 2007 and subsequently the order of Railway Board was quashed by the Hon'ble High Court, Allahabad in December 2007 on account of non-observance of proper procedure by them. The proposal to exercise the option clause was initiated in May, 2007 but was not agreed to by

Finance as the delivery period of the contract had already expired in March, 2007. Thus due to delay in processing the case, the benefit of lower rate could not be availed despite the firm's willingness to supply the same. The Railway Board further failed to exercise the option clause in case of the remaining two firms also resulting in total extra expenditure of Rs.1.29 crore.

The matter was taken up with the Railway Board (March, 2008). In reply, they stated that they became aware of the outcome of ban only on 18 April 2007 and since the delivery period expired on 31 March 2007, the option clause could not be operated. It was further stated that due to substantial number of cases of train partings reported by the Zonal Railways, RDSO upgraded specification of couplers in February/March, 2007 and in view of the safety considerations it was not considered prudent to enhance quantity of purchase orders placed with old specifications.

The reply is not tenable. As per available records the Board was aware of the stay order on 22 March 2007, well before the expiry of the delivery period on 31 March 2007. As regards improved specifications by RDSO, orders for additional quantities of old specifications were found placed by the Board in November 2007, contrary to their claim.

4.3.4 South Western Railway: Loss due to non-inclusion of Option Clause in the Purchase Orders

Railway's failure to incorporate the Option Clause for increasing/decreasing the ordered quantity resulted in avoidable loss of Rs.0.85 crore.

Considering the actual requirement and the trend of price during the currency of a contract, Railway can increase/decrease the ordered quantity to the extent of 30 percent by invoking Option Clause of the Purchase Order (PO). The necessity of incorporating Option Clause in stores contracts has been reiterated by the Railway Board from time to time.

Railway Administration invited (August 2007) tender for the supply of Crank Case Lubrication Oil (Oil) for Loco sheds at Hubli and Krishnarajapuram. Although the Railway's right to operate the Option Clause to increase/decrease the ordered quantity to the extent of 30 percent was incorporated in the tender enquiry, the Option Clause was not incorporated in the two POs placed (December 2007) on M/s Indian Oil Corporation Limited (IOC) for the supply of 6,56,457 liters Oil. During the currency of these contracts, when the Railway Administration approached M/s IOC to supply additional quantity of 1,70,000 liters Oil under the existing POs, they expressed their inability on account of the increase in the price of the crude oil. Due to non-incorporation of Option Clause in the POs, Railway Administration could not prevail upon the supplier to supply the required quantity and placed (August 2008) another PO on M/s IOC at a much higher rate involving avoidable loss of Rs.0.85 crore.

The matter was taken up with the Railway Administration (April 2009) that the tender was finalized as per past practice wherein though the Option Clause was being mentioned in the tender enquiry, the same was not being incorporated in the POs. Whenever required, firms were supplying the additional quantities under the Optional Clause in a routine manner.

Railway Board further added (December 2009) that the firm did not submit their offer with the Option Clause. Railway Administration could not have unilaterally incorporated the Option Clause in the PO, though included in the tender enquiry.

The reply is not tenable. Railway Board specifically ordered (1993) that Option Clause must be incorporated in the contracts where the requirement of the material is of continuous nature. Further, Option Clause was included in the tender enquiry as an additional special condition. As such, rates offered by the firm were with reference to that condition. Had the Option Clause been incorporated in the PO by the Railway Administration, the firm could not have refused to supply additional quantity despite substantial increase in the price of crude oil. It is pertinent to mention that in a PO placed in August 2008, when Railway incorporated and invoked the Option Clause, additional quantities were supplied by the firm.

4.3.5 Central Railway Avoidable expenditure due to non-exercising the option clause

The failure of the Railway Administration to procure additional quantities from the existing contractors to the extent permitted under contract conditions has resulted in avoidable expenditure of Rs.0.57 crore

As per clause 12 of the Special Conditions of the Contract, the quantities of the work may vary to the extent of 25 per cent on either side i.e. increase or decrease during the execution of the work according to the need of the Railways and the contractor is bound to carry out these additional quantities at the same rates.

Audit scrutiny of the contracts awarded to supply and stacking of ballast over Bhusaval and Nagpur Divisions of Central Railway revealed that though Railway was aware of the requirement of additional quantities at the same place during the currency of the existing contracts, the option of variation in the quantities as per contract conditions was not applied. Instead of asking the existing contractors to supply more quantities, fresh contracts were awarded at higher rates resulting in avoidable extra expenditure of Rs.0.57 crore in the contracts finalized between March 2006 and December 2007.

When the matter was taken up with the Railway Board (September 2009) they stated (December 2009) that the clause 12 of the contract deals with variations in quantity arising during execution of the works and is governed under the ‘Works contract’. It was added that the ballast contracts are ‘works contracts’ wherein the variation clause caters for variation in quantities of items on either side to complete the work whereas the ballast contracts in question were against specific estimates. They added that the supply of ballast in all the contracts was completed beyond the original completion period and the extension in delivery period was on Railway’s account due to either non-availability of stacking area or non-supply of hopper wagons for running of ballast trains. They admitted that in occasional cases of urgent requirement, the variation clause might have been opted but it was more an exception and not a practice.

The reply is not tenable. The contracts in question were only for supply and stacking of ballast at one depot were at par with 'Stores contracts' and keeping in view the fact the requirement of ballast was known to the Railway, the operation of variation clause to the extent provided in contract conditions might have been considered to save the Railway from paying extra cost.

Thus the failure of the Railway Administration to procure additional quantities from the existing contractors to the extent permitted under contract conditions has resulted in avoidable expenditure of Rs.0.57 crore.

4.4 Miscellaneous irregularities

4.4.1 Central Railway Loss due to non-availing the concession in Value Added Tax

The failure of the Railway Administration to take timely action for availing the concession in VAT as authorized under Maharashtra Value Added Tax Act, 2002 has resulted in excess payment of Rs.37.21 crore on account of VAT

The supply contracts for supply of HSD oil with the oil companies provide that sales tax, if legally leviable on the supplies made to Central Government (at concessional rates) will be to the account of purchaser. These contracts further provide that consignees should check the rates of concessional sales tax and pay the same after obtaining necessary concessional form from the concerned authotities.

As per notification issued by Maharashtra State Government in July 2006, Central Government was exempted from payment of Value Added Tax (VAT) in excess of four per cent on all items purchased between 1 August 2006 and 31December 2006.. These orders were modified from 1 January 2007 and the exemption given to HSD oil was withdrawn. In order to avail of the exemption, the purchaser was required to apply to the Commissioner of Sales Tax and furnish a statement of all purchases effected in the immediate preceding year.

Audit observed that the Store Department of the Central Railway applied for the concession only in January 2007 and the certificate for availing the concession was received in February 2007. Audit noticed that Central Railway had not availed the concession and during the months of August and September 2006 alone, excess payment of Rs.4.49 crore on account of VAT was made.

When the matter was taken up with the Railway Administration (March 2009)**,** they admitted that there was delay of six month in obtaining concession certificate and stated that it was not possible to implement the scheme of availing exemption straightaway because they were not maintaining centralized information of purchases and thus the statement of purchases required to be submitted for availing the concession was not readily available.

They added that the exact amount of extra payment of VAT had now been assessed at Rs.37.36 crore out of which an amount of Rs.0.15 crore had already been recovered. The reply is not tenable because though statement of accounts of purchases was required for obtaining concession, there was no such stipulation to apply for concession certificate. Moreover, when the Railway had approached the Sales Tax Authorities (March 2008) for refund, they had advised them that the firms should file claim for refund of VAT through form 501 along with return and Railway should recover the same from the suppliers. However, Central Railway took more than a year to ask the oil companies to furnish details of the supplies made by them during the period 1 August 2006 to 31 December 2006. It was only in July 2009 and August 2009 that the Store Department worked out the amount of VAT paid in excess of four percent and asked the oil companies to deposit Rs.37.36 crore with the Railway. The chances of recovery of the balance amount of Rs.37.21 crore are, however, very remote as the oil companies have not preferred any claim.

Thus the failure of the Railway Administration to take timely action for availing the concession in VAT as authorized under Maharashtra Value Added Tax Act, 2002 has resulted in excess payment of Rs.37.21 crore on account of VAT.

4.4.2 North Western Railway: Avoidable periodical overhauling of metre gauge coaches

Failure of the Railway Administration to utilise the available fit surplus metre gauge (MG) coaches resulted in avoidable expenditure of Rs.4.34 crore on Periodical Overhauling (POH) of running MG coaches

Due to progressive gauge conversion, a number of Metre Gauge (MG) sections over North Western Railway was closed and converted into Broad Gauge (BG) section. Consequently, the utilization of MG coaches declined and some of these coaches were rendered surplus.

Scrutiny in audit revealed that 175 fit different types of MG coaches with sufficient serviceable life were surplus and stabled over Bikaner Division as of January 2008. Out of these, 29 were transferred to other divisions and the balance 146 coaches were sent to Bikaner Workshop for periodical overhaul (POH). It was noticed in audit that during the period January 2008 to December 2008 Railway Administration had carried out POH of 248 coaches out of which 121 coaches were found to be of the category for which more than sufficient number of serviceable coaches were available as stabled stock. This has resulted in incurrence of avoidable expenditure of Rs.4.34 crore.

When the matter was taken up with the Railway Administration (March 2009); they stated (June 2009) that the POH of all 121 coaches was not avoidable for running train services and besides Railway Board's instructions on transfer of coaches to other Railways were anticipated. Hence coaches were to be kept in ready condition after POH for transfer. Further, the operating department had asked for transfer of 182 MG coaches to other Railways and out of these, 59 coaches had already been transferred to Western Railway and the remaining 123 coaches were still waiting for dispatch to other

Railways. Moreover, due to stoppage of procurement of material, especially MG wheels, the wheels of stabled coaches were cannibalised to make fit the sick coaches in use and thus a number of stabled coaches could not be used even if not due for POH.

The reply is not tenable. The Railway Administration should have carried out a long term planning for maintenance (POH) and utilization of the MG rolling stock including those coaches rendered surplus in view of the rapid gauge conversion. As regards transfer of 123 coaches to other zones, it is stated that only 8 AC coaches were transferred to Northeast Frontier Railway in July 2009 and for remaining 115 coaches, the Railways concerned have now expressed their unwillingness to receive the coaches.

Thus, the expenditure of Rs.4.34 crore incurred on POH of 121 coaches could have been avoided by using the existing stock of stabled fit coaches. Had the Railway Administration planned and ensured the utilization of available fit MG coaches, the POH and expenditure thereon could have been avoided.

4.4.3 North Western Railway: Wasteful expenditure due to imprudent transfer of track material

Ineffective monitoring of procurement process resulted in incurrence of avoidable expenditure of Rs.2.55 crore towards freight and incidental charges on transfer of track material

As per para 710, 1436, 1438 and 1448 of the Indian Railway Code for the Engineering Department, the procurement of the material should be as per the estimated quantities and there should not be any wide variation resulting in huge surpluses after completion of the project. Procurement of material for specific works should neither be done in excess nor in undue advance of the requirement. Material received for a particular project /work should be initially booked to Material at Site (MAS) Account and eventually adjusted against the work as and when these are used. Further, para 2328 of Indian Railway Code for Stores Department provides levy of freight and incidental charges at the rate of 7 per cent on the cost of stores on its disposal.

The work of gauge conversion of Bandikui-Agra Fort (BKI-AF) project was sanctioned in the year 1995-96 and was completed in two phases i.e. Bandikui to Bharatpur in 2003-04 and Bharatpur to Agra-Fort in 2004-05. These sections were opened for traffic in May 2004 and May 2005 respectively. Apart from this Ajmer-Chittaurgarh-Udaipur-Umra (AII-COR-UDZ-UMRA) project was sanctioned in the year 1996-97 and the converted section of Chittaurgarh-Udaipur and Ajmer-Chittaurgarh were opened for traffic in June 2005 and July 2007 respectively.

It was noticed in audit that procurement and accountal of stores of these projects was not effectively monitored. In Bandikui-Agra Fort project the materials valuing Rs.8.31 crore were obtained from Ajmer-Chittaurgarh project. Later on receipt of the materials procured for this project the materials already obtained became surplus. It also came to notice that even after physical completion/opening of the project, materials valuing Rs.4.85 crore were also procured. This resulted in more accumulation of surplus materials

(Rs.13.70 crore) after completion of the work that necessitated freight and incidental charges of Rs.0.96 crore on its transfer to other ongoing projects.

In Chittaurgarh-Udaipur gauge conversion project, a huge quantity of material was transferred from other ongoing projects in addition to its own indents. The cost of material rendered surplus was Rs.3.08 crore necessitating avoidable expenditure of freight and incidental charges of Rs.0.22 crore on its transfer to other units.

Similarly, in Ajmer-Chittaurgarh gauge conversion project the Railway Administration started procuring material from June 2003 onwards i.e. four years in advance of the actual requirement when the target date of completion of project was not even known. A huge quantity of track material valuing Rs.19.65 crore was transferred to other projects which necessitated freight and incidental charges of Rs.1.37 crore which could have been avoided by planned and direct procurement as per the requirement. Thus, due to unplanned procurement, material valuing Rs.36.43 crore was rendered surplus and their transfer from one project to another resulted in extra expenditure of Rs.2.55 crore by way of freight and incidental charges.

When the matter was taken up with the Railway Administration (March 2009), they stated (June 2009) that freight and incidental charges are applicable on sale of stores and not on material diverted to other units. It was further stated that had the Railway not taken the prudent decision of diverting the already procured material against AII-COR and UDZ-COR gauge conversion projects to targeted AF-BKI gauge conversion project and gone for fresh procurement of material for AF-BKI gauge conversion project, extra capital expenditure would have taken place and it would have also resulted in delay in completion of targeted AF-BKI project to the tune of one to one and half years. By diversion of material, the capital already blocked in procurement of material for AII-COR-UDZ gauge conversion projects had been well utilized.

The remarks of the Railway Administration are not acceptable because freight and incidental charges at the rate of seven per cent is applicable not only on sale of stores but also on transfer of material from one unit to another as is the practice being followed by the Railways on actual transfer of material from one unit to another. Further, they have themselves accepted that material procured for AII-COR and COR-UDZ projects remained blocked due to advance procurement resulting in blocking of capital. The Railway Administration also failed to procure requisite material for AF-BKI project in time and in a planned manner. The diversion of material from AII-COR-UDZ project was necessitated due to this reason. Moreover, the Railway Administration had also not clarified as to why material worth Rs.4.85 crore was procured even after physical completion of the BKI-AF project. The use of material obtained for a specific project in another project also defeats the purpose of keeping the material at site (MAS) account besides loss of budgetary control. Due to lack of effective monitoring in procurement, surplus materials had to be transferred from site to site incurring unnecessary freight and incidental charges.

Had the Railway Administration planned the procurement of material as per the requirement and obtained material for the project concerned directly, the surpluses in the various projects and the consequential wasteful expenditure of Rs.2.55 crore could have been avoided.

4.4.4 Metro Railway: Undue benefit to the supplier of steel items in absence of any provision of levy of interest on advance payment

Absence of any safeguard in the purchase orders for levy of interest on advance payment lying with the suppliers of steel items beyond delivery period led to loss of Rs.1.21 crore towards interest

As per Railway Board's order of December 2001, February 2005 and November 2007, Metro Railway has been continuously purchasing steel items on single tender basis from four steel suppliers (M/s. SAIL, TISCO, IISCO and RINL) and making 100 per cent payment in advance, stipulating specific delivery period in the purchase orders (POs).

During audit check of 31 such POs (amounting Rs.65 crore) for the period from May 2005 to December 2008, it was seen that in 25 cases, delivery period mentioned in the POs was not adhered to by these suppliers. The delay in delivery ranged between six days to 348 days and thus, an amount of Rs.49.46 crore remained with the suppliers for these periods.

As per Indian Railway Standard Condition of Contract two per cent liquidated damages are recoverable for delay in supply where 98 per cent or more payment is made in advance. It was noticed that such a provision was not made in the POs to safeguard the railway interest. As 100 percent advance payment was made, the scope of recovery of liquidated damages is very remote. Further, if supply is not made within specific delivery period, Railway can levy interest at the prevailing lending rate for the period of delay. Non recovery of liquidated damages or interest has resulted in undue benefit of Rs.1.21 crore on account of interest due on advance.

Thus, due to absence of any safeguard in the purchase orders regarding levy of interest on the advance retained by the suppliers beyond delivery period, Railway had to sustain a loss of Rs.1.21 crore.

When the matter was brought to the notice of Railway Board in September 2009, they stated (December 2009) that POs were placed as per the contract between Railway and suppliers on mutually agreed terms and conditions. Steel suppliers have been insisting on 100 per cent advance payment as per their quotations and accordingly POs were placed within the powers delegated by Railway Board. As such, no interest could be levied outside the terms and conditions of contracts. With advance payment, suppliers were also bound to make supplies at the contracted rate even if there was price rise. The reply is not acceptable as the practice does not ensure recovery of liquidated damages in the event of delayed supplies, besides affording undue benefit to suppliers.

4.4.5 Northeast Frontier Railway: Loss due to wasteful consumption of H.S.D oil for non-removal of speed restrictions

Non-removal of permanent speed restrictions resulted in wasteful consumption of High Speed Diesel (H.S.D.) oil and consequential loss of Rs.1.09 crore

In terms of para 916 (i) and (ii) of Indian Railway Permanent Way Manual (IRPWM), the approaches to all unmanned 'C' class level crossings or manned level crossings where the view is not clear on either side for a distance of 600 meters and those which have normal position open to road traffic, without interlocking and protection by signals, bilingual whistle boards as per designs should be erected at 600 meters along the track from the level crossing to enjoin the drivers of approaching trains to give audible warning of the approach of a train to the road users.

Speed restrictions imposed on the running of trains, cause excess consumption of fuel during deceleration and acceleration to negotiate the drop in speed to maintain the permissible speed.

Test check of position of Permanent Speed Restrictions (PSRs) in three divisions of Northeast Frontier Railway (Katihar, Alipurduwar and Lumding) revealed that some of the PSRs of these divisions were non-removable due to sharp curves and other PSRs were planned for removal during gauge conversion.

On two other divisions (Rangiya and Tinsukia) as per the Working Time Table (WTT) effective from 1 July 2008, there are seven PSRs (four in Rangiya and three in Tinsukia divisions) as on February 2009. In respect of four PSRs of Rangiya division, work for removal of only one PSR was proposed in the preliminary works programme (PWP), 2007-08 but the same has not been carried out. For the remaining three PSRs, no action has been taken yet for their removal. Similarly, in Tinsukia division, the matter regarding removal of three PSRs was referred to the State Government in March 2007, but no action has been taken yet. Although the PSRs have been causing recurring loss owing to excess consumption of fuel, yet the Railway Administration failed to take immediate steps to remove these PSRs and allowed those to continue till date. This has resulted in excess consumption of 317 kilolitres (approx) of HSD oil valuing Rs.1.09 crore during the period 2006-07 to 2008-09 (February 2009).

When the matter was taken up with the Railway Administration (March 2009), they stated (August 2009) that PSRs are imposed due to poor visibility at unmanned level crossings, sharp curves, etc.. It was further stated that in Tinsukia division, PSR at FM-65 has already been removed and at FM-63 and FM-67, PSRs have not been removed because these are unmanned level crossings. Further, in Rangiya division, a proposal was initiated for removal of PSR at one location only and for the other three PSRs, no proposal was made as the section is under gauge conversions and the target date of completion was March 2011.

The contention of the Railway Administration is not acceptable because the PSRs in question are continuing for 7 to 13 years which affect the running time of the trains as well as line capacity utilization of the concerned sections. In respect of Tinsukia division, verification of records revealed that PSR at FM-65 has not been removed as yet. Further, as per Para 916 (i) and (ii), the PSRs should have been removed by providing bilingual whistle boards.

Thus, delay in removal of PSRs has caused not only consumption of excess HSD oil worth Rs.1.09 crore but has also caused inconvenience to passengers by not maintaining punctuality of trains.

4.4.6 North Western Railway: Loss due to imprudent award of stores contract

Imprudent decision in awarding a stores contract at unreasonable rates resulted in loss of Rs.0.75 crore

Rules provide that for awarding stores contract, right quality and right quantity of stores should be procured at the right time from the right supplier at the right price. For consideration of tender documents, it should be ensured that the rates quoted for individual items are realistic and not unreasonable/ unworkable in respect of any item of work. Railway Board had also issued instructions from time to time in this regard.

Railway Administration invited tender for procurement of 420.75 kms of PVC insulated cables for various safety related works. The tender opened in November 2005 and was discharged in January 2006 due to high rates. Tender was re-invited for 442.750 kms and opened in April 2006 with a validity of 90 days. M/s. Prew Industries Ltd., New Delhi, a part-I supplier quoted a rate of Rs.60,100 per km in figures but in words the firm un-intentionally mentioned Rs. Sixteen thousand and one hundred per km. Six other firms quoted their rates below Rs.60,100. Though the Tender Committee (TC) had accepted that the mistake in writing was genuine as it was covering the cost of raw material and passed on the offer, the tender accepting authority (Controller of Stores) awarded the contract to M/s. Prew Industries Ltd., New Delhi for full quantity of 442.750 kms. at a cost of Rs.16,100 per km. The firm expressed its inability to accept the order and stated that rate quoted by them was Rs.60,100 per km and not Rs.16,100 per km. They also clarified that the fact was already brought to the notice of the Railway Administration at the time of extending the validity i.e. before the award of the contract and again in October 2006 before the issue of the Purchase Order (PO) and requested the Railway Administration to withdraw the PO which was not agreed to.

It was noticed in audit that in November 2006, the Railway Administration went for risk purchase procurement and issued PO in June 2007 for a quantity of 376.338 kms at Rs.67,979.03 per km to a firm. For the balance quantity of 66.412 km, the Railway Administration issued a PO in November 2008 for 49.810 kms. in favour of another firm at Rs.64,250 per km and the balance quantity of 16.602 kms was ignored. Thus, purchase of cables at a higher cost resulted in loss of Rs.0.75 crore to the Railways.

When the matter was brought to the notice of Railway Board (August 2009), they accepted (October 2009) that that due to complexity of the tender involving different rates in words and figures, there was some delay in holding negotiation/ finalization of the tender. The Tender Committee had observed that there was some typing mistake in quoting the rate in words and figures and recommended for passing over the lower quoted rate and remitting the tender case for further dealing at higher level. They further stated that obtaining post tender clarification on financial matters i.e. offered rates of any tenderer may give undue advantage to the tenderer.

The reply is not acceptable because the tender was initially opened in April 2006 and the validity of offer was for 90 days, yet the Railway Administration did not hold any TC meeting during the period and the first TC meeting was held in September 2006 (well after the expiry of the original validity period). Further, the Railway Administration should have seen the workability of the low rates quoted in words by the contractor which did not even cover the cost of raw material. In this case a single firm had quoted two rates with wide variation in words and figures which required a clarification from the firm which the Railway Administration did not bother to obtain even after a lapse of five months since opening of the tender and then the latter decided to award the contract on the basis of ambiguous rates. It would have been prudent for the Railway Administration either to bypass the offer or to seek clarification rather than proceeding ahead to award a high value contract at unreasonable rates.

Thus, award of a contract at an unrealistic rate against the TC's recommendations, ignoring the repeated clarifications of the vendor has resulted in purchase of cables at a higher cost with consequent loss of Rs.0.75 crore to the Railways.

CHAPTER 5: Other topics

5.1 Non/short recovery of railway dues

5.1.1 West Central Railway: Short recovery of lease charges of land

The failure of the Railway Administration to adopt the correct rates for assessment of cost of land and recover lease charges accordingly resulted in loss of Rs.9.76 crore

As per Railway Board's orders of October 2001, land was to be leased to Government Departments on long term basis for a period of 35 years against lump sum payment of lease charges equivalent to 99 per cent of the current market value of land plus a nominal licence fee of Rs.1000 per annum.

Urban Improvement Trust (UIT) Kota sent a proposal in August 2000 to Divisional Railway Manager Kota for construction of a road on Railway land along the railway track between Dakaniya Talav and Kota junction. In a meeting held (December 2002) between the representatives of Railway and UIT, the area of land to be leased was assessed at 54080.68 square meters and valued at Rs.1.23 crore. The proposal was approved by Railway Board in October 2006 with the instructions that land may be leased on payment of 99 per cent of current market rates plus Rs.1000 to be recovered per annum as nominal lease charges for a period of 35 years.

Audit scrutiny of records of Kota Division revealed that Divisional Authorities instead of calculating the cost of land at the current market rates, handed over the possession land in November 2006 at the rates arrived at in December 2002. In this connection the following deficiencies were noticed:

- Though the rates communicated by Deputy Registrar in May 2002 for residential and commercial land at Chhaterpura were Rs.220 and Rs.485 per square foot respectively, the Railway had applied the rates for commercial land at Rs.425 per square meter instead of Rs.485 per square foot. The incorrect adoption of rates as per square meter instead of per square foot resulted in incorrect assessment of land value resulting in less realization of lease charges by Rs.5.51 crore.
- As per market rates prevailing in May 2006 the cost of the land as assessed by Audit works out to Rs.11.09 crore. Thus non-assessment of cost as per directives of Railway Board resulted in short recovery of lease charges by Rs.9.76 crore.

When the matter was taken up with the Railway Administration (March 2009) they stated (June 2009) UIT had requested for the land in August 2000 and the rates were finalized through negotiation in December 2002 considering the fact that this land was to be utilized for public convenience and further revision of rates would not have been in the interest of both, being Government Departments. The reply is not tenable because as per policy decided by Railway lease charges were to be recovered at the current market price. Since Railway had not received the lease charges in 2002 on which they could have earned interest for four years, the cost of land was required to be assessed at the rates prevalent at the time actual handing over of the land in November 2006.

Thus failure of the Railway Administration to adopt the correct rates for assessment of cost of land and recover lease charges accordingly resulted in loss of Rs.9.76 crore.

5.1.2 Western Railway Non-recovery of water charges

The failure of the Railway Administration to enter into an agreement with IRCTC and raise the bills for water charges resulted in non-recovery of Rs.6.16 crore

Consequent upon formation of Indian Railway Catering and Tourism Corporation (IRCTC), the business rights of all the catering units working on A, B and C class stations of Mumbai Division of Western Railway were handed over to IRCTC with effect from 1 November 2005 and 1 December 2005. As the catering and vending units working under IRCTC, had stopped the payment of water charges, Railway Board had instructed all Zonal Railways (November 2006) to recover the water charges as per extant practice from the catering and vending units whether working for IRCTC or otherwise. Railways were also advised to enter into an agreement with the IRCTC in this regard.

Scrutiny of records (October 2007) of Mumbai Division of Western Railway revealed that the Railway had neither entered into the requisite agreement nor recovered the water charges from the catering and Vending units located at various stations. Audit noticed that though the statements of water supplied to the catering and vending units were prepared, the bills for water charges recoverable were not raised. Audit reviewed the position of 489 catering and vending units and noticed that though water charges of Rs.5.97 crore and cess charges of Rs.0.19 crore thereon for the period December 2005 to March 2009 were recoverable, no bills were raised.

When the matter was taken up with the Divisional authorities, they stated (September 2008) that bills had been raised and sent to Finance for realization. The reply is not factually correct. On verification by Audit, it was noticed that only a statement of amount due was prepared and bills were neither prepared nor sent to the concerned parties.

Thus the failure of the Railway Administration to enter into an agreement with IRCTC and raise the bills for water charges resulted in non-recovery of Rs.6.16 crore.

The matter was taken up with the Railway Administration (February 2009), their reply is still awaited (December 2009).

5.1.3 East Coast Railway: Non-realisation of railway dues

Railways unilateral reduction of free time without revision of agreement led to disputes and non-realisation of Rs.4.03 crore

Ports serve as terminal agents to carry out various activities on behalf of Railway. An agreement was entered into between the Ministry of Railways and Visakhapatnam Port Trust (VPT) Railway on 13 November 1998 for discharging various activities by the Port Authority on behalf of the Railways. Clause 11(a) (I) of the Agreement provides that the rolling stock of the Railway will be allowed to remain in the Port Trust Railway area for 27 hours for single operation and 45 hours for double operation free of hire charges. After the expiry of free time, hire charges should be levied and realised at the rates in force from time to time. In case of any dispute in this regard decision of the Government shall be final.

Railway Board had decided (July 2006) that excluding time for train examination, if so mandated, the total free time inclusive of shunting etc. should be fixed on the basis of Time and Motion study. However, such total free time should not exceed 15 hours for single operation and 24 hours for double operation with effect from 01 August 2006.

Scrutiny of records revealed that as there was no standardized free time prescribed by Railway Board prior to August 2006. Railway Board vide rate circular No.63 of 2006 decided universalisation of free time for all major ports including VPT. Time and motion study was conducted in December 2006 and May 2007 and the committee recommended the free time at par with Railway Board's circular. The Railway Administration started preferring wagon hire charges bills at the revised free time from August 2006. However, the VPT objected on the ground that any change in the free time had to be mutually agreed upon as per clause 11 (a) 1 of the agreement and requested the Railway Administration to carry out revision accordingly. The VPT had also earlier (May 2007) conveyed that the issue of free time should be reviewed jointly on mutual consent after conducting time and motion study. However, the issue remained unresolved between VPT and the Railway Administrtion. As a result, wagon hire charges of Rs.4.03 crore (as assessed in audit) for the period from April 2007 to September 2008 remained unrealized.

When the matter was taken up (September 2009) with the Railway Board, they stated (December 2009) that efforts were made on several occasions at zonal level to settle the issue with VPT for implementation of the revised free time. But the same could not materialize due to non-acceptance by VPT. They further added that admissible charges would be adjusted between Railways and VPT after the outcome of the dialogue between the two Central Government departments.

The reply is not acceptable because Railway revised free time without associating VPT in the time and motion study as required by Railway Board's orders resulting in non-acceptance of the modified agreement by VPT authorities.

5.1.4 South East Central: Railway — Non-recovery of re-railing charges and interest

Failure of the Railway to include adequate provision for recovery of re-railing charges in the agreement and to monitor realization of the same from siding holder resulted in non-recovery of Rs.3.88 crore towards re-railing charges and interest thereof

As per Joint Procedure Order (JPO) (July 1991) and Railway Board's letter (November 2002), if the private party/ siding holder was held responsible for any damage to the wagons, the entire expenditure was to be borne by the siding holder. Railways were to raise the bills for the re-railing charges within the prescribed period as per the rates fixed and revised from time to time. Payment was to be received within 15 days after serving the bills. A provision/clause regarding payment of re-railing charges was to be included in the commercial agreement with the siding owners.

Audit scrutiny of records for the period from September 1993 to March 2009 revealed that railway wagons were derailed/ damaged in accidents within siding premises. Railway, however, had neither preferred bills for re-railing charges on time nor taken adequate action taken for early realization of the bills. Railways also failed to prefer any bill for levy of interest charges on delayed payment as per extant provision and Railway Board's order (March 1990). The required provision of payment of re-railing charges was not included in the commercial agreements entered into with the siding owners rendering the chances of its recovery bleak.

Thus, due to lack of adequate action to recover the re-railing charges and non-preferment of bills for interest charges on account of delayed payment, Railway had to sustain a loss of Rs.3.16 crore (re-railing charges Rs.1.05 crore and interest Rs.2.11 crore).

When the matter was brought to the notice of Railway in January 2009, they stated (May 2009) that the process to prefer bills for re-railing charges normally takes three to four months if there is no dispute with the siding holders regarding the joint findings. Where there is a dispute, it takes more time. They added that efforts are being made to realize the re-railing charges.

The reply is not tenable. JPO was framed (July 1991) after taking into consideration all the factors involved in raising the bills. Railway is required to review the position in consultation with the siding owners and realize the re-railing charges immediately.

5.2 Avoidable liability of taxes/penalties

5.2.1 Southern, Central, Northern, North: Western, North Eastern, East Coast, South Central, South Eastern and South Western Railways — *Liability due to non-levy of service tax on sale of space for advertisement*

Failure on the part of Railway in levying service tax as per Notification issued by the Ministry of Finance resulted in an avoidable liability of Rs.34.98 crore.

Indian Railways lease space for commercial publicity in areas like stations, approaches to major stations, level crossings, premier trains and freight wagons etc.

As per Ministry of Finance, Central Board of Excise and Customs (CBEC) Notification No.15/2006 dated 25 April 2006 issued in accordance with the Finance Bill-2006, service tax was applicable with effect from 1 May 2006 on 'sale of space or time for advertisement'. Railway Board, however, failed to issue orders based on this Notification.

Although Railways were aware that the Notification had no provision for exemption from payment of service tax for Railway, they failed to mention the applicability of service tax in the tender documents. This led to non-incorporation of a suitable clause in the contract agreements making the levy of service tax legally not enforceable. On sustained pursuance by the Central Excise Authorities, the Ministry of Railways, instead of issuing orders to implement the levy of service tax for the ensuing period, requested (November 2007) the Ministry of Finance to exempt Railway from the levy of service tax. The request was turned down in December 2007.

Audit observed that after a similar request by Railways in March 2006 for exemption from the levy of service tax on 'catering services in trains' was not responded to, the Railway Board had made the levy of service tax applicable prospectively (18 April 2006). In regard to levy of service tax on sale of space for advertisement, the Railway Board failed to implement the orders in spite of a categorical denial of exemption by the Ministry of Finance in December 2007. On the contrary, the Ministry of Railways has approached the cabinet for exemption of tax in February 2009. There was no outcome till the end of July 2009.

Inaction of the Railway Board after the issue of CBEC's Notification (April 2006) thus resulted in non-levy of service tax leading to avoidable liability on the Railways. Audit has assessed that nine Railways are liable to pay a sum of Rs.34.98 crore (Southern-Rs.7.12 crore, Central-Rs.9.24 crore, East Coast-Rs.0.57 crore, Northern-Rs.12.11 crore, South Central-Rs.3.01 crore, South Eastern- Rs.0.56 crore, South Western- Rs.1.02 crore, North Western-Rs.0.94 crore and North Eastern-Rs.0.41 crore) to Central Excise authorities towards service tax not levied by them during the period May 2006 to March 2009.

When the matter was taken up (March 2009) with the Southern Railway Administration, they stated (June 2009) that since no specific instructions from Railway Board were available for the levy of service tax, the issue was not included in the tender documents and no recovery was made. The reply is not acceptable as in the capacity of a service provider, Railways are responsible to levy the service tax and remit the same to the Central Excise Authorities. Issue or non-issue of Railway Board's orders is an internal matter and has no bearing on the applicability of the levy of service tax as per the Notification.

5.2.2 South Western Railway: Non-deduction of mandatory cess charges from the contractors

Railway failed to deduct mandatory cess charges to the extent of Rs.6.06 crore from the contractor bills resulting in an avoidable liability of Rs.5.18 crore.

Government of India enacted Building and other Construction workers Welfare Cess Act, 1996. Government of Karnataka, with a view to enforce the provisions of the main Act, formulated Building & other Construction workers Rules 2006 and made them effective from 1st November 2006. It was mandatory for all the Government departments etc. carrying out any building or other construction works through the contractors to deduct one percent of the tendered value of the work from contractor's bill. The amount so collected was to be remitted with in 30 days to Karnataka State Building and Other Construction Workers Welfare Board failing which interest/penalty was leviable.

A review of contracts executed during November 2006 to March 2009 on three Divisions (Bangalore, Hubli and Mysore) and Construction Organisation of South Western Railway revealed that out of total 1279 contracts executed, clause for the recovery of cess charges was not incorporated in 1016 contracts. As a result, cess charges (Rs.5.18 crore) would not be legally leviable. In the remaining 263 contracts (value- Rs.88 crore), though the clause for the deduction of cess charges was incorporated, cess charges were not being deducted. Further, 524 contracts had already been finalized at a cost of Rs.130.46 crore without deducting cess charges (Rs.1.30 crore). Cess charges (Rs.4.76 crore) had also not been deducted while making payments against 755 contracts for which works were in progress.

Thus, Railway Administration failed to deduct mandatory cess charges of Rs.6.06 crore. This included avoidable liability of Rs.5.18 crore on account of non-incorporation of suitable clause in the contracts.

When the matter was taken up (March 2009) with the Railway Administration, they stated (September 2009) that Railway Board's instructions to incorporate a clause in the contracts for the deduction of cess charges at the rate of one percent were received in September 2008. There are no specific instructions about the post facto recovery of cess charges and its remittance with interest. The reply is not tenable as the Administration is legally bound, as per the provisions of the Act, to deduct cess charges with effect from 1st November 2006 and pay interest/penalty for delays/non-payments.

5.2.3 West Central Railway Avoidable payment of penalty

The failure of Railway Administration to pay a small amount on account of fee for enhancement of contract demand resulted in avoidable payment of penalty of Rs.4.11 crore

Keeping in view the concept of 'Simultaneous Maximum Demand' (SMD) introduced in the tariff for the year 2006-07 by the Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited (MPMKVVCL), the contract demand of all the sub stations in Bhopal Division was reduced as under this concept all traction points under one licensee were taken into account for computing the maximum demand during a month. However, the concept of SMD was withdrawn from 16 April 2007 and the Divisional Authorities of Bhopal requested (April 2007) MPMKVVCL for enhancement of contract demand. The MPMKVVCL communicated (June and July 2007) the approval of enhanced contract demand with effect from 1 May 2007 subject to execution of supplementary agreements. It was stipulated that the enhanced contract demand would take effect from the date of finalization of the supplementary agreements. They also asked Railways to deposit charges at the rate of Rs.100 per KVA subject to a maximum of Rs.1.00 lakh per connection on account of fee for enhancement of contract demand. Instead of making the payment, the Railway Authorities referred the matter to the Madhya Pradesh Electricity Regulatory Commission (MPERC) for reviewing the new tariff and also contested that the charges demanded by MPKVVCL were not payable by them. The MPERC in their order (October 2007) directed Railways to pay the charges as these were payable under the rules. Even after the receipt of order from MPERC, the Railway Administration took four months for arranging the payment of Rs.6.00 lakh which were deposited on 7 February 2008 and the agreement was made effective from 15 February 2008. Audit scrutiny of records relating to payment of electricity bills revealed that the actual contract demand had exceeded the contract demand at all the six sub-stations and as a result the MPMKVVCL levied penal charges of Rs.4.11 crore which were paid by Railway during the period May 2007 to January 2008.

When the matter was taken up with the Railway Board (October 2009) they stated that the delay in making payment was primarily due to the fact that charges for enhancement of CD were paid after the enhancement was actually sanctioned. While East and West DISCOMs accepted the payment and sanctioned the enhancement from retrospective date, the Central DISCOM had not agreed to this. They added that Railway had approached the electricity Ombudsman who had asked the DISCOM to revise the bills. This will facilitate refund of Rs.4.11 crore to Railway.

The reply is not tenable because the DISCOM has not accepted the decision of Ombudsaman and represented to the MPERC against the orders. The fact remains that delay in payment of a small amount has caused liability of huge penalty and Railway's claim for refund is still undecided.

5.2.4 North Eastern Railway: Avoidable payment of penalty due to non-maintenance of power factor

Failure on the part of the Railway Administration to maintain power factor led to avoidable payment of penalty of Rs.2.39 crore

Clause (8) of the power purchase agreement of the Uttar Pradesh State Electricity Board (UPSEB) now the Uttar Pradesh Power Corporation Ltd. (UPPCL) stipulates that it is obligatory to maintain an average power factor of more than 0.85 during any billing period, failing which a surcharge of 15 per cent of the amount of the bill would be levied as penalty.

Scrutiny of records revealed that due to failure to maintain average power factor of more than 0.85 at Signal Workshop, Gorakhpur, Railway Administration paid Rs.2.39 crore as penalty from 2004-05 to March 2009.

When the matter was taken up with the Railway Board (August 2009), they stated the Mechanical Workshop, Gorakhpur had initiated proposal to install the Automatic Power Factor Corrections (APFC) panel in the year 2004-05, but the same could not materialize due to paucity of funds and it was dropped. They further added that efforts were made to install the power capacitors of 350 KVAR at Signal Workshop and Bridge Workshop to improve power factor but it could not be sanctioned due to non-availability of funds. However, a proposal had been initiated (2008-09) for installation of 1800 (3x600) KVAR (APFC) panel for Signal and Bridge Workshop which was under finalization.

The reply is not acceptable as the Railway Administration had the resources to pay penalty to the tune of Rs.2.39 crore but they could not make provision of fund to the tune of Rs.30 lakh for installation of APFC.

5.3 Avoidable payment of water/electricity charges

5.3.1 Central Railway Avoidable extra expenditure on procurement of water for domestic use

The failure of the Railway Administration to pursue the matter of charging water at domestic rates and replacement of defective meters for three to six years has resulted in avoidable extra expenditure of Rs.1.00 crore

Water for use at Balharshah station and railway colony is procured from Maharashtra Water Supply and Sewerage Board (MWSSB) and for this purpose an agreement was signed in December 1987. As per provisions of agreements, the cost of water is payable at the rates prescribed and approved by MWSSB from time to time. Since the entire quantity of the water supplied by MWSSB was being consumed in residential quarters, the Railway Administration had approached the supplier for charging the water at domestic rates instead of commercial rates. In response, the MWSSB had suggested that Railway should construct a separate storage tank to collect water exclusively used for staff quarters so that their request for charging domestic rates can be considered.

Audit scrutiny of water charges bills of Balharshah revealed that though Railway had constructed two underground water tanks in July 2001 and one overhead tank in April 2004, they did not approach the MWSSB for charging the water at domestic rates and continued to pay the water charges at commercial rates. Thus the inaction on the part of Railway Administration to take appropriate steps resulted in avoidable extra expenditure of Rs.0.84 crore during August 2001 to March 2009.

Scrutiny of records of Solapur Division revealed that water meters installed in two residential bungalows had gone out of order in November 2003 and May 2006. As per rules, Solapur Municipal Corporation (SMC) charge the minimum fixed amount for water supplied to quarters with defective meters for two months and double the same if the meters are not rectified thereafter. Audit observed that the defective water meters had not been rectified or replaced and the charges were being paid at double the minimum charges. This has resulted in extra payment of Rs.0.16 crore till March 2009.

When the matter was taken up with the Railway Administration (April 2009), they stated (July 2009) that Railway had approached the MWSSB in December 1999 for charging the water at domestic rates but they are not agreeing on the pretext that clear cut demarcation of water supply does not exist. As regards replacement of defective meters, it was stated that Railway had been making sincere efforts to get the meters replaced and payment in this regard had also been made but the SMC has not installed the new meters as yet. The reply is not tenable because the records indicate that Railway had not approached the MWSSB for eight years after commissioning of the separate tanks in 2001 and it was only in March 2009 that they asked the MWSSB to consider their request for charging the water at domestic rates. Similarly Railway remained silent after depositing the cost (July 2006) of meters and asked SMC only in June 2009 for replacement of meters and adjustment of the extra amount paid to them.

Thus the failure of the Railway Administration to pursue the matter of charging water at domestic rates and replacement of defective meters for three to six years has resulted in avoidable extra expenditure of Rs.1.00 crore.

5.3.2 Central Railway Avoidable extra expenditure due to non-provision of Water Recycling Plants

Failure of the Railway Administration to take appropriate action for installation of WRPs at locations having heavy demand of water for non-domestic use has deprived them the benefits of cost saving of Rs.0.66 crore

Keeping in view the success of Water Recycling Plant (WRP) installed at Carnac Bunder Yard of Mumbai Division over Central Railway, Railway Board directed (July 1999) to all zonal Railways to consider installation of WRP at important stations where augmentation of existing sources of water or creation of additional sources would be expensive. Since availability of water was getting scarce day by day, Railway Board directed (July 2006) all zonal Railways to plan installation of WRPs at all major locations where there was heavy demand for water for domestic and non-domestic use. In August 2006, Railway Board again directed the Railways to identify such locations on priority where it would be useful to install WRP and asked them to propose such works in their woks programme.

Audit scrutiny of records of Central Railway revealed that Central Railway had successfully installed two WRPs one each at Carnac Bunder Yard (March 1999) and Nagpur (August 2003). Central Railway identified eight more locations (July 2006) but neither any proposal was sent through Works Programme nor action initiated to install WRPs. In this connection the following audit comments arise:

- Though the daily requirement of water for non-domestic use at four locations viz. Wadi Bunder, Lokmanya Tilak Terminal, Pune and Solapur was more than three lakh litres and at two locations viz Kalyan and Panvel it was in the range of 60,000 to 91,000 litres, Railway is meeting their requirement by obtaining water from Municipal Corporation and other Government bodies or supply through private tankers. While the water obtained from Municipal Corporation and Government was costing almost double that of the water obtained through Recycling Plant, the cost paid to private tankers was two and half time to six times more. Had the Railway taken urgent action to install the WRPs at these six locations, they could have achieved a saving of Rs.0.66 crore during the years 2007-08 and 2008-09.
- Despite the fact that Railway Board had asked (August 2006) the Railway to identify and propose the locations for installation of WRPs on priority basis, Central Railway had not sent any proposal for sanction by Railway Board (September 2009). Using the recycled water for washing of platforms, aprons and coaches could, besides saving in costs, help in achieving the environmental benefits by utilization of waste water.

When the matter was taken up with the Railway Board (November 2009) they stated December 2009 that Central Railway had already identified locations where WRPs are proposed to be installed and one of them has been included in the works programme of 2009-10. They added that other locations wouldl be taken up for sanction and execution in the coming years subject to availability of funds. The reply is not tenable because keeping in view the success of installing WRP as far back as in 1999, Central Railway was slow in taking action to install WRPs at other locations and the directives issued by Railway Board were not implemented even after three years thereby depriving them the benefits of a more cost effective option that could have saved Rs.0.66 crore.

5.3.3 East Central Railway: Extra payment due to incorrect billing

Failure of Railway Administration to get the defective meter replaced resulted in overpayment of Rs.1.12 crore

Bihar State Electricity Board (BSEB) supplies electricity for traction and other than traction purposes to East Central Railway on terms and conditions as specified in Tariff Notification issued from time to time. As per clause 16.8 of

BSEB's tariff effective from 21.6.1993, if an energy meter goes out of order for any reason during any month/months, consumption for the ensuing month/months shall be assessed on average consumption of previous 3 months from the date of meter being out of order or average consumption for the corresponding 3 months of previous year's consumption or the minimum monthly guarantee, whichever is the highest. Such consumptions will be treated as actual consumption for all practical purposes until the meter is replaced/rectified. Subsequently in November 2006, these provisions were modified and as per clause 7 of tariff notification effective from 1.11.2006, in the event of meter being out of order for any reason, the Board or the Consumer as the case may be, shall replace the same within the specified period of seven days. It has also been provided therein that till defective meter is replaced the consumption will be assessed and billed on an average consumption of last 12 months from the date of meter being out of order.

Audit scrutiny of records revealed that the energy (HT) meter provided by BSEB at Jhajha Station under Danapur Division had gone out of order since March 2002 and Railway Administration was making payment for 3,28,233 units per month since then. However, the average consumption of 12 months was worked to 2,52,308 units, thus resulting in excess charging of 75,925 units per month by BSEB which involved extra payment of Rs.3.23 lakh per month from November 2006 and Rs.3.17 lakh per month from September 2008. Therefore, the Divisional Electrical Engineer, Danapur requested (February 2007) the BSEB authority to rectify the defective meter and to adjust the excess payment made so far. It was further seen from the records that except a few requests/correspondence made with BSEB for replacement of defective meter, the Railway Administration had not taken any effective action at the highest level. They also failed to replace the meter by themselves as decided (23 June 2004) during co-ordination meeting with BSEB and also as provided in tariff effective from November 2006 and the continued payment of electricity charges as demanded by BSEB resulted in huge excess payment to BSEB.

Thus, failure of Railway Administration to get the defective meter replaced even after 1 November 2006 as per provisions of tariff resulted in extra payment of Rs.1.12 crore during the period November 2006 to September 2009.

On the matter being taken up, the Divisional Electrical Engineer (G), Danapur stated (February 2009) that BSEB had been repeatedly requested for replacement of the meter. The reply is not tenable as Railway themselves could have initiated action for the replacement of the defective meter as provided in clause 7 of BSEB Tariff effective from November 2006.

5.4 Miscellaneous

5.4.1 Southern, South Central,: South Eastern and Northeast Frontier Railways — *Loss due to non-elimination of uneconomic temporary stoppages*

Railways failure in getting the uneconomic temporary stoppages eliminated resulted in avoidable loss of Rs.33.54 crore.

Railway Board stipulated (June 2005) that the minimum number of tickets to be sold at a station so as to recover the cost of stoppage of a Mail/ Express train should be 40 or more for sleeper class per day per train for a distance of 500 kms or its equivalent. The cost of one temporary stoppage as assessed by the Railway Board ranged between Rs.4376 and Rs.5396. The Zonal Railways were directed to review stoppages for withdrawal and send recommendation to the Railway Board. The following criteria were fixed for the provision/withdrawal of stoppages-

(i) no stoppages to be provided when the trains are passing at odd hours,

(ii) no stoppages to be provided to long distance trains in Sub-urban sections, and

(iii) no stoppages to be provided in sections having a capacity utilization above 90 per cent.

After reviewing the status of stoppages, Southern Railway Administration intimated (February 2007) the Railway Board that there were 126 stoppages for Mail/Express trains having issue of less than 40 tickets for sleeper class per day per train. These stoppages were described as having been provided (i) at the requests of MOSR/MPs (ii) with the approval of the Railway Board and (iii) at station (Chennai Beach) in the heart of the city. Railway Administration, however, did not recommend for their elimination.

A review of records in Audit connected with the temporary stoppages existing as on 1 April 2006 and introduced thereafter up to 31 October 2007 revealed that 88 stoppages (69 stoppages as identified by the Administration and 19 stoppages introduced during November 2006 to October 2007) were uneconomical. Out of these, 77 stoppages were falling under at least one of the criteria. After deducting the earnings from reserved tickets, the continuance of these stoppages resulted in an avoidable net loss of Rs.25.36 crore. Similarly, avoidable loss due to continuance of uneconomic temporary stoppages was also noticed on South Central Railway (18 stoppages- Rs.6.14 crore), Northeast Frontier Railway (13 stoppages-Rs.1.71 crore) and South Eastern Railway (1 stoppage-Rs.0.33 crore).

In spite of the policy guidelines laid down by the Railway Board for the provision/elimination of uneconomic temporary stoppages, Railways continued them resulting in avoidable loss of Rs.33.54 crore.

When the matter was taken up (March 2009) with the Southern Railway Administration, they stated (August 2009) that stoppages are decided based on certain parameters, including social service obligations. Provision of temporary stoppages on the representations of public representatives can not be ignored. It is not feasible to withdraw the stoppages with out considering the patronage over a period of time. As such, Railway Administration sought for the regularization of temporary stoppages. The reply is not tenable as Railway Board's guidelines of June 2005 specifically addressed the issue of cost of stoppage and need for recovery thereof. These stoppages though stated to have been initiated on Public representations/meeting social obligations should have been discontinued as even the minimum cost of stoppage could not be recovered.

5.4.2 Northeast Frontier Railway: Avoidable expenditure due to injudicious constitution of Arbitration for settlement of claims on 'Excepted matters'

Injudicious constitution of arbitration for settlement of claims on 'excepted matters' in violation of the contractual provisions resulted in an avoidable expenditure of Rs.6.76 crore

As per General Conditions of Contract (GCC), 1979 and 1998, all disputes and differences arising out of contracts and specifically falling under the category of 'excepted matter' should be excluded from the purview of the arbitration clause and not referred to arbitration and the decisions of the Railway authority thereon shall be final and binding on the contractor. The Supreme Court of India in their judgement of March 2002 had clearly laid down that the claims on 'excepted matters' should not be allowed to be arbitrated upon.

Audit scrutiny of 18 numbers of arbitration cases settled during 2004-08 revealed that although in all the cases the claims were falling under the category of the 'excepted matters' i.e. non-arbitrable, they were referred to the Arbitrator indiscriminately for adjudication. Subsequently, the award given by the Arbitrator was honoured by the Railway Administration without making any effort to challenge their arbitrability in the Court. This has resulted in gross violation of contractual sanctity and verdict of the Supreme Court. Thus, injudicious constitution of arbitration for settlement of claims on 'excepted matters' resulted in avoidable payment of claims of Rs.6.76 crore to contractors, which were otherwise not payable.

When the matter was taken up with the Railway Administration (March 2009); they stated (July 2009) that they have challenged the award in court but could not obtain favourable order in some cases as there was no leading case disposed by the court in support of Railway and due to this reason award had to be honoured.

The reply of the Railway Administration is not acceptable because Clause 63 of the General Conditions of Contract, 1998 clearly stipulates that all matters specifically provided under statute for finality in decision by the Railway authority shall be deemed to be excepted and not referable for arbitration.

Further, the Railway Administration had in no occasion challenged arbitrability of the claims placed at the disposal of the arbitrator. Thus, by referring 'excepted matters' for arbitration in 18 cases, the Railway Administration sustained avoidable expenditure of Rs.6.76 crore.

5.4.3 South Eastern, North Eastern, West Central, Southern, South Western and East Central Railways : Non-implementation of Railway Board's orders

Failure to switch over from old BSNL scheme to new scheme of M/s Bharati Airtel for Closed User Group (CUG) phones led to extra expenditure of Rs.5.68 crore

As per Railway Board's order dated 15 February 2008 a new Closed User Group (CUG) (Airtel) scheme was to be implemented in all Indian Railways w.e.f. April 2008 through Rail Tel Corporation of India Limited (RCIL). New CUG scheme was expected to result in substantial savings as there was no fixed rental charges unlike existing BSNL CUG scheme. Besides, new CUG scheme offered national CUG as well as free calls in certain CUG plans which would benefit users. The zonal railways were to facilitate RCIL towards installation of all facilities and approvals required for improving coverage of the CUG net work along the railway track. The old CUG/mobile scheme was extended up to 31 March 2008 after which zonal railways had no power to continue out side the new scheme.

Scrutiny of records of Chief Signal and Telecom Engineer, (CSTE) revealed that the new rent free scheme of M/s Airtel was not implemented till May 2009. A proposal was belatedly submitted to RCIL in July 2008 for provision of 8000 connections over South Eastern Railway but the scheme actually materialised from June 2009. However, extent of deactivation of old CUGs could not be ascertained for want of information from the Railway Administration. The Railway Administration continued with 9846 CUG phones under old scheme on payment of fixed monthly rental charges (Rs.325 each) to BSNL and incurred an extra expenditure of Rs.4.47 crore during the period April 2008 to May 2009.

The matter of non-implementation of new CUG scheme w.e.f. April 2008 was brought (April 2009) to the notice of Railway Administration. In reply (June 2009), the Railway Administration while accepting the extra expenditure of Rs.2.86 crore citing actual user no.7329, stated that continuing with the existing CUG scheme (BSNL) was considered unavoidable as net work coverage of Airtel was poor. As such switching over to new CUG scheme without ensuring adequate network coverage would have severely affected train operations. The reply is not acceptable. The actual number of existing users (BSNL) as of May 2008 was 9846. No evidence/details of surrender of any of the existing connections had been noticed. All Zonal Railways barring a few switched over to the new CUG scheme with a little delay. Implementation of the scheme need not have put on hold on account of inadequate quality of signal in some areas which could have been resolved by the service provider.

Similar review conducted on other Railways revealed that the new rent free scheme was not implemented in time and an extra amount of Rs.1.21 crore was incurred as follows:

SL.No.	**Name of Railways**	**Date of implementation of new scheme**	**Amount of extra expenditure**
1.	North Eastern Railway	28-5-2008	Rs.0.14 crore
2.	West Central Railway	16-7-2008	Rs.0.13 crore
3.	Southern Railway	July 2008	Rs.0.57 crore
4.	South Western Railway	16 August 2008	Rs.0.33 crore
5.	East Central Railway	July 2008	Rs.0.04 crore

5.4.4 Southern Railway: Incurrence of avoidable cost of operation due to non-cancellation of poorly patronized trains

Railway's failure in canceling poorly patronized trains resulted in incurrence of avoidable operational cost to the extent of Rs.5.39 crore

Railway Board ordered Railways (June 2005) to propose cancellation of trains having earning potential below 30 percent on an average for the whole year in both directions. Trains having good earning potential only in few peak months and below 30 percent during a major portion of year (more than six months) were also to be proposed for cancellation during lean months. Final decision on General Manager's proposal was to be taken by the Railway Board.

Railway Administration, considering above criteria, identified 14 poorly patronized trains for cancellation and furnished (November 2006) the proposal to Railway Board. The proposal for cancellation was not responded to by the Railway Board nor was the case pursued thereafter by the Railway Administration. The subject list included train Nos. 839/834 running from Vriddhachalam (VRI) to Cuddalore (CUPJ) and train Nos. 840/833 running from CUPJ to VRI. Poorly patronized Train Nos.105 and 106 running between Villupuram (VM) and Puducherry (PDY) were reported as already cancelled.

A review of census reports for the period May 2006 to November 2008 revealed that all trains proposed for cancellation and Train Nos. 105 and 106 were still running. It was further noticed in Audit that the occupancy in passenger Train Nos. 839/834, 840/833, 105 and 106 had been continuously below 30 percent both in peak/lean periods. Train Nos. 105 and 106 were running utilizing the slip coaches moved between Chennai Egmore (MS) and VM by Train Nos.6123/6124 for five days a week. The services were converted to regular trains with revised timings from 8 February 2008. For the cancellation of Train Nos.839/834 and 840/833, crew rest room facility was required at CUPJ. Further, due to non-availability of water hydrant facility at CUPJ, watering for the Train Nos.835 (a pairing train) was needed to be done at VRI. No arrangements for providing these facilities were, however, made (March 2009) by the Railway. Non-cancellation of these trains resulted in incurrence of avoidable operational cost to the extent of 5.39 crore during January 2007 to March 2009.

When the matter was taken up (March 2009) with the Railway Administration, they stated (August 2009) that Train Nos.105/106 were retained due to popular demand and after re-organising the services from 8 February 2008. Train No. 833/834 could not be cancelled due to lack of alternate services and operational reasons like non-availability of crew rest room and water hydrants for coach watering at CUPJ. The reply is not tenable in view of the fact that Railway Administration while sending the proposal to the Railway Board in November 2006 for the cancellation of 14 poorly patronized trains including Train Nos.833/834 had already considered these factors. As per Chief Commercial Inspector's Note (February 2007) and Dy. Chief Commercial Manager/PM letter (February 2009), these train services were eminently justified for cancellation due to absence of passenger movements. As such, alternate services were not required and these trains could have been cancelled by creating crew rest room and water hydrants facilities at CUPJ. Further, poor occupancy continued even after re-organising the Train Nos. 105 and 106. Therefore, Railway Administration's contention in regard to these trains is not acceptable.

5.4.5 South East Central Railway: Loss due to non-execution of proper agreement with siding owners

Failure of Railway Administration to execute proper agreement with the siding owners led to loss of Rs.4.32 crore towards cost of labour and additional charges on the cost of materials, in respect of wagon damage and deficiency bills

As per Railway Board's order (November 2002), the siding owners were liable to pay the charges (Labour and Material Cost) for repair of wagons, damaged due to defective tippler/retarder. In the order, Railway Board directed zonal railways to incorporate the necessary clause in the commercial agreement, executed with the siding owner in order to facilitate recovery of damage/deficiency charges from them. Rules also provide that Freight (5 per cent), Incidental (2 per cent) and Departmental (12.5 per cent) charges should be levied on the cost of material.

Audit scrutiny of damage and deficiency (D&D) bills of three sidings of Bhilai Steel Plant for the period from January 2003 to December 2008 revealed a number of discrepancies in preferring bills. Labour cost was not included in the bills from January 2003 to December 2005 and from January to December 2007. The bills from January to December 2006, including the element of labour cost are still pending in absence of any such agreement and the half yearly bills for the year 2008 are yet to be preferred. As such, an amount of

Rs.4.13 crore towards labour cost in respect of D&D bills for the period from January 2003 to December 2007 remains un-recovered.

It was also noticed that the freight, incidental and departmental charges were not included on the material cost and thus, a loss of Rs.0.19 crore was sustained by the Railway.

In reply to the audit comments, the Divisional Railway authority stated (March 2009) that in absence of any agreement, siding owners did not agree to pay the labour cost. However, they agreed to include the freight, incidental and departments charges on material cost from the January 2008 bills.

Thus, due to failure of Railway Administration to execute proper agreement with the siding owners, a loss of Rs.4.32 crore had to be sustained towards cost of labour and additional charges on the cost of materials, in respect of wagon D&D bills.

5.4.6 Northeast Frontier Railway: Poor planning in deployment of surplus gang staff

Poor deployment of surplus gang staff resulted in compromising with safety requirements of deficient sections and rendered Rs.2.02 crore on pay and allowances unfruitful

Railway Board had issued instructions (April 1989 and November 2000) that suitable advance planning should be done to identify areas in which staff was likely to be rendered surplus so that the surplus staff can be suitably and quickly re-deployed in other areas, where there are additional requirement of staff for operation and maintenance of additional/ new assets.

Audit scrutiny of records revealed that although the Railway Administration was well aware of the impending dismantlement of MG track between Mukuria – Alubari Road section consequent upon the gauge conversion of Katihar – Mukuria section, they did not plan in advance for gainful re-deployment of the surplus staff. The Mukuria – Alubari Road section was planned for dismantlement in May 2002 and was permanently suspended in July 2007. It was noticed that 255 gang man staff working in this section rendered surplus were re-deployed in the adjacent Broad Gauge (BG) section (Mukuria - Kishanganj) and MG section (Alubari Road - Naksalbari) without proper assessment of the requirement of gang staff for these sections.

Of the total 255 re-deployed gang men 135 (Gang mate-9, Keyman-4 and Trackman-122) did not have useful work to perform, and there was shortage of 432 gang staff (Gang mate-27, Keyman-46 and Trackman-359) in nine other sections of the same Katihar Division as on July 2007. The Railway Administration, however, failed to take cognizance of this ground reality. During test check of records of seven deficient sections of Katihar division it was revealed that three accidents that had occurred during October 2008, January 2009 and May 2009 were attributable to the shortage of gang staff. It may also be added here that the Standing Committee on Railways (2004) had opined that major contributing factors for accidents have been that of 'human failure'. They were of the firm view that safety being a sacrosanct area must be given top priority and to ensure this, had suggested that the Railways must concentrate on re-training the existing work force and re-deploy the staff as far as possible

When the matter was taken up (January 2009), the Railway Administration accepted (May 2009) that the fact (dismantlement of MG track and re-deployment of staff likely to be rendered surplus) was known to them. Re-organisation of jurisdiction of Permanent Way Inspectors (PWIs) was however on the cards at that point of time and the revised workload was likely to affect the actual gang staff requirement. Hence the surplus staff was kept at the adjacent Broad Gauge (BG) section till the reorganization was finalized to avoid re-shifting of staff. They also added that the trackmen were also deputed at the work site at level crossings and bridges from safety point of view along with the Inspector of Works (IOWs) staff.

The reply is not tenable in view of the following:

(i) The re-organisation of jurisdiction of PWIs has no bearing on the re-deployment of surplus gang staff. The re-organisation of jurisdiction was aimed at re-distributing the workload of PWIs by increasing the number of posts and was not likely to have any impact on the actual requirement of gang staff for maintenance work of track especially on deficient sections.

(ii) The re-deployment of surplus gang staff for maintaining level crossing and bridges did not serve any useful purpose as the skill-sets required for maintenance of level crossings and bridges are different from the skill-sets of the gang staff due to primary difference between the nature of two jobs. Moreover, Audit noticed that the surplus gang staff (i.e. trackman etc.) was not at all deployed at level crossings and bridges along with the IOWs staff.

Thus, the Railway Administration's inaction to redeploy surplus gang staff amounted to compromising with the safety requirements of such deficient sections without obtaining full benefit of Rs.2.02 crore of pay and allowances incurred on them during the period July 2007 to December 2008.

5.4.7 North Western Railway: Diversion of railway revenue to private account

Non-remittance of railway revenue to the tune of Rs.1.96 crore realised through commercial exploitation of railway institutes/ clubs

Rules/orders provide that a Railway Institute should be looked upon as a club provided by the Railway rent free for the benefit of its employees and the General Manager may frame rules for use of Railway premises/ institutes/ clubs. The Railway Building and Railway land if any is given to the Institute to run its day to day welfare activity. The Institutes have been permitted to use the assets for non-commercial activities such as cultural celebration, sport activities and function etc. The powers for the commercial exploitation of the Railway land by way of temporary/ permanent licensing are rested only with the Railway Administration and the institutes cannot undertake the licensing for commercial purpose. The revenue generated through the commercial exploitation is to be credited to Railway earnings

Scrutiny of records regarding land and buildings provided for the use of Railway institutes of Ajmer, Bikaner, Jodhpur and Jaipur Divisions revealed that Railway institutes/clubs had been commercially exploited without any permission from the competent authority and the revenue earned there form was not credited to the Railway revenue. It was noticed that in Ajmer Division, earnings of Rs.1.14 crore realised through commercial exploitation of Railway institutes/clubs during the period from 1996-97 to 2007-08 was not credited to Railway revenue. Similarly in Bikaner Division, earnings of Rs.0.22 crore for the period 1997-98 to 2007-08, in Jaipur Division earnings of Rs.0.35 crore for the period 1997-98 to 2007-08 and in Jodhpur Division earnings of Rs.0.25 crore for the period 2004-05 to 2007-08 were also not credited to Railway revenue. This has resulted in non-remittance of railway revenue of Rs.1.96 crore.

When the matter was brought to the notice of Railway Administration in February 2009, they stated (April 2009) that to generate funds, temporary licensing is done for day to day maintenance, running and upkeep of institutes/ clubs, the earnings thus realised are used for conducting welfare activities and maintenance of institutes/ clubs, which otherwise the Railway Administration would have to do by incurring expenditure. Hence there was no loss to Railway by way of un-realised earnings. The reply is not acceptable as the institutes had generated funds over and above the requirement of their maintenance/ upkeep though commercial leasing. The Indian Railway Establishment Manual, Volume II lays down broad guidelines for the running of a rent free institute mainly for the benefits of its employees and does not envisage commercial exploitation of Railway land/ institutes. These clearly stipulate that the Institute/ club shall be responsible for maintenance and upkeep of their premises through their own sources. In this connection it is also stated that the Divisional Railway Manager, Ajmer had correctly raised (October 2006) the issue of remittance of earnings to the Railway funds generated through commercial exploitation of Railway land/ institutes.

CHAPTER 6: AUDIT EFFECTIVENESS

6.1 Audit objections issued, settled and outstanding

During the year 2008-09, based on the results of test audit, a total of 14046 Audit objections were issued through Special letters, Part-I Audit Notes and Inspection Reports. Besides these, there was a carry forward of 31857 audit objections pertaining to the previous years. A total of 14591 Audit objections were settled during the year after the Railway Administration recovered/ agreed to recover the amounts involved or had initiated corrective/ remedial action. The balance 31316 audit objections outstanding as on 31 March 2009 involve financial irregularities amounting to Rs.14455.88 crore.

6.2 Recoveries at the instance of audit

As a result of cases of undercharges in realization of freight and other earnings, overpayments to staff and other agencies, non-recovery of dues of the Railway etc. brought to the notice of the Railway Administration during the year 2008-09, an amount of Rs.83.98 crore as detailed below has been accepted for recovery (Rs.53.79 crore was recovered and Rs.30.20 crore was agreed to be recovered):

Sl. No.	Railway	Amount (Rs. in crores)
1.	Southern	20.00
2.	Eastern	8.25
3.	Northern	7.83
4.	North Eastern	7.19
5.	East Central	7.18
6.	Northeast Frontier	6.28
7.	West Central	5.36
8.	South Eastern	4.74
9.	North Western	3.10
10.	South Central	2.99
11.	Western	2.77
12.	South East Central	1.91
13.	North Central	1.61
14.	COFMOW	1.59
15.	South Western	1.37
16.	East Coast	0.81
17.	Central	0.58
18.	RPU & Metro	0.43
	Total	**83.98**

Out of total amount of Rs.83.98 crore accepted for recovery, an amount of Rs.35.09 crore pertained to transactions which were checked by Accounts but the errors could not be detected by them. An amount of Rs.2.09 crore pertained to recoveries made by Railway Administration, as a result of further review done by them, on the basis of audit objections.

6.3 Response of the Ministry of Railways (Railway Board) to Provisional Paragraphs

In order to implement the recommendations of the Public Accounts committee (PAC), Ministry of Finance issued instructions (June 1960) to send replies to Draft audit Paragraphs (Provisional Paragraphs) proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks from the date of issue.

For this Railway Audit Report, 90 Provisional Paragraphs were issued. Reply to 30 Provisional Paragraph has been received (December 2009).

6.4 Follow up on Audit Reports

To ensure the accountability of the executive on all issues dealt with in the Report of the Comptroller and Auditor General of India, the PAC had decided (1982) that the concerned Ministries/ Departments of the Government of India should furnish corrective/ remedial Action Taken Note (ATNs) on all paragraphs contained therein.

Taking a serious view of the inordinate delays and persistent failures in furnishing ATNs within the prescribed time limit, PAC had desired in their Ninth Report (Eleventh Lok Sabha) presented to Parliament on 22 April 1997 that henceforth corrective/ remedial ATNs, duly vetted by Audit, on all paragraphs included in the Reports be furnished within four months after the Report is laid on the table of the Parliament.

The position of ATNs furnished by the Railway Board (December 2009) on the paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Railways) upto the year ended 31 March 2009 is given below:

Year	Total para.	No. of para on which ATN finalised	No. of Paragraphs on which ATNs are pending				
			Not received	ATN on which comments sent to Railway Board.	ATNs finally vetted.	ATN under verification by Audit.	Total
1995-96	85	84	0	1	0	0	1
1996-97	95	94	0	1	0	0	1
1997-98	96	93	1	2	0	0	3
1998-99	106	99	3	1	2	1	7
1999-00	101	94	3	2	1	1	7
2000-01	101	96	1	3	1	0	5
2001-02	101	84	4	10	1	2	17
2002-03	110	86	8	11	2	3	24
2003-04	114	86	12	10	4	2	28
2004-05	105	64	13	13	8	7	41
2005-06	138	70	22	22	12	12	68
2006-07	165	22	57	40	17	29	143
2007-08	172	2	98	28	15	29	170
Total	**1489**	**974**	**222**	**144**	**63**	**86**	**515**

ATNs in respect of 222 Paragraphs relating to the Report for the year 1997-98 to 2007-08 have not been furnished at all (31 December 2009). Besides, 144 ATNs received for vetting by Audit are outstanding because adequate remedial action has not been taken. In 86 cases the action stated to have been taken is under verification by Audit.

(NARENDRA SINGH)
New Delhi **Deputy Comptroller and Auditor General**
Dated:

Countersigned

(VINOD RAI)
New Delhi **Comptroller and Auditor General of India**
Dated: