

I

Preface

This report of the Principal Director of Audit, East Coast Railway, Bhubaneswar for the year ending 31st Mar 2012 has been prepared for issue to the General Manager, East Coast Railway, Bhubaneswar. This report flags the important matters which, in our opinion, are required to be brought to the attention of the General Manager, East Coast Railway.

This report covers comments arising from the audit of the accounts of East Coast Railway for the year 2011-12 and other issues that we noticed in the course of the test audit of transactions of all the departments, viz, Engineering, Mechanical, Electrical, Signal & Telecommunication, Traffic, Commercial, Medical, Personnel and construction organization of East Coast Railway. The audit observations contained in the report are essentially based on the results of audit conducted during the year 2011-12 but there are, however, matters relating to the transactions pertaining to the earlier years mentioned, wherever relevant.

Report of the Comptroller and Auditor General of India for the year ending 31st March 2012 has been prepared and submitted separately to the President of India under Article 151 (1) of the Constitution of India.

B.K. Mohanty
Principal Director of Audit

II

<u>TABLE OF CONTENTS</u>		
<u>Chapter</u>	<u>Subject</u>	<u>Page No.</u>
	Preface	
	Introduction	
	Organization Chart of East Coast Railway	
Chapter-1	Financial Results	
Chapter-2	Appropriation Accounts	
Chapter-3	Traffic-Commercial	
Chapter-4	Engineering- Open line	
Chapter-5	Electrical Engineering	
Chapter-6	Mechanical	
Chapter-7	Personnel	
Chapter-8	Signal & Telecommunication	
Chapter-9	Stores	
Chapter-10	Construction	
Chapter-11	Audit Effectiveness	

III

INTRODUCTION

The Comptroller and Auditor General (CAG) is one of the most important functionaries under the Constitution of India. The CAG is an authority sui generis created by the Constitution of India for conducting audit of the accounts of the Union, the States and the Union Territory including Government Corporations and Companies. His functions are derived in the main from Articles 149 to 151 of the Constitution and these have been further defined by the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act-1971 and the amendment Act, 1976. As per Art.151 of the constitution, the reports of the CAG relating to the accounts of Union has to be submitted to the President, who shall in turn shall cause them to be laid before each house of the Parliament.

Indian Railways is the largest organization under the control of the Union Government. It is one of the biggest contributors to the Consolidated Fund of India and a source of huge revenue generation for the Union. Being the largest Railway network under single ownership in the world, largest employer and the principal carrier of Goods and Passengers in India, it discharges socio-economic obligation also. Being one of the important organizations under government sector it plays crucial role in overall development of India. The process of separation of accounting and auditing functions on the Railways was completed in 1929 as a sequel to one of the recommendations of the Acworth Committee. Under this arrangement, the Comptroller and Auditor-General has been relieved of the responsibility of compiling the accounts of Railway department. Comptroller and Auditor General's responsibility for statutory audit of the accounts of Indian Railways is the same as that for the other departments of the Government of India.

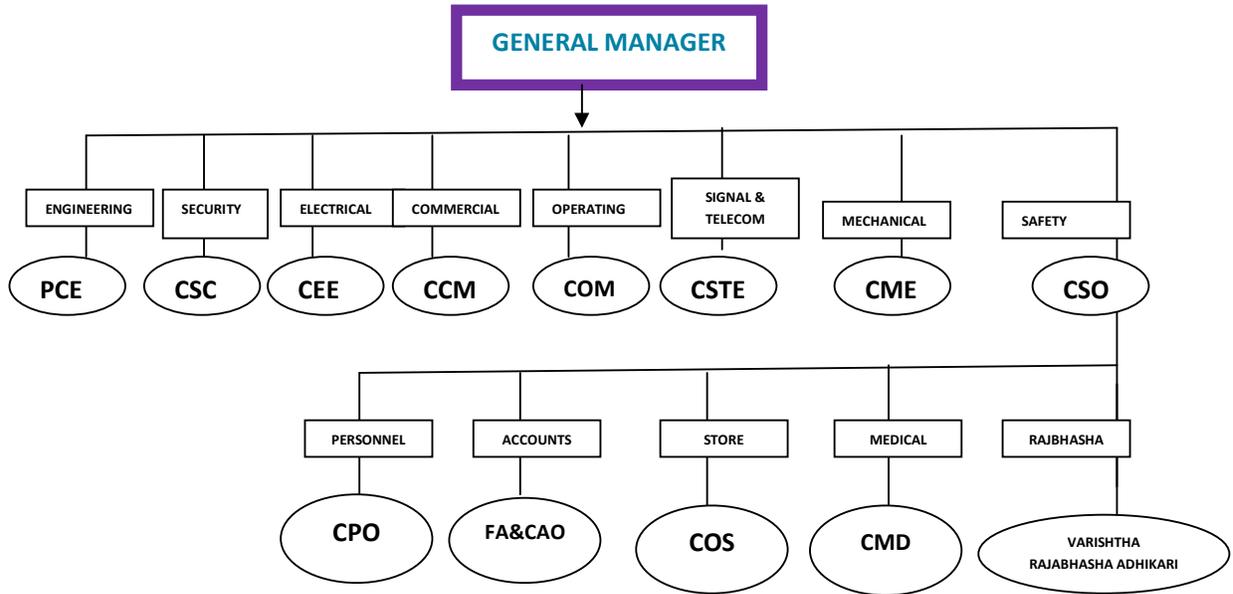
Under aegis of the Constitution of India the CAG is the final audit authority of the accounts of Indian Railways as a Government department and organisation. His responsibility for the audit of Railway accounts is discharged through the Deputy Comptroller and Auditor General of India (DAI). The DAI is assisted by a Director General (Railways). There are also Zonal Principal Directors of Audit (PDAs) under the DAI having their offices at the Headquarters of the Railways to which they are attached. The Audit of Divisions in Railways is carried out by Divisional Audit Officers working under Principal Directors of Audit of each Railway.

The Deputy Comptroller and Auditor-General of India (Railways) is responsible for preparation of the Report of the Comptroller and Auditor-General of India, Union Government (Railways) [Railway Audit Report – 'RAR'] which includes inter alia comments on the Appropriation Accounts of Railways compiled by Ministry of Railways (Railway Board), review reports (e.g. Performance audit report, Theme based review report, IT audit report, etc.) and reports on financial transactions.

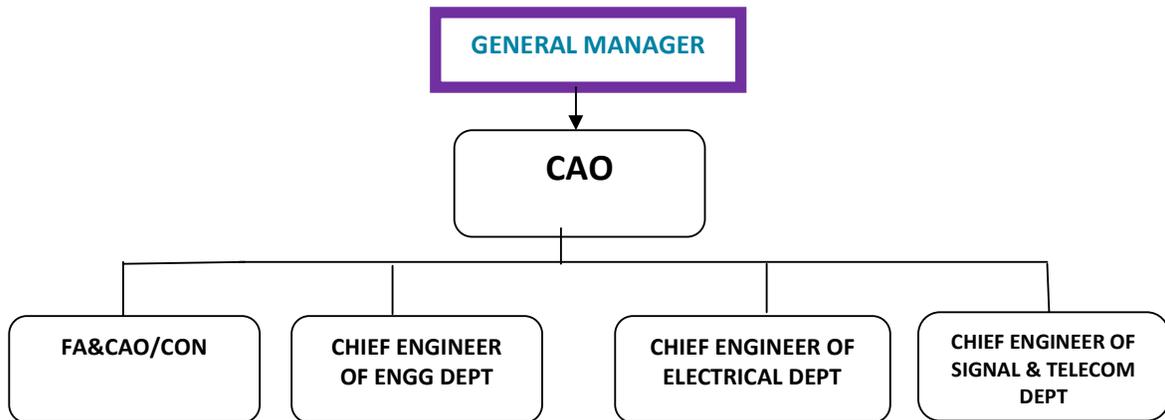
The CAG has ordered to publish a Zonal Audit Report for each Zonal Railway which would include those important audit objections which had been raised on the Zonal Railway Administration but were not finally included in the RAR. Accordingly, a comprehensive Zonal Audit Report for the East Coast Railway has been prepared for the financial year 2011-12.

ORGANISATION CHART OF EAST COAST RAILWAY

OPEN LINE



CONSTRUCTION WING



Three field offices of Construction wing are located at Khurda Road, Sambalpur and Visakhapatnam and are headed by Dy. Chief Engineers of various wings.

Chapter 1 – Financial Results

This chapter provides a broad perspective of the finance of East Coast Railway (ECoR) during 2011-12 and analyses the critical changes in the major financial indicators from the previous year as well as the over all trend.

Highlights

- There was a growth of 1.40 percent (₹ 124.69crore) in gross traffic receipts over 2010-11.
- The total working expenses increased by 5.79 percent (₹ 220.04Crore) compared to the previous year.
- The operating ratio, which was 42.82% in 2010-11, has increased to 44.68% in 2011-12.
- The earnings from coaching services was 8.96% of total earnings in 2011-12.
- The earnings from Goods services was 90.25% of total earnings in 2011-12.
- The earning from other sources (Sundry Earning) was 0.9% of total earnings in 2011-12.

1.1 Summary of receipt and expenditure of East Coast Railway

The financial results of the ECoR for the year 2011-12, in comparison to the year 2009-10 and 2010-11 is shown below:-

Financial Statement at a Glance (₹ in Crore)

Sl. No	Particulars	2009-10	2010-11	2011-12
1	Gross Traffic Receipt			
	(a) Gross Earnings	7023.93	8887.81	9012.5
	(b) Suspense	2.55	-0.13	-10.82
	Gross Receipt	7026.48	8887.68	9001.68
2	Total Gross Expenditure			
	(a) Total Ordinary Working Expenses(OWE)	2792.2	3027.20	3176.94
	(b) Appropriation to D.R.F	108.67	261.00	273.08
	(c) Appropriation to Pension Fund	488.22	517.95	576.53
	(d) Working Expenses (Excluding suspense) [OWE+DRF+PF]	3389.09	3806.15	4026.55
	(e) Suspense	-18.54	3.57	9.96
	Total Gross Expenditure	3370.55	3809.72	4036.51
3	Net Traffic Receipt	3655.93	5077.96	4965.17
4	Percentage of ordinary working expenses to Earnings (Operating Ratio)	48.25	42.82	44.68
5	Net Misc. Receipt (Misc. Receipt- Misc. Exp)	90.83	-21.20	-383.56
6	Net Revenue Receipt (Net Traffic Receipt+ Net Misc. Receipt)	3746.76	5056.76	4581.61
7	Percentage of net Revenue receipt to Capital at charge	92.30%	114.96%	97.23%
8	Payment to General Revenue	258.30	209.78	225.27
9	Net gain	3467.36	4850.67	4377.11
10	Capital at charge	3922.03	4373.09	4712.06
11	Percentage of net gain or loss to capital at charge	88.40	110.92	92.88

1.2 Gross Traffic Receipts

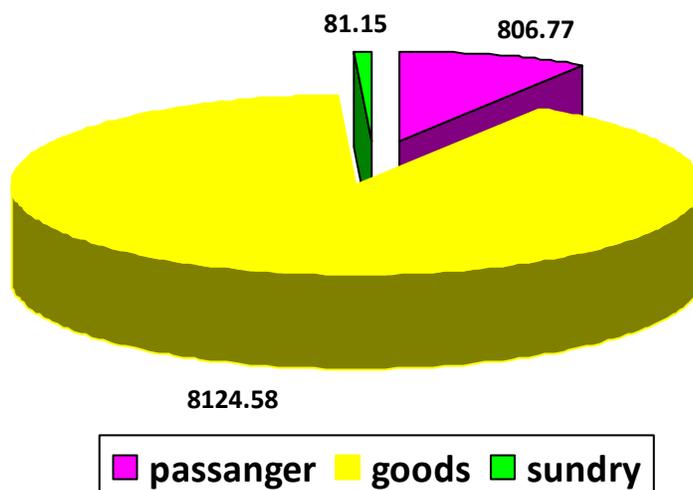
The detailed break-up of the traffic receipts of the Railways for the year 2010-11 along with the details of BE, RE and actual of previous year's receipts are shown below:

Gross Traffic Receipts				
Traffic Earnings	Actual 2010-11	Budget Estimates 2011-12	Revised Estimates 2011-12	Actual 2011-12
Passenger	706.89	719.27	807.40	806.77
Goods	8119.51	7291.2	8303.02	8124.58
Sundry	61.41	54	64.80	81.15
Suspense	-0.13	2.00	3.00	-10.82
Total	8887.68	8066.47	9178.22	9001.68

(₹ in crore)

There was over all increase in traffic earnings by ₹ 114 Crore (1.28%) during the year 2011-12 as compared to previous year 2010-11

Gross Traffic Receipt 2011-12



Figures in ₹ Crore

1.2.1 Passenger Earnings

The trend in passenger earnings vis-à-vis the average lead and the average rate per passenger kilometre over the three years are as follows:

Passenger Earnings					
Year	Passenger earnings (₹ in crore)	Passenger originating (in millions)	Passenger carried (in millions)	Passenger Km	Average earning per passenger km
2009-10	582.18	71.17	82.32	12556.13	46.37
2010-11	648.40	79.37	91.96	13955.01	46.46
2011-12	747.43	86.01	99.76	15420.84	48.47

From the above, it would be seen that during the year 2011-12, passenger earnings went up by 4.32% over the previous year. During the year 2011-12 originating passengers in East Coast Railway were 86.01 million against 79.37 million of 2010-11. The number of passenger carried by ECoR increased by 8.36% in 2011-12. The average earnings per passenger Km has however, registered a marginal increase of ₹ 2.01 crore.

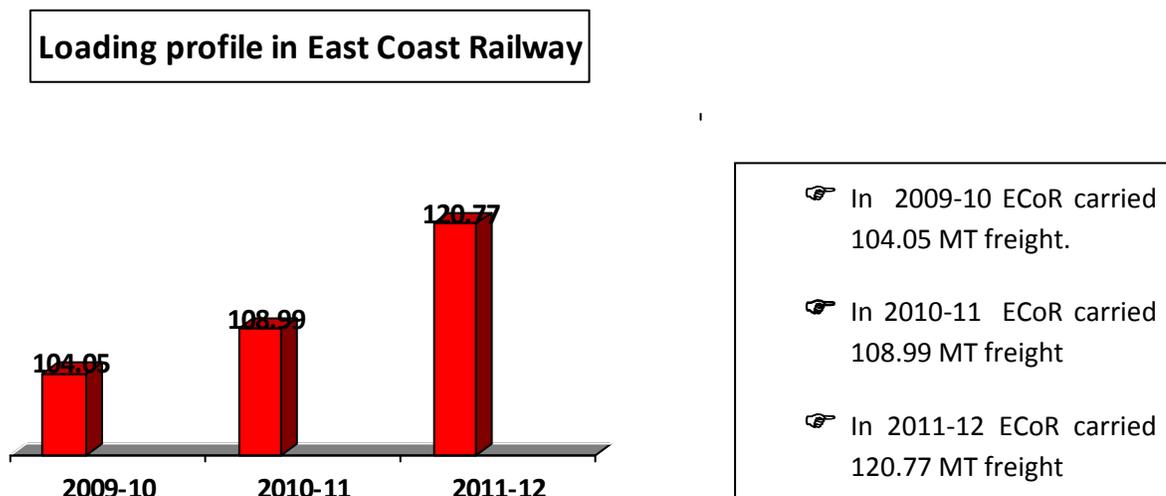
1.2.2 Goods Earnings

The trend in Goods earnings vis-à-vis the average rates per tonne kilometer over the three years are as follow:-

Goods Earnings

Year	Freight Net Tonne originating (Revenue) (in million tonne)	Freight Net Tonne (in million tonne)	Freight Net Tonne Km (million)	Earnings from Goods Carried (₹ in lakh)	Average earnings per Tonne km
2009-10	104.05	154.67	54114	6302.40	116.46
2010-11	108.99	161.80	57965	8024.29	138.43
2011-12	120.77	169.55	59968	8040.95	136.36

From the above, it can be seen that during the year 2011-12, Goods Earnings went up by 0.2% (₹16.16 Crore) over previous year. The volume of Goods carried increased from 108.99MT in 2010-11 to 120.77MT in 2011-12, there by increase of 10.80% over the previous year.



1.2.3 Unrealised Earnings

The parties against whom outstanding dues were in excess of ₹ 25 lakh as on 31st March 2012 were as follows.

Unrealised Earnings

Sl No.	Category	Name of the Party	Outstanding dues as on 31st Mar'2011	Outstanding dues as on 31st Mar'2012
1	Steel Plants	NINL Sukinda, RINL VSPS, Bhusan, Aryan Ispat Lapanga,	54.71 lakh	27.30 lakh
2	Electricity Board	NTPC Kanhia, APSEB, TNEB, NTPC Shimadri	76.14 lakh	176.17 lakh
3	Cement plant	Andhra Cement, ICL Bargarh	41.96 lakh	37.37 lakh

1.3 Demands Recoverable

The Demands Recoverable represents outstanding in respect of (i) rent/lease charges for letting out Railway land and buildings and (ii) interest and maintenance charges from siding owners. The Demand Recoverable of East Coast Railway declined from ₹ 0.95 Crore at the end of March-11 to ₹ 0.71 Crore at the end of March-12

1.4 Efficiency Indices

The financial efficiency and performance of East Coast Railway can be best assessed from its financial performance ratio viz., 'Operating Ratio', 'Capital –Output Ratio' and 'staff productivity' as discussed in the ensuing paragraphs.

1.4.1 Operating Ratio

The Operating Ratio represents the percentage of Gross Working Expenses to Gross Earnings.

(Figures ₹ in Crores)

Details	2009-10	2010-11	2011-12
Gross Earnings	7024	8888	9002
Gross Working Expenses	3389	3806	4027
Operating Ratio	48.25%	42.82%	44.68%
Surplus	3635	5082	4975

From the above it can be seen that there is variable trend in operating Ratio, which indicates that East Coast Railway has bettered its performance in the year 2010-11 in comparison to 2009-10 and 2011-12.

1.4.2: Capital-Output Ratio.

Capital-Output Ratio i.e; Capital employed for Net Tonne Kilometere (NTKM) indicates the extent to which the operating measures and technological advancements have helped:

Period ending	Total Capital invested (₹ in millions)	Goods Traffic (in million NTKMs)	Passenger Traffic		Total Traffic (in million NTKMs)	Capital at charge (in paise) per NTKM (Col -2/ Col-6)*100
			Passenger Kilometers (in millions)	Million NTKMs		
1	2	3	4	5	6	7
Mar 2010	15954	57689	12556	958	58647	27.20
Mar 2011	17391	61849	13955	1067	62916	27.64
Mar 2012	15615	67776	15420	1179	68995	22.63

The capital output ratio shows physical performance as compared to capital employed. The figure shows better performance in the year 2011-12 as compared to that of 2010-11.

1.4.3: Staff Productivity

Period ending	Number Staff (in thousand)	Total traffic (in million NTKM)	Traffic (per thousand employee) in NTKMs
Mar 2010	42,610	58647.14	1376.37
Mar 2011	41,526	62916.03	1515.09
Mar 2012	41,219	68995.24	1673.86

The staff productivity shows improvement over the years.

1.5 Status of Railway Funds

The following funds were financed through revenue or surplus except Railway Safety Fund, which is funded from a share of the Diesel Cess. The status of these funds at the end of the year 2011-12 is as follows.

1.5.1: Depreciation Reserve Fund

(₹ in crore)

Year	Opening Balance	Accretion during the year	Withdrawal during the year	Balance
Mar 2010	537.08*	148.63	245.15	435.57
Mar 2011	435.84#	282.71	242.77	475.78
Mar 2012	475.21@	297.45	248.57	524.09

*TWFA amounting to ₹ 6.19 Crore.

TWFA amounting to ₹ 0.27 Crore

@ TWFA amounting to ₹ (-) 0.57 Crore.

The contribution to DRF was not made on the basis of historical cost, expected useful life and expected residual life of the asset but was dependent on the amount which the Working expenses could bear. Since the renewal/ replacement of assets should be a high priority item, it is imperative that contribution to DRF should be made in a well- founded and transparent manner.

1.5.3: Pension Fund

Year	Opening Balance	Accretion during the year	Withdrawal during the year	Balance (₹ in crore)
Mar 2010	2175.03	644.03	386.81	2432.25
Mar 2011	2432.25	644.03	393.25	2683.03
Mar 2012	2683.03	715.22	394.97	3003.28

The fund position seems to be sound due to more contribution and less withdrawal.

Chapter 2 – Appropriation Accounts

This chapter outlines financial accountability and budgetary practices through audit of appropriation accounts. Railway budget is an instrument of parliamentary financial control and at the same time, an important management tool. Statutory audit seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and also whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. During the year 2011-12 the following irregularities were noticed by the Audit:

Highlights

Finance Account

- ❖ Wrong transaction under Major Head 8445- Indian Railway Deposits- withdrawal amounting to ₹ 693361 was treated as minus credit (credit side) instead of debit (debit side)

The Objection was accepted and reflected in Annexure-J as Mistake in Accounting.

- ❖ The accumulated deferred dividend of ₹ 4,07,46,645.00 up to 31.03.2011 (Cuttack-Paradeep New lines) was not paid during 2011-12 though the said line was opened for traffic (10.06.2005) and payment of current dividend started during 2011-12.

However, an amount of ₹ 405.70 crore has been adjusted towards irregular claim of subsidy in respect of new lines/projects, objected by Audit in earlier years.

- ❖ Improper account of ₹ 18468.00 towards RTI receipts under Sundry Earnings instead of Major Head -0070 –other Administrative services-118 receipts. This is a repetition of similar mistake occurred in 2010-11.

The objection was accepted and reflected in the Annexure-J- Statement of Misclassification and mistakes in Accounting.

- ❖ The balances appearing in Debt Head Report were not supported by year wise breakup.

The objection was accepted and qualified certificate on DHR was issued on this aspect.

- ✿ The appearances of adverse balance under the Head 6425- Loan for Railway Men's Consumer Co-operative society remained unsettled even during the year 2011-12.

The objection was accepted and qualified certificate issued on this aspects

Suspense Balance

Miscellaneous Advance Revenue

There was a difference of ₹ 51.22 lakhs between the figures furnished in the Balance sheet and net balance arriving in the Appropriation Account under Misc.Adv.Revenue. The difference was due to non receipt of debit balances from S.E Railway to the tune of ₹ 33.21 lakhs and pending elimination of untraceable balance of ₹ 18.01 lakhs by Railway Administration.

Miscellaneous Purchase suspense:

Due to non-observance of standard mode of preparation of Appropriation Account, there was an adverse balance of ₹ 870680 thousands whereas true balances as per the Stores Ledger was only ₹ 70592 thousands. The difference was due to exhibition of total transaction (Dr. & Cr.) for the year 2009-10, 2010-11 and 2011-12 without taking into account the closing balance of ₹ 941272 thousands as on 31.03.2009. Thus the outstanding balance as on 31.03.2012 under Miscellaneous Purchase suspense did not represent the actual position of the ECoR.

The above two objections were accepted and assured to be set right in ensuing year.

Misclassification and Mistake in Accounting: Annexure-‘J’

1. Wrong crediting of fees received towards Right to Information Act-₹ 18,468.00.
2. Non-accounting of value of Rolling stock transferred to or from other Zonal Railway - ₹ 1, 34, 15,472.00.
3. Wrong transaction under Public Account (Indian Railway Deposits).Withdrawal was treated as minus credit instead of debit ₹ 6,93,361.00
4. Irregular debit of pay and allowances relating to Work Charged Gazetted post to Revenue Grant instead of Deposit Misc. for Deposit work-₹ 3, 65,595.00.

5. Wrong booking of debit received towards cost of rewinding /repairing of machines to suspense head (Misc. Adv.Rev) instead of proper Head (Grant No.5)- ₹ 13,98,000.00
6. Wrong booking of expenditure towards payment of fees paid to Retired Govt. Examiner for questioned documents under Suspense Head (Misc. Advance Rev) instead of Gr. No.3- ₹ 2,46,686.00
7. Wrong booking of expenditure towards dispatch of call letter for document verification and medical examination under Suspense Head (Misc. Adv. Rev.) instead of grant No. 3- ₹ 2, 46,686.00.
8. Leave salary contribution received from various organizations in respect of deputation of Railway employee s was treated as reduction in expenditure under Grant No. 13 instead of crediting same to M.H 1001-Misc Receipts of Indian Railway- ₹ 6, 63,145.00.
9. Non-adjustment of Survey cost in respect of Naupada-Gunupur (Gauge conversion projects) in Grant No.16 though the line was opened fro traffic during the year 2011-12 ₹ 5, 94,201.00.
10. Non-adjustment of discrepancy between the provisional interest and actual interest credited to provisional fund (Public Account) and actual interest credited to Subscribers account ₹ 2, 87, 58, 440.00.
11. Non-inclusion of improvement factor relating to expenditure made out of DRF by the units/Division in the Block Account ₹ 193,78,61,174.00.
12. Wrong accounting of penalty recovered from contractor as Indian Railway –Revenue Receipt instead of Indian Railway-Misc. Receipts- ₹ 21,863.00.
13. Irregular accounting of penalty accrued in contractors bills as reduction in expenditure instead of crediting the same under Indian Railway Misc.Receipts- ₹ 1,79,643.00
14. Wrong crediting of liquidated damage recovered from the contractor bills to Sundry earnings instead of Major Head : 1001- Indian Railway Misc.Receipts-₹ 1,13,33,646.00.
15. Irregular booking of cost of vehicle hire charges under Grant No. 7 instead of respective departmental Head under office expanses ₹ 29,51,821.00

16. Irregular booking of repair and maintenance cost of officer's rest house under Grant No.11 instead of Grant No 4 - ₹ 3,56,026.00
17. Wrong booking of capital expenditure on erection of boundary wall as Revenue expenditure ₹ 5, 75,767.00.
18. Wrong booking of expenditure relating to renovation of existing merchant room and provision of labour rest room along with drinking water facility under DF-I (passenger amenities) instead of DF-II (other Railway user's amenities) ₹ 4,00,711.00.
19. Wrong exhibition of ex- gratia payments as voted instead of charged expenditure ₹ 13, 77,885.00.
20. Wrong booking of expenditure relating to construction of additional temporary accommodation at East Point Rest House at Visakhapatnam under DRF (Plan Head No. 31) instead of Development Fund-III(Plan Head-64) ₹ 4,94,386.00.

Out of 20 no. of objection, twelve no. of cases(Sl.no. 1,3,4,5,8,10,12,13,14,15,17 & 20) were accepted and reflected in Annexure-J for the year 2011-12.. Remaining eight no. of cases were dropped after getting assurance from Finance Department.

Balance Sheet

Balance sheet of East Coast Railway as on 31.03.2012 did not contain the following important disclosures regarding significant accounting polices, practice adopted for depiction of various figure in the Assets and liability side. The inclusion of disclosure would make the balance sheets more transparent and reliable in the following areas:-

- The fixed and floating assets represented only the historical cost.
- The capital work –in -progress was included in the fixed assets and floating assets.
- The liability created towards pension and Depreciation was based on yearly contribution to the respective funds in form of an ad-hoc grant which Indian Railways Finance can bear with. No actuarial valuation what so ever was made in order to know the actual pension liability.

On being pointed out by Audit all the items were incorporated in the Balance Sheet for the year 2011-12 in the form of Foot Note.

Profit and Loss Account

The P&L Account of the East Coast Railway did not contain the following important disclosure regarding significant accounting policies, practices or deficiencies in respect of figure depicted in Debit and Credit side of the account. In absence of disclosures the Account did not reflect the true financial picture of the East Coast Railway for the year 2011-12.

- Gross Earning included an amount of ₹ 10.82 crore taken on accrual basis as on 31.3.2012.
- Appearance of negative figure against Subsidy from General Revenue was due to adjustment of Excess subsidy of ₹ 405.7 Cr. Claimed in the earlier year.
- The dividend payable did not include deferred dividend amounting to ₹ 4.07 Cr against Cuttack –Paradeep Line which was due for payment in the F.Y 2011-12.
- The total working Expense includes Apportionment to DRF and Pension fund as advised by Railway Board.

On being objected by Audit, above items were incorporated as Foot Note to Profit & loss Account for the year 2011-12.

2.1 Summary of Appropriation Accounts

Appropriation Accounts for the sum expended during the year ended 31 March 2011 compared with sum authorized in original and supplementary demands for the grants for expenditure are summarized below:-

Summary of Appropriation Accounts					
Voted& Charged	Original Grant	Supplementary Grant	Total Final Grant	Actual Expenditure	Saving(-)/ Excess(+)
Revenue Expenditure(₹ in Crore)					
Voted	3596.67	377.93	3974.6	4176.29	(+) 201.69
Charged	0	2.29	2.29	0.97	(-) 1.32
Total Revenue	3596.67	380.22	3976.9	4177.26	(+) 200.36
Capital Expenditure(₹ in Crore)					
Voted	1568.49	41.16	1609.65	1560.57	(-) 49.08
Charged	1.52	0	1.52	0.98	(-) 0.54
Total Capital	1570.01	41.16	1611.17	1561.55	(-)49.62
Grand Total	5166.68	421.38	5588.07	5738.81	(+) 150.74

It is evident from the above table that the revenue expenditure has exceeded total final grant by 5.03%

It could also be seen from the trend of Capital expenditure that not only the actual capital expenditure is marginally less than the actual sanction of capital, but disproportionate to the earnings of the zone.

2.2 Financial accountability and Budget management:-

Excess and Saving (Revenue grant wise)(in '000 of ₹)					
Revenue Grant no.	Original Grant	Supplementary Grant	Total (OG+SG)	Expenditure	Excess(+)/ Saving(-)
Genl Admn&Suptd (3)	1432900	0	1432900	1367889	(-) 65011
Repair and Maintenance (P.Way)(4)	3232025	435	3232460	3374086	(+) 141626
Repair and Maintenance (Motive Power)(5)	1468601	0	1468601	1353375	(-) 115226
Repair and Maintenance (Carriage and Wagon)(6)	2398841	169500	2568341	2715257	(+) 146916
Repair and Maintenance (Plant & Equipment) (7)	1753231	0	1753231	1712887	(-) 40344

Operating Expenses (Rollingstock & Equipments) (8)	2470460	429066	2899526	2853709	(-) 45817
Operating Expenses (Traffic)(9)	6803830	149005	6952835	6351026	(-) 601809
Operating Expenses (Fuel)(10)	9322774	1377542	10700316	9779160	(-) 921156
Staff welfare fund(11)	1387115	0	1387115	1414388	(+) 27273
Misc. Working Expenses(12)	1344210	1676722	3020932	6724798	(+) 703866
P.F/ Pension and other Retirement benefits(13)	4352700	0	4352700	4125987	(-) 226713

During the verification of expenditure pattern up to minor head/sub-head vis-à-vis sanctioned provisions, cases of excess provision of funds and short provision of funds were noticed. Those were objected as Defects in Budgeting.

2.3 Defects in Budgeting

Large differences between original budget grant and actual expenditure are considered as defects in budgeting. During verification of Revenue as well as Capital Grant in relation to expenditure pattern, it transpired that there are 21 cases of excess provision of funds amounting ₹ 23,96,058 thousands and 11 cases of short provision of funds amounting ₹ 7,27,393 thousands.

Out of 21 cases of Excess provision of funds, 17 cases for ₹ 1790203 thousands and out of 11 cases of short provision of funds, 2 cases amounting to ₹ 91101 thousands were accepted and reflected in Annexure-'K'-Defects in Budgeting during the year 2011-12. Remaining 13 cases were dropped.

2.3 Control over Suspense Accounts

When transactions of receipt or expenditure cannot be classified immediately under the relevant major head of account due to lack of information about the transactions or for any other reasons, they are kept temporarily under different suspense or other transitory heads of accounts. Normally each item under suspense or other transitory head should be cleared as soon as possible. Amount under the suspense balances and other transitory heads should not be allowed to accumulate as it reflects lack of efforts to clear the transaction from the temporary

head and incomplete accounting transactions. Review of balances lying under some of the suspense head/ transitory heads of account of ECoR are as follows.

Control over Suspense (in ₹)		
Sl.No.	Suspense Head	Balance out standing as on March2012
1	Cheque Bills	(+) 842509586
2	Remittance into Bank	(-) 816787269.28
3	PAO Suspense	0
4	Public Sector Bank	(+) 205067767.64

*** The balances are indicative only and not actual as these are variables**

2.4 Unsanctioned Expenditure –Annexure-A

Certain stereo type remarks against unsanctioned expenditure indicated poor initiatives on the part of railway Administration to regularize the unsanctioned expenditure which are very old. Details are:

Want of Estimates: Approval for ₹ 907.60 lakh booked towards Rail facilities for VSKP Steel peripheral Yard Pt-II was pending with Railway Board since 1991.

Excess over Estimates: Status in respects of 47 numbers of cases of excess over estimates pertaining to the period from April'90 to March'12 amounting ₹ 349.30 crore mentioned as “being pursued with executive for regularization of cases”

Miscellaneous Irregularities: Total number of audit objections outstanding as on 30.06.2012 is 16 reports/18 paras amounting to ₹ 47.76 crore (excluding Traffic items), whereas the Appropriation Accounts contained only position in respect of 14 reports involving ₹ 4.80 crores.

2.5 Results of local audit and central audit-

2.5.1 Parking of Central Revenue in Public Accounts

It is observed by Audit that the interest of State Railway Provident Fund (SRPF) balance is drawn from General Revenue (Civil) on provisional basis and actual interest on individual subscribers' account is calculated at a later stage. Analysis of the difference between

provisional interest and actual interest after the closure of subscribers' account from the year 2006-07 to 2009-10 revealed excess drawal of interest amounting to ₹ 3.28 crore.. Thus, an amount of ₹ 3.28 Cr. has been drawn from Revenue Account (2049 –Interest) and parked in Public Account at the end of 2009-10. This is due to lack of reconciliation between ledger balance and balance appearing in Public Account.

The above aspect was taken up with Railway Administration through Inspection Report Part-I. Finance Department assured that action plan was under process for timely calculation of actual interest.

2.5.2: Wrong Inclusion of PF amounts to Audit Department under SRPF

The establishment of Railway Audit comes under Indian Audit and Accounts Department and as such the East coast Railway Audit is the subscribers of General Provident Fund (GPF). The Provident Fund deductions and withdrawal pertaining to Audit Department should be accounted for under Major Head: 8009 –State provident Fund -01-Civil-Minor head-101-General Provident Fund. But the credit and debit particulars are wrongly included under 03-Railway Minor Head-101 State Railway Provident fund which is meant for Railway establishment.

On a test check of accounts and records of PF section of O/o the FA&CAO/ECOR/BBS it was noticed that an amount of ₹ 1,16,90,633 (credit) and ₹ 53,81,960 (debit) relating to PF transaction of audit department/ECOR are classified under SRPF during 2009-10 to 2010-11. This resulted in overstatement of SRPF balances and understatement of GPF balances.

On being pointed out by Audit, the PF transaction of Audit Department was properly exhibited by the Finance Department.

Chapter 3 – Traffic-Commercial and Operations

The traffic department has two distinct business processes, viz., Operations and Commercial. Commercial branch is responsible for the marketing of transportation provided by the Railways, collection, accounting and remittance of freight, fare and other charges. The Operating branch is responsible for transportation of freight and passengers. This chapter focuses on issues of deficiencies in monitoring mechanism, non-adherence/non- implementation of rules and orders, short realization of amounts due, etc.

This chapter also includes results of theme based audit and studies conducted during the year.

3.1 Topics taken up in theme based Audit.

- (i) Non-rationalization of streams of traffic regularly carried by longer route
- (ii) Introduction of new trains
- (iii) Commercial Publicity in Indian Railway.

The above theme based review was conducted during the year 2011-12 and the results of the review pertaining to East Coast Railway reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2011-12.

3.2 Results of local audit and central audit-During local Audit and central Audit the following points were taken up

3.2.1: Short recovery of freight due to charging based on less distances.

As per junction distance table of Various Zonal Railways, chargeable distance between Monnet Ispat and Energy ltd, Barsuan to Monnet Ispat and Energy ltd, Mandirhasaud is 511 km. During the check of records of Goods office, MNDH it was noticed that in one RR No. 212003458 dt. 11.08.2009, iron ore consignment was booked from MIEL, Barsuan to MIEL, MNDH via BUF-BNDM-JSG-MNDH and the chargeable distance was taken as 506.76 km instead of 511 km resulting in short recovery of freight amounting to ₹ 42,989.

The matter was brought to the notice of Railway commercial department through a Part- I A.I.R (Audit Inspection Report) but no reply has been received so far.

3.2.2 Short recovery of Trip charges amounting to ₹ 1, 71,687.

As per commercial circular No. 60(G)/10 dated 19.04.2010, the rate of siding charges for FCI/MNDH has been fixed at ₹ 14,777/- per trip effective from 01.07.2009 to 30.09.2009 and from 01.10.2009 onwards.

During check of trip charges Register maintained in Mandir Hasaud (MNDH) under Sambalpur Division, it was found that though the trip charges have been revised from time to time, the revision was not implemented during the period from 01.07.2009 to 31.07.2010. This has resulted in short recovery of trip charges amounting to ₹ 1, 71,687.

The matter was brought to the notice of Railway commercial department through a Part- I A.I.R and closed after obtaining suitable remarks.

3.3.3 Non-realization of old outstanding detention charges for rake originating from Kirandul.

According to Para 1001 of Indian Railway Code for Traffic (Commercial) Department, one of the functions of the Commercial department is to arrange the prompt clearance of station outstanding. Proper liaison between the station staff and Accounts office should exist both in Divisional Commercial Office and Headquarters commercial office to ensure recovery of such outstanding dues. According to Para 1005 ibid, every effort should be made to keep the outstanding at the end of the each financial year within the target fixed by Railway Board. The commercial and the Accounts Department of the Zonal Railway should jointly arrange special drives for the clearance of outstanding, special emphasis being given to the clearance of outstanding on accounts of admitted debits and other station outstandings over three month olds.

During the scrutiny of the records maintained at the Kirandul Station it was revealed that an amount of ₹ 1,18,16,184/- was shown in the outstanding list on account of detention of rakes at Dantewada and Gidam due to overloading and load adjustment up to the period of December 2010, out of which an amount of ₹ 82, 03,384 pertained to very old period i.e., between June 2008 to September 2010.

Further, a total of six wagons were detained at Dantewada and Gidam Stations on account of overloading for which load adjustment is pending. The detention charges as assessed

by audit are ₹ 3.21 lakhs. This addition would take existing figure of under covered detention charges to ₹ 1, 21, 37,184.

Above issue was taken up through a Part I Inspection Report and matter has been closed after obtaining suitable remarks from Railway Administration.

3.3.4 Non-recovery of Income Tax (TDS) amounting to ₹ 24,184 on commission paid to Passenger Halt Agent.

As per the agreement with Passenger Halt Agent for selling railway tickets at notified passenger halts, the agent would be paid commission every month after deducting income tax due.

Scrutiny of records of Passenger Halt Agent Shri G. Madhusudan Rao at Parvati Puram station for ticket sales at Narsipuram halt revealed that income tax at 10% of the commission earned was not deducted. Amount recoverable was ₹ 24184.

Above issues were taken up through a Part I Inspection Report and matter has been closed after obtaining suitable remarks.

3.3.5 Short collection of freight amounting to ₹ 1.25 lakh due to non-realization of terminal charges from various parties.

As per commercial circular No. 09(G)/08 dated 18.01.2008 terminal charges @₹ 20 per ton per terminal for all traffic is recoverable with effect from 1st February 2008 on consignments on the basis of chargeable weight at the time of issue of Railway Receipt (RR). The terminal charges will be levied by Railway owned terminal both at originating and destination terminal.

During check of inward RR prepared under CGS/CTC for the period of October 2009 and December 2009 it was noticed that in respect of four cases, R.R booked from various locations to CTC good shed, original and destination terminal charges were not collected. The short realization of charges worked out to ₹ 1, 24,738.

The matter was brought to the notice of Railway commercial department through a Part- I A.I.R and the matter has been closed after recovery of an amount of ₹ 71,308 and recovery of balance amount being pursued.

3.3.6 Irregular freight benefit of ₹ 8, 37,090/- due to grant of train load class rate instead of wagon load class rate.

In terms of Para 5.1 of commercial circular No. 177(G)/09 dated 18.11.2009 standard rake size for mixed rake would be 43 wagons and minimum number of wagons to be loaded would be 38 for BOST+BRN/BRNA/BRNAHS/BFNS and minimum 10 wagons of each type should be loaded for granting train load class benefit. Further, even when the minimum number of wagons qualifying for block rake cannot be supplied by Railway Administration against train load indent due to any unforeseen circumstances, train load benefit can be granted by Station Master/Yard Master, who in turn should get it confirmed in writing from at least a Gazetted Officer.

During inspection of accounts and record at Cuttack Stations (Goods) it came to notice from inward cancelled RRs that mixed rake of 44 wagons consisting of BOST+BRN/BFNS from Buhj to Cuttack in which nine BRN/BFNS wagons were loaded instead of minimum 10 i.e., less than 10 number of each type of wagon. In this connection Goods Supervisor/Bhuj wrote to Goods Supervisor/Cuttack regarding one unfit BRN wagon certified by SSE/Bhuj. But as per commercial circular cited above, no confirmation in writing from at least a Gazetted Officers was obtained for grant of train load class benefit. This has resulted in extension of irregular benefit of freight of ₹ 8, 37,090.

The matter was brought to the notice of Railway commercial department through a Part- I A.I.R and closed after obtaining suitable remarks from Railway Administration.

3.3.7 Loss of Revenue of ₹ 71.48 lakh due to grant of TIELS rebate at Paradeep Phosphate Gypsum loading point (PPGP) at Paradeep.

An agreement was signed between Railway Administration and Paradeep Phosphate limited on 18.12.2007 for implementation of “**Terminal Incentive cum Engine on Load Scheme**” (TIELS). The scheme was given effect from 04.01.2008. As per the clause 1.1 of the agreement the TIELS was introduced only for **PRPL Paradeep siding**. Similarly clause 1.5 of the agreement states that the party has opted for TIELS for outward traffic and for open Rakes (BOXN) etc.

During review of records maintained at Goods Supervisor's office Paradeep Phosphate Limited siding/Paradeep, it was noticed that at PRPL siding no open wagon (BOXN) etc., has been loaded and covered wagons with fertilizer and Gypsum in bags have been loaded. However, in another siding of Paradeep Phosphate limited i.e., PPGP, open wagon (BOXN) etc., has been loaded with gypsum in bulk and Railway Administration allowed rebate to this siding. As PPGP does not come under TIELE agreement, rebate is not admissible.

Thus, the Railway Administration sustained a loss of revenue of ₹ 71,48,079 towards rebate given to Paradeep Phosphate Limited (PPGP) during the period from June 2009 to June 2011 for loading of gypsum.

The matter was brought to the notice of Railway commercial department through a Part- I A.I.R and reply awaited from Railway Administration.

3.3.8 Under Charges of tariff amounting to ₹ 22,234 due to wrong calculation of fish and ice ratio.

In terms of packing condition mentioned in IRCA coaching tariff, fresh fish must be packed in strong basket of adequately ventilated boxes with lid securely fastened with ice at the ratio of fish to ice 1:2 during the period from March to June; 1:1/2 during the period from July to October and 1:1 during the period from November to February.

In terms of Para 208 of IRCA coaching tariff, booking of bulky article will be charged at double the normal rates. Any package that exceeds 100 Kg in weight will be treated as bulky article for booking luggage and parcel.

During the check of parcel way bills under CPS/PUI it was noticed that the fish merchants were only declaring the total weight of the packets in their forwarding notes and Railway official themselves were preparing the fish and ice ratio in such way that the results will come to 100 Kg or multiples of 100 kg. As per fish and ice ratio, keeping the fish quantity constant and total weight of the packets are more than 100kgs in some cases. Thus, the merchants are allowed undue benefit instead of charging the parcel at double the normal rate.

This has resulted in undercharges amounting to ₹ 22,234

The matter was taken up through a Part I Inspection Report and closed after recovery of an amount of ₹ 22,234 at the instance of Audit.

3.3.9 Short recovery of ground usage/Wharfage charges amount to ₹ 2, 26,800

Railway Board issued instructions vide rate circular No.40/2004 and circular No. 29/2006 to adopt uniform working hours from 06.00 hours to 22.00 hours for all goods sheds and sidings on all zonal Railways. Also Railways were empowered to extend the working hours beyond 22.00 hours to get the rake released expeditiously. It was also decided to reckon only 50% of the time taken between 22.00 hours to 06.00 hours for calculation of free time for loading, unloading or removal of consignment from the railway premises as an incentive for consignor/consignees to release the rake during the extended night hours beyond 22.00 hours.

Further, in terms of commercial circular No. 189(G)/08 dated 23.12.2008, reiterating the aforesaid Railway Board Rate circulars, it was stated that the said incentives is permissible only when the normal free time is prescribed for loading/unloading or removal of consignment from Railway premises expires at or before 22.00 hours and if normal free times expires at or before 22.00 hours, the incentive shall not be permissible. More over, the incentives shall be permitted for the first night of loading/unloading or removal of consignment from the Railway premises and not for the detention to the wagons during subsequent nights.

On a review of ground usage/wharfage register maintained under SMR/KIS it was seen that the private party was given incentives during the subsequent nights after the first night which is inadmissible and resulted in short recovery of ground usages/wharfage charges amounting to ₹ 2,26,800.

The matter was taken up through a Part I Inspection Report and has been closed after recovery of an amount of ₹ 72,000 and balance amount being agreed to be recovery.

3.3.10 Under-recovery of congestion surcharge amounting to ₹ 60,221/-

In terms of commercial circular 231 (G)/07 dated 29.11.2007 sanction of central government was accorded to levy congestion surcharge on freight for the traffic and rate mentioned below during the periods from 1st December 2007 to 31st March 2008.

Sl. No.	Commodities	Rate of surcharge
1	Iron ores traffic booked to siding and goods shed serving port	60%
2	All traffic to Bangladesh	20%
3	All traffic to Pakistan	20%

On a review of RR No. 506950 dated 06.01.2008 issued from Dangaposi to IREL/Siding/CAP (serving Gopalpur port) containing iron ore, it was noticed that no congestion surcharges @ 60% was initially levied at the time of issue of Railway receipt, from Dangaposi.

Later, Sr. TIA pointed out the issue and assessed the under charges of ₹ 16, 79,455. The said undercharges were realized from the party in two spells. However, as assessed by Audit the amount of undercharges worked out to ₹ 17, 39,676. This led to short realization of congestion charges amounting to ₹ 60,221.

The matter was taken up through a Part I Inspection Report and closed after recovery of an amount ₹ 60,221.

3.3.11 Undercharge of ₹ 2,45,830 due to wrong calculation of chargeable weight

In terms of commercial circular No. 03(G)/08 dated 05.01.2008 the chargeable weight for ores, gypsum, limestone and dolomite, stones, clinker, cement, slag and E&F grade coal on CC+8 routes when loaded in BCN, BCNA, BCNAHS will be as under:

Type of wagon	Chargeable weight in CC+8 route	Loading tolerance
BCN	63	1
BCNA/BCNAHS	66	1

These instructions would come into force w.e.f 12.01.2008.

Further, as per Railway Board's rate circular No. 69 of 2007 and 28 of 2008 ,the route Talcher-Vishakapatnam (including lines to VZP, VSPS, WMY & OEC) are covered under CC+8 route.

During check of outward RRs maintained under CGS/CAP it was seen that ilmenite ore had been booked from CAP to VZP in BCN and BCNA/BCNAHS wagons and the chargeable weight was taken as 61 and 64 tonne respectively as against 63 and 66 tonne. This resulted in short realization of freight amounting to ₹ 2, 45,830.

The matter was taken up through a Part I Inspection Report and closed after recovery of an amount of ₹ 2,45,830.

3.3.12 Short recovery of Engine hour cost amounting to ₹ 7,57,190 from Bhusan Steel/MRD L under Goods Office/MRD L

As per commercial circular No.88(G)/09 dated 03.06.09 and 48(G)10 (Railway Board circular No.13 of 2010) the rate of engine hours cost for electric locomotive in respect of M/s Bhusan Steels Limited /MRDL is ₹ 7,730 per hour and ₹ 7,820 with effect from 01.07.2009 and 01.07.2011 respectively for all commodities.

During check of records under chief Goods Supervisor /MRDL it was seen that the electric engine hour charges were not recovered at the prescribed rate for electric engine during periods in 73 instances in May-2010, June-2010, April-2011, May-2011, June 2011 and September -2011.

This has resulted in short recovery of engine hours charges amounting to ₹ 7,57,190.

The above issue was taken up through a Part- I Inspection Report and closed after obtaining suitable remarks from Rly Admn.

3.3.13 Loss of Wagon earnings due to non disposal of unconnected wagon

During inspection of accounts and records maintained under Goods supervisor/Talcher, it was noticed that one BOXN wagon loaded with stone was lying on line No. 14 of Talcher station for 361 days leading to loss of wagon earnings of ₹ 46.66 lakh.

The above issue was taken up through a Part -I Inspection Report and matter has been closed after obtaining suitable remarks from Railway Administration.

3.3.14 Undercharge due to wrong calculation of chargeable weight mounting to ₹ 1,24,386.

In terms of Rates Circular No.13 of 2007 the permissible carrying capacity (PCC) of BG wagons was fixed as per the figures given below.

Type of Wagons	Chargeable weight in CC+8 route	Loading Tolerance
BRNA, BRNAHS, BFNS, BRH, BRHC, BRHT	62	2

This instruction was given effect from 01.03.2007

During check of inward RRs maintained under Chief Goods supervisor/ Kapilas Road it was seen that hot rolled sheets were booked from Kosad to Kapilas Road in 28 BRNA and BRNAHS wagons at wagon load rate. In this case four RRs were clubbed in booking of these materials. It was seen that, out of these four RRs in two RRs the chargeable weight were taken less than the PCC i.e., below 62 tonne for BRNA wagons whereas in other two cases the weight was assessed at appropriate PCC weight of the wagons. This resulted in short realization of freight amounting to ₹ 1, 24,386/-

The above issue was taken up through a Part I Inspection Report and reply is yet to be received from Railway Administration.

3.3.15 Undercharges amounting to ₹ 48,190 due to less charging chargeable weight.

As per commercial Circular No.80 (G)/11 dated 29.07.2011 of East Coast Railway, the Permissible Carrying Capacity (PCC) of BOXN wagon on CC+8 route is 68 tonne in respect of ore, slag, etc., with effect from 01.08.2011.

Further, as per East Coast Railway commercial circular No. 73 (G)/08 dt.24.06.2008 the route from VSPS to Baragarah is CC+8.

During inspection of inward cancelled RR's Of IDC Cement Siding/Baragarh road, it was noticed that in one case the PCC of BOXN wagons for slag was charged less than the actual due weight in respect of transportation of commodities from VSPS to Baragarah. This has resulted in undercharging of freight amounting to ₹ 48,190.

The above issue was taken up through a Part I Inspection Report and closed after obtaining suitable remarks from Rly Admn.

3.3.16 Short levy of ₹ 51,910/- towards dummy wagon charges.

In terms of Railway Board Circular No. 68 of 2009 the rate of dummy wagon charge was revised as under:

Name of the Charge	Revised Rates
Guard/Dummy wagon Charges: (Rule No.171 of IRCA Goods tariff No. 41 pt.I Vol-I	₹ 25 per kilometer per wagon irrespective of whether the wagon is MG, BG or NG subject to a minimum of ₹ 2500 per wagon. No supplementary charges will be livable in addition.

This instruction was given effect from 01.01.2010.

During scrutiny of outward RRs containing high caliber ammunition booked to different destination from Badmal it was seen that dummy wagon charges was levied @ ` 21 Per Kilometer per wagon instead of `25. This has resulted in short realization of dummy wagon charge amounting to ` 51,910.

The issue was taken up through a Part I Inspection Report and closed after recovery of ₹ 51,910.

3.3.17 Short collection of freight of ₹ 7,43,540 due to non realization of Terminal Charges under Goods office/Gualdih

As per commercial Circular No. 199 (G)/07 dated: 19.09.2007 sanction of Central Government was accorded to levy Terminal charges on Iron ore traffic @ ₹ 40 per tonne per Terminal w.e.f 01.10.2007. This was due to be levied on chargeable weight of commodities at the time of issue of RR. The terminal charges are to be levied in respect of Railway's own terminal.

During check of outward RR in Goods Office/Gualdih, It was noticed that some cases of RR booked from Gualdih to various stations/ Railway Terminals, destination terminal charges was not charged.

This has resulted in non realization of terminal charges amounting to ₹ 7,43,540/- from the parties.

The matter was brought to the notice of Railway administration through a Part I A.I.R and has been closed after obtaining suitable remarks from Railway Administration.

3.3.18 Undercharge due to less charge on base freight rate at wagon load class.

In terms of Commercial Circular 181(G)/09 Dated 08.12.2009 sanction was accorded to fix the base wagon load rate for commodities being charged in class 200, at base freight rate of class 200 + 5% with effect from 15.12.2009.

During check of inward RRs maintained under CGS/SBP it was noticed in some RRs that HSD oil & motor spirit booked after 15.12.2009 from originating station at wagon load class rate were charged at base freight of class 200 instead of class 200 + 5%.

This has resulted in short realization of freight amounting to ₹ 46,365.

The matter was brought to the notice of Railway Administration through a Part I A.I.R and closed after getting suitable reply from Railway Administration.

3.3.19: Delayed receipt of Rice and Cement wagons at Goods shed/CTC resulted in loss of wagon earning capacity, preferment of claim by the consignor and unbeneficial use of RPF personnel.

During check of records under CGS/CTC it was seen that six wagons pertaining to five rakes containing rice, wheat and cement were received at Good Shed/CTC, long after the receipt of their original rakes.

Out of six wagons containing the aforesaid commodities four wagons containing wheat and cement though reached Cuttack belatedly were delivered to the consignees. In respect of other two wagons containing rice and cement each, the consignment were not accepted by the consignees on account of their non-useable conditions. The damaged commodities are lying on the floor of Route No 12 of goods shed/ CTC and three RPF people are guarding the damaged stock. The late arrival of these wagons resulted in loss of wagon earning capacity of ₹ 1,72,27,718 along with claim of one consignee amounting to ₹ 11,14,718 and other consignees likely to be received amounting to ₹ 3,53,383 apart from expenses of RPF personnel amounting to ₹ 45,000 to guard the damaged goods.

The matter was brought to the notice of Railway administration through a part-I inspection Report and final reply is awaited from Railway Administration.

3.3.20 Para-I: Non-revision of siding charges on revision of Train Engine Hour cost resulting in short recovery of siding charges in respect of ACC/Baragarh siding to the Tune of ₹ 15,450.

The rates of siding charges are fixed and revised in Indian Railway in consonance with the revision of All India Engine Hour Cost (AIEHC). The AIEHC rate for a train engine (Diesel Loco) was fixed as ₹ 5,720 per hour per Loco with effect from 1st July 2009 vide RC No. 31 of 2009. The same was upwardly revised to ₹ 6,750 from 1st July 2010 vide RC 13 of 2010. East Coast Railway Administration, while fixing the revised rate of siding charges in ECoR effective from 01.10.2009 vide goods circular No 60(G)/2010 dated 19.04.2010, determined siding charges based on AIEHC of ₹ 5720/- instead of ₹ 6,750.

During the scrutiny of Inward RRs maintained at RGDA Station it was seen that the siding charges for ACC/Bargarh Siding was collected @ ₹ 5,720 per trip. Non-fixing of siding charges following the prevalent AIEHC i.e. ₹ 6,750 has resulted in short realization of ₹ 1,030 per trip from the period July 2010 onwards. This has resulted in short realization of siding charges amounting to ₹ 15,450 for the period of July 2010 to November 2011.

Para-II: Short realization of freight due to erroneous fixation of Basic Freight Rate

Scrutiny of Inward RRs No 710387 dt:04.01.2011 at Raygada Station revealed that the Base Freight Rate(BFR) of the concerned RR was charged erroneously at ₹ 616.80 for a distance of 679 Km in respect of HSD Oil (Class 200). The correct BFR for the RR should have been ₹ 856.20 for same transportation. This has resulted in short realization of freight of ₹ 2,51,211 in respect of one consignment only.

The above two cases were taken up through Inspection Report Part-I and final reply is awaited from Railway Administration.

3.3.21: Undercharges on account of non-implementation of weight condition in respect of traffic carried via CC+8 route.

During the audit inspection of NALCO siding at Damanjodi (NLOD) it was observed that although lime stone rakes originating from Kota and Jukhi Station on North Western Railway and booked to Damanjodi (NLOD) were carried via CC+8 route, the originating station failed to implement the weight condition i.e. CC+8 Tonnes per wagon, instead charged at CC+6 Tonne in respect of Lime Stone rakes of BCN/BCNA/BCNAHS.

This has resulted in undercharging of rakes amounting to ₹ 2,40,581 for two consignments

The matter was brought to the notice of Railway Administration through a Part I A.I.R and final reply is awaited.

3.3.22: Loss of ₹ 14.21 crore due to underutilization of occupancy of PURI-HWH duronto train from the date of its introduction.

Duronto express trains are a set of specialized rail services introduced by Indian Railways like Rajdhani and Shatabdi Express trains. These trains run non-stop between source and destination stations with some scheduled halts on operational/technical grounds. The objective of the Duronto trains is to facilitate passenger traffic from source to destination without stopping in between. The basic assumption was that the source and destination traffic was enough to make viable operation of the train.

During check of records under CCM/BBS it was noticed that Puri-Howrah Duronto trains in Up & Dn directions were introduced from 07.12.2010 on daily basis from source to destination with permission to have operational/technical halts at three places en route.

The occupancy position of this trains both UP and DN direction did not portray encouraging performance from their date of operation till date (31.7.2011). The occupancy during the period from 07.12.2010 to 31.07.2011 ranged from 30.8% to 55.2%. Audit scrutiny further revealed that even during Rath Yatra, the most important festival of Puri and very busy season of the year (1 st July 2011 to 15th July 2011), the occupancy of the train ranged between 28% and 34% only.

Underutilization of the occupancy of the Duronto train resulted in loss of earnings of ₹ 14.21 Crore during eight months of its introduction which would accumulate with passage of time.

The matter was brought to the notice of Railway Administration through a Draft paragraph and closed after conversion of the Duronto train into a Shatabdi type train.

Chapter 4 – Engineering - Open line

Civil Engineering Branch of open line is headed by Principal Chief Engineer. This department is responsible for the upkeep of assets such as land, buildings and tracks.

4.1: Topics taken up as theme based audit

- **Implementation of line capacity works on High Density Network**
- **Procurement and utilization of Permanent way material**

The above theme based review was conducted during the year 2011-12 and the results of the review pertaining to East Coast Railway reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2011-12.

4.2: Results of local audit and central audit- During local audit and central audit, the following irregularities were noticed.

4.2.1 Non-eviction of encroachers of Railway land worth ₹ 17.20 lakhs (approx) at Sambalpur and Bargarh Road under jurisdiction of DEN/Central, of East Coast Railway, Samabalpur.

The Railway Board had issued a model joint procedure order duly approved by the full Board on 11.09.2001 emphasizing the need to protect railway land from encroachment. The procedure order prescribes various actions towards prevention, detection and removal of encroachment on railway land to be followed by the Engineering and other concerned departments.

During check of the account and records of DEN (C) along with O/o S.E. (W)/SBP, it was observed that there are 93 cases of encroachment at Baragarh Road. Most of the unauthorized occupants at Sambalpur had trespassed upon the railway land from June 1991 to March 1977 and had erected temporary structures on those pieces of land. In June 2010, the Railway Administration served notices to the unauthorized occupants of railway land and referred the cases to the Estate Officer, E.Co.Rly, SBP under the Public Premises (Eviction of

unauthorised occupants) Act 1971. On finalization of the cases, the Estate Officer passed eviction orders between June 2010 to August 2010 against the encroachers. Since then, no progress has been achieved in this matter.

Railway Administration's apathetic response to conducting eviction process even after more than one year of issue of eviction orders by Estate officer has resulted in continuation of illegal possession of Railway Land valuing ₹ 17.20 lakhs.

The matter was brought to the notice of Railway Administration through a Part I A.I.R and final reply is awaited

4.2.2: Avoidable contractual liability of ₹ 67.5 lakh due to irregular discharge of tender after repeated negotiations and subsequent retendering thereof at higher rate.

Railway Board vide letter No 99/RS(G)/779/2 dated 15.10.2007 instructed that there should normally be no negotiations. Negotiations will strictly be an exception rather than a rule and should be resorted to only where rates received are unjustifiably higher and in situation of cartel formation with unreasonable rates. Before resorting to negotiation, adequate care should be taken to scrutinize the rates received to avoid infructuous instances of negotiations; as such negotiations may cause unnecessary delay in procurement without any appreciable reduction in rates.

On review of tender files of contract agreement No. 145 dated 05.02.2010, it was seen that an open tender was initially floated in May 2008 for supply and delivery of 70,000 cu.m of 50 mm size hard stone machine crushed ballast at Angul (ANGL) depot of KUR Division and loading the same into any type of Railway Wagon. The supply and delivery of 70000 cu.m of ballast was estimated to meet the requirement of (i) 25000 cu.m for Sambalpur Division and (ii) 45000 cu.m for Khurda Road Division. The tender was eventually awarded in September 2010 after holding four rounds of negotiations for achieving lower rate. This led to substantial loss of ₹ 67.5 lakh to public exchequer due to mismanagement by Tender committee and accepting authority in handling tender.

The matter was brought to the notice of Railway Administration through a Part- I A.N and final reply is awaited

4.2.3: Loss to Railway of ₹ 41,97,456/- due to arbitrary discharge of tender and re-tendering.

During the review of tender vide notice no. 40/2008/WAT/Engg dated 03.12.2008 on the work 'Construction of concrete retaining walls, pucca catch water drains, side drains, etc., between KM 129/0 to 133/16 in the section Bhalumaska-Keutguda of KR line of Waltair Division", it was noticed that a tender had been called for in the past for same work vide Tender Notice No. 25/2008/WAT/Engg. Dated 29.07.2008 and subsequently discharged.

In terms of TC minutes dated 27.11.2008 the notice was published in various newspapers on 09.08.2008 and at the same time updated in the East Coast Railway Website. However, the various milestone dates were different in the both print media (News paper) and electronic media (Website).

Tenders were received from four tenderers and opened on 11.09.2008. The lowest rate offered was 10.01% below the departmental estimated rate (₹ 2,09,87,292), but the same was discharged arbitrarily and a fresh tender notice was issued on 03.12.2008 in response to which only one tenderer participated. But this time his offer was 28% above the Railway estimated cost. After negotiating with the Tenderer TC recommended to accept the tender at ₹ 2,30,83,922, i.e., 9.99% above the Railway estimated cost and same was accepted by accepting authority.

This led to increase in tender price by ₹ 41,97,458 due to lapses of Railway Administration.

The matter was brought to the notice of Railway administration through an A.N Part-I and final reply is awaited.

4.2.4: Infuctuous expenditure of ₹ 35.48 lakh on repairing a bridge and revenue loss of ₹ 114.70 lakh due to outcome of faulty repair.

The Indian Railway Engineering Code Para 1302 (2)(g) stipulates that for execution of safety related works like strengthening of railway bridges on open-line, prior sanction of Commissioner of Railway Safety (CRS) is necessary.

The Bridge No. 1485 UP of span 20 x 6.1 girder is located at Km 804/19-27 between Nellimarla- Girividi stations on Palasa- Vishakhapatnam Main line of 'B' route in WAT division. The bridge was constructed in the year 1913 with open foundation and course rubble masonry. The Waltair Division planned in 2007 to raise the piers by 1 metre and replace the girder with PCC slabs along with associated activities. The work was awarded in September

2007 to M/s K.V. Choudary Construction, Vishakhapatnam-17 at an approximate value of ₹ 2,29,65,706. No consultation with CRS was made by the Division before taking up the scheme and awarding the contract. However, after awarding the contract and commencement of the work by the contractor, reference was made to CRS (January 2008). The CRS, however, expressed deep apprehension of the scheme for an outlived bridge and returned the proposal with the advice that the same may be reviewed by CBE keeping in view the safety of operation and consider complete rebuilding. Indeed, CBE found in March 2008 that with the repair activities various parts of the bridge were disturbed and there should be complete speed restriction. The competent authority was approached to completely rebuild the bridge and drop the present work. The PCE approved the proposal and accordingly a fresh proposal was sent to Railway Board. The above work was sanctioned and appeared in the Pink Book of 2009-10.

The Contractor was asked to drop the work but by the time ₹ 35.48 lakh was paid to him for the portion of the work executed. Speed restriction @ 30 KMPH from 20.02.2008 to 30.06.2008 was imposed which was revised to 45 KMPH thereafter. The Speed restriction impacted the potential earning from coaching and goods traffic which worked out to ₹ 114.70 lakh.

Thus, it would be seen that Waltair Division embarked on a scheme without prior approval by CRS which caused weakening of the bridge instead of strengthening it and led to speed restriction and consequential revenue loss towards coaching and goods traffic. The expenditure of an amount of ₹ 35.48 lakh did not produce any result and rather it became counterproductive. The potential revenue loss till January 2011 worked out to ₹ 114.70 Lakh.

The matter was brought to the notice of Railway administration through a Special letter and final reply is awaited

4.2.5: Non-execution of agreement and incorrect fixation of land license fee led to non-recovery of ₹ 53.63 laks from Siding owners.

Railway Lands are Licensed by commercial and Engineering Departments to outsiders for commercial purposes. Instructions issued from time to time up to 2005 in connection with fixation of license fee has been incorporated in the master circular letter no. 2005 LML/18/87 dated 10.2.2005 of Railway Board.

During inspection of the accounts and records of Sr.DEN/Co-Ord/E.Co.Rly/SBP, it was observed that there are 13 numbers of private sidings in SBP excluding the military siding at Badmal and CWC siding at SBP. Non-execution of agreements and incorrect computation of land license fee resulted short recovery in the following cases:-

- A. In following four sidings no agreements have been executed so far even after 07 to 45 years of possession of the land by the licensees.
- i) In case of HIW siding/Hirakud, M/S HINDALCO took over all the liabilities of M/S HIW from 2003-04 onwards but no fresh agreement has been executed by Railway Administration with M/S HINDALCO.
 - ii) Railway Administration has failed to resolve the land demarcation issue with HPCL/ Mandirahasaud since 27.11.1990 leading to non- execution of agreement and non-recovery of the outstanding land licence fee of ₹ **22,88,158/-** for the period 1990-91 to 2011-12.
 - iii) No agreements have been executed with IMFA/THV and IOCL/SBP since 25 Years and 45 years of occupation by the parties respectively though there is no outstanding on account of land licence fee.
- B. In fixation of Land licence fee, Land value has been computed incorrectly by increasing @ 10% from 1995-96 (01.04.1996) instead of increasing from 01.04.1986 in three of the sidings resulting in short estimation and consequent short-realization of Land License Fee of ₹ **19,54,871**.
- C. In two of the sidings the rate of land license fee for the period from 1990-91 to 1994-95 has been calculated @6% of the land value instead of taking 15%. This has resulted in short recovery of land license fee of ₹ **11,19,546**.

Thus, due to inordinate delay in execution of agreement and incorrect computation of annual licence fee an amount of ₹ **53,62,575/-** is lying outstanding with the Siding Owners.

The matter was brought to the notice of Railway administration through a Special letter and final reply is awaited

Chapter 5 – Electrical Engineering

Electrical department is headed by Chief Electrical Engineer at the Zonal level. This department is responsible for the generation, purchase and distribution of power to traction and general purposes. This department is also responsible for maintenance of electrical equipment and electrical rolling stock.

5.1 Loco management in Indian Railway.

The above theme based review was conducted during the year 2011-12 and the results of the review pertaining to East Coast Railway reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2011-12.

5.2 Results of local audit and central audit –During local and central audit the following irregularities were noticed.

5.3.1 Avoidable expenditure of ₹ 8.98 lakh towards penalty for overdrawal due to non-revision of contracted Demand and penalty of ₹ 16.25 lakhs on low power factor.

East Coast Railway (ECoR) obtains electricity supply from various distribution companies of Orissa, Andhra Pradesh and Chhattisgarh states as per their jurisdiction for its traction, domestic and other purpose. An agreement was executed on 25.07.2008 between East Coast Railway Administration and Central Electricity Supply Utility of Orissa/ Bhubaneswar (CESU) Authority for supply of electrical energy to the premises of East coast Railway Zonal Head Quarter premises located at Railkunj (Consumer no. 84 LI with Contract Demand of 556 KVA) for a period of five years.

Prior to formation of East Coast Railway another Agreement was executed on 26-07-1999 for supply of electrical energy to the premises at Rail Vihar (Consumer no.117 LI with contract Demand of 500 KVA) for a period of five years. The supply of the electricity with the same agreed contract demand is being continued till date as per agreement clause. Similar agreements were also executed for Rail Kutir (Consumer no. 74 LI), Kanchan Jangha (Consumer no. 150 LI) and Rail vihar (Consumer no 117 LI) receiving sub-stations.

During check of records of Sr.DEE/G/KUR, it was observed that the recorded demand of electrical energy of Railkunj, Rail Kutir, Kanchan Jangha and Rail Vihar exceeded the

Contract Demand throughout the year. Excess drawal of demand over Contract Demand (CD) for a continuous period from May 2010 to December 2011 led to payment of over drawal penalty amounting to ₹ 8,97,680/-for Rail Kutir and Rail Vihar substations and ₹ 16,25,002/- was paid on account of low Power Factor Penalty for Rail Kunj and Rail Vihar substations.

It is also noticed that the work for provision of Automatic Power Factor Correctors in the substations at Rail vihar, Rail Kutir and Kanchanjanga sub station and Mancheswar Workshop at a cost of ₹ 22,07,000/- was approved vide Law book for the year 2009-10 (Vide Item no. 599). Later with the inclusion of work for Railkunj substation, detailed estimate bearing no SDEE/KUR/26/11 for ₹ 25,27,720/- were sanctioned by Sr. Divisional Electrical Engineer/ General/KUR in June, 2011, the work is yet to be taken up.

Thus due to non-revision of Contracted Demand and failure to keep power factor to the desired limit, Railway Administration suffered an avoidable extra expenditure of ₹ 25,22,682 during the period from May'2010 to December'2011 towards payment of overdrawal penalty (₹ 8,97,680) and low power factor penalty (₹ 16,25,002) .

The above matter was taken up to the Railway Administration through IAR part-I and the final reply is awaited.

5.3.2: Payment of penalty of ₹ 15.1 crore due to switch off MD Contollers installed in KK lines in Waltair Division.

Kottavalasa-Kirandul (KK) BG Line of Waltair Division of East Coast Railway is an electrified section. This section mainly caters the need of transportation of iron ore traffic from Bailadila mines to Visakhapatnam steel plant and Visakhapatnam port and other places. There are 16 Traction Sub Stations (TSS) in Kottavalasa-Kirandul (KK) section for supply of electricity for traction distribution which are under three Electricity distribution companies viz., 6 in Chhattisgarh State Electricity Board (CSEB), Chhattisgarh, 6 in Southern Electrical Supply Company (SOUTHCO), Odisha and 4 in Andhra Pradesh State Electricity Board (APSEB), Andhra Pradesh. Traction tariff and conditions of State Electricity Regulatory Commissions (SERC) issued by various SEBs from time to time are followed for payment of electricity energy bills. The tariff and conditions of supply differ from state to state.

CSEB provides for a complex two tariff structure for contractd demand (CD) and energy charges. Penalty is levied on over drawl of electricity above the CD at any point of time both for maximum demand charges and excess energy charges for entire month. As CSEB Zone is a penalty prone Zone, Maximum Demand controllers were provided at all TSS in CSEB Zone since long (2002-03) to avert huge penalties. MD controller trips the supply of electricity when the demand exceeds CD due to entry of more number of trains than permissible at a time within the range of a TSS. Thus, the use of MD Controllers could avert a huge amount of MD penalties during last nine years.

Further review of the case revealed that the MD Controllers were working satisfactorily for last nine years and there was saving of ₹ 95.31 Crores during the period from 2002-03 to 2010-11 (up to Nov'11). MD Controllers of all the TSS under CSEB zone were switched off from 21.12.2010 to avoid detention of trains at the cost of penalties paid to CSEB. It is noticed that due to switching off of the MD Controllers, RMD had no limits and the penalty thus paid was to the tune of ₹ 20.93 crore during the period from 21.12.2010 to 31.03.2012. A comparison of the number of trains and payment of penalty for the period from December 2010 to November 2011 with corresponding period of Dec' 2009 to Nov' 2010 revealed that even though total number of rake movements have decreased from 4601 to 3652 Railway has paid an amount ₹ 20.93 Cr. on account of MD Penalties due to switching off of MD controllers.

Though railway administration proposed to increase the CD (the Proposed CD being much higher than average RMD) still it exceeded frequently due to placing of more trains at a time under one TSS zone without maintaining any schedule to run the goods trains.

Thus, the decision to switch off the MD controllers without a review of its consequential financial impact and without maintaining any schedule to run the goods trains resulted in avoidable payment of penalty amounting to ₹ 20.93 crore during the period .

The above matter was taken up to the Railway Administration through Draft paragraph.

Chapter 6 – Mechanical

Mechanical department is headed by Chief Mechanical Engineer at the Zonal level. This department is responsible for the supply and maintenance of rolling stock.

6.1 Theme based audit

6.1.1 Loco management in Indian Railway

The above theme based review was conducted during the year 2011-12 and the results of the review pertaining to East Coast Railway reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2011-12.

6.2 Results of local audit and central audit –During local and central audit the following irregularities were noticed.

6.2.1: Non-realization of ₹ 30,70,988 from NTPC Limited towards Damage and Deficiency Bill and restoration charges due to absence of enabling clause.

Clause 18 of the vetted agreement between M/s National Thermal Power Corporation Ltd./Talcher and erstwhile South Eastern Railway (signed by NTPC Authority on 05.12.1994) inter alia stipulated that:- “ The applicant shall be entirely responsible for all property of the Railway administration during the time the same shall remain on a part or extension of the siding at or beyond the point of interchange and shall make good on demand, loss of or damage to the engines, damages and deficiencies of rolling stock or all property of the railway administration from any cause whatsoever except sole negligence on the part of the Railway Administration or act of God or war or other acts or circumstances for which the Applicant is not responsible . The Applicant shall also be liable to bear the cost of re-railing engines and wagon stock derailed and for repairs to the siding necessitated by such derailment”.

However, there is no clause in the Agreement for mandatory presence of representative of the applicant at the time of joint finding in respect of any accident/derailment occurring inside the siding.

During the inspection of the Sr. Divisional Mechanical Engineer/KUR, it was observed that an accident occurred on 05.10.2009 at MCL SP-I&II (Point No. JA/14&15), KM

SB/04/18-19, where BOBRN wagons were damaged severely and became unfit for traffic while running by train No.TTSPS-04. Applicant (NTPC) has refused to pay the Damage & deficiency bill for ₹ 27,11,612 towards cost of damages to rolling stock due to accident in the siding on the ground of non-presence of their representative during the process of joint finding.

The issue was taken up through a Part I Inspection Report and final reply is awaited from Railway Administration.

Chapter 7 – Personnel

Personnel branch is headed by Chief Personnel Officer at the Zonal level. This department is responsible for recruitment, training and deployment of personnel at Zonal Railway level.

7.1 Results of local audit and central audit.

7.1.1: Unauthorized retention of Railway quarter and recovery of damage rent there of.

In terms of Railway Boards letter No. E(G)QRI-23 dated 1.06.2001 a railway employee on transfer from one station to another which necessitates change of residence, may be permitted to retain railway accommodation at former stations of posting for a period of two month on payment of normal rent or a single flat rate of license fees/rent. On request by the employee, on educational or sickness account, the retention may be allowed for a further period of six months on payment special license fees i.e., double the flat rate of license fee. Further extension may be granted on educational ground only to cover the academic session in which he was transferred on payment of special license fee.

Beyond the permitted limits, however no further extension will be allowed on any ground whatsoever. Therefore, no request or representation on this score will be entertained. For all occupations beyond the permitted period, immediate action should be taken to cancel the allotment, declare the occupation unauthorized and initiate eviction proceedings charging damage rent in terms of Railway Boards Letter No.F(X)1-99/11/1 dated 17.03.2005.

Cases of unauthorized retention of railway quarters by employees who have been transferred out and non-recovery damage rent were noticed in audit in two units as detailed below.

- A. During the inspection of the O/o the Sr.DPO/ECOR/WAT it is noticed that in the following two cases the above instructions of Railway Board have not been adhered to .
1. Shri Subrata Roy, ECRC was transferred from VSKP to Srikakulam Vide O.O dated 5.11.2008 and he reported to Srikakulam on 15.11.2008. He was in occupation of railway quarter No. 12A at Sevanagar, Visakaptanam and vacated it on 24.11.2010 as per

SSE/Works/Housing confirmation dated 31.01.2011. It is noticed from the relevant records that the staff did not apply for retention of quarters on any ground and paid rent @₹ 118/- per month(which is again lesser than the pooled rent) till November 2010. As per rentable building register quarter No.12/A comes under type-III and pooled rent was 187 up to Dec' 2008 and ₹189 from Jan' 2009 onwards. The Railway Administration have to recover an amount of ₹ 2,11,737 as damage rent.

2. Sri S.N Rao, Head Booking Clerk, was transferred from VSKP to Rayagada on promotion as CC-II vide O.O dated 18.09.2007 and relieved on 13.03.2008. He was in occupation of railway quarter No. 644-A-II at Sevanagar and till date he did not vacate the quarter. It is also noticed from the relevant records that the staff did not apply for retention of quarter on any ground. Railway Administration have to recover an amount of ₹ 1,89,960 towards damage rent.

B. During the inspection of O/o. Sr.DEE/TRD/East Coast Railway/WAT and its sub offices it is noticed that some officials of TRD Department were transferred from one station to another. The staff did not apply for retention of quarter at old station beyond the permissible period. The railway quarters have been retained nauthorizedly by them at their old station. It is also seen that no disciplinary action has been initiated by the competent Authority against them.

A test check of the pay bills of concerned staff has revealed that no damage rent has been recovered for unauthorized retention of railway quarters, instead normal rent is being recovered. Non-recovery of damage rent as assessed by is ₹ 2,31,134.

The issues were taken up through a Part I Inspection Report and have been closed after obtaining remarks from Railway Administration.

7.1.2: Violation of terms and condition of computer advance granted to the employees of CRS, Mancheshwar.

As per Para 1108(5) of Indian Railway Establishment Manual Vol-I, if a railway servant who is sanctioned an advance for the purchase of conveyance (applicable to computer also vide para 405(8)) does not complete the purchase within one month of the date drawal of advance, he shall refund forthwith the full amount of advance. Interest may be recovered for the

actual period the advance was retained by the railway servant. When the amount of advance is retained beyond one month in contravention of the above provision, interest will be charged at stipulated higher rate on outstanding balances for the actual period in excess of one month.

During inspection of accounts and records of WPO/CRW/MCS, it was noticed that during the year 2007-08 to 2009-10, amount of ₹ 9,30,000 was granted to 31 workshop staff to purchase of computers.

In none of the cases the requisite documents have been submitted by the officials concerned in support of completion of the purchase although the recoveries were being affected in installment towards the principal amounts for several months. No action in this regard has been initiated against the officials for non-submission of the documents as per rule. In none of the above cases, recovery of penal interest has been effected for non-fulfillment of the conditions for the grant of computer advance. Penal interest due worked out to ₹ 59,086.

Besides, during the year 2010-11 (up to November 2010) computer advances totaling ₹ 3,00,000 were granted to 10 workshop staff and in none of the cases the documents required as per rule have been submitted by the officials concerned till February 2011. In these cases penal interest is required to be charged.

The above issue was taken up through a Part I Inspection Report and final reply is awaited from Railway Administration.

7.1.3: Overpayment of 6th Pay Commission arrears.

The Ministry of Railways, Railway Board has issued instructions from time to time on the recommendation of 6th central PC and its implementation in Railways. According to the instructions, the employees have to exercise their options for drawal of pay in the revised pay structure in prescribed format for this purpose. After the fixation of pay and grade pay in the revised pay bands, bills were drawn separately in respects of arrears of pay and allowance for the period from January 1, 2006 to August 31, 2008. The aggregate arrears were computed after deduction of subscription at enhanced rates of PF with reference to revised pay. The arrears were paid in two installments, the first installment being restricted to 40% of the aggregate arrears and

the second instalment of 60% paid later. For this purpose due drawn statements were prepared to arrive at the difference of pay and allowances for payment to the employees.

Excess payment of arrears was noticed in the following units as detailed due to wrong feeding of input data.

- A. O/o Sr.DME/DLS/ECOR/VSKP: ₹ 62,388 overpaid to five persons.
- B. O/o. Sr. DPO/E.Co.Railway/VSKP: ₹ 87,320 overpaid to 4 persons.

The above issues were taken up through a Part I Inspection Report and case A has been closed after obtaining suitable remarks from Railway Administration while reply for case B is awaited.

Para-2: Short recovery of quarter rent (License Fee), water charges & electrical charges.

As per extant orders, rent of railway quarters is to be recovered as per plinth area of the Rentable Building Register as well as orders issued by the Ministry of Railways, Railway Board vide letter dated 22.12.2008 and revision issued from time to time. Water charges are also to be recovered as per Railway Board's letter dt. 27.06.2005. The amount mentioned in the electric energy bills are to be recovered from the employees concerned by Sr. DPO's office on receipt of bills from SSE/Electrical. During the review of records of Sr.DPO/WAT it has been noticed that the license fee, Water charges & electrical charges are not being recovered as per extant orders in respect of two officials. The electricity bills obtained from the SSE/Electrical/North/WAT revealed that no recovery as mentioned in the bills has been effected; only a nominal amount is being recovered since occupation of the quarters. As such there are instances of short recovery of ₹ 43,002/- from the employees.

Para-3: Irregular drawal of HRA during stay at Railway Rest House continuously for more than 7 months in contravention of Railway Board's Orders.

Ministry of Railways, Railway Board issued policy guidelines on occupation of Railway Rest House/ Rest Rooms (Master Circular) dated 18.05.2006. In terms of item (N) of RB's No. 90/LMB/7/14 dated 06.06.1991 the following conditions are to be adopted in allotment of rest house for residential purpose.

- a. In case of permanent transfer, in the first instance, occupation of the rest house should be permitted for 10 days only.
- b. Use of Rest House accommodation for residential purposes beyond 10 days may be permitted only on submission, by the officer, of a certificate from the competent authority to the effect that “the officer has formally applied for allotment of pool accommodation and that the same is not available.” On allotment of regular accommodation, the officer shall vacate the rest house within a week.
- c. In case the officer declines to accept the pool accommodation offered to him, rent at “damage” rate shall be recovered from him from the date of such offer of allotment.
- d. Rent and other charges, for occupation of Rest House accommodation, shall continue to be recovered irrespective of whether the office goes out of his Headquarters on duty till such time the allotment is duly cancelled and the rest houses vacated by the Officer.
- e. When an officer is permitted to occupy the rest house accommodation for residential purpose in terms of para (2) above may be informed to Accounts Office to ensure (i) due rent is recovered and (ii) House Rent allowance is not paid to the officer.

During the inspection of O/o. Sr. DPO/WAT it is observed that Shri. S.P.Kanungo, working as DSTE/Proj/WAT with effect from 25.04.2011 (FN) vide Dy. CPO/Gaz/BBS's O.O was in occupation of suite No. 6 (AC) of Rail Vihar, Visakhapatnam during the period from 20.04.2011 to 13.12.2011 (7 month 23 days). The purpose mentioned by the officer in the occupation register as “Duty”.

In terms of SSE (Works)/East/WAT's letter No. MG/1/General dated 18.01.2012 the officer paid an amount of ₹ 11,700/- @ ₹ 35/- per day for 1st 10 days and @ ₹ 50/- per day from 11th day to till vacation. However the officer was paid HRA of ₹ 49,038 for the period from 01.05.2011 to 13.11.2011, to which he is not entitled as mentioned above.

The above issues were taken up through a Part I Inspection Report and final reply is awaited.

7.1.5: Non-implementation of codal provision resulting overpayment of ₹ 1,44,812/-.

Para 211, 213 & 249 of Indian Railway Mechanical Code deals with opening and closing of workshop gates, late attendance and deduction for absence. In terms of Para 211, the

workshop gate should be opened half an hour before commencement of work and closed at starting time. Late comers should, however, be allowed through “window gate” up to half an hour.

In terms of para 213 of the code , workmen coming late after 3 minutes but up to half an hour in the first period will be treated as late by half an hour in that period and should loose wages only for half an hour. Those coming late by over half an hour should not be allowed to enter the workshop during the first period and should lose half day’s pay. Workmen coming late after expiry of concession of 3 minutes in the second period will not be admitted into the shop and shall treated as absent in that period.

In terms of Para 249 of the code, deductible absence must be shown in muster roll-cum labour pay sheet(W-246) in days and hours. Deduction for absence should be calculated as under.

- a. For absence for less than a day except a half day – Deduction from the monthly pay will be made at the rate 1/208 th of the monthly pay for every hour.
- b. For absence for half a day or full day: A half a day will be the first or second period of the work on any day on which the workshop remains open for both the periods. Deduction for half a day or full day will be at 1/60th or 1/62 nd etc. 1/30th or 1/31st etc. of monthly pay, as case may be.

During the check of salary bills along with late arrival statement received from workshop shed, it was noticed that above codal provisions were not followed after computerization of pay bills since November 2007 and there are instance of overpayments of ₹ 28, 554 in respect of two bills units (out of 5 bills units) for the year 2009 and ₹ 32,975 during the period from January 2010 to October 2010. As such, the overpayment on this account comes to ₹ 6000 (approx) per month and total overpayment comes to ₹ 1,44,812(approx) since November 2007.

The issue was taken up through a Part I Inspection Report and final reply is awaited.

Chapter 8 – Signal & Telecommunication

The Signal and Telecommunication (S&T) Department is an important department in the Indian Railway. The S&T department looks after the signaling and telecommunication assets for their efficient and safe working in order to provide an efficient and safe train operation and smooth administrative working. The department also plans and executes the signaling and telecommunications projects on new stations/sections and for replacement of old assets, and as a part of modernization. S&T Department is headed by Chief Signal Telecommunication Engineer (CSTE) at Zonal level.

8.1 Topics taken up as Theme Based Audit

- Signalling works –Replacement of old age assets

The above theme based review was conducted during the year 2011-12 and the results of the review pertaining to East Coast Railway reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2011-12.

Chapter 9 -Stores

The Stores Department is headed by Controllers of Stores (COS) at Zonal level. The Stores Department performs materials management function to achieve the objective of procuring goods of right quality in right quantity at right time from right vendor at right price. In addition Stores Department also handles various other activities pertaining to supply chain management and disposal of scrap as follow:

- Warehousing of Materials.
- Distribution of Materials to consignees.
- Inventory Management.
- Fabrication and Distribution of Uniforms.
- Printing of Tickets, Money Value Books and Forms etc.
- Disposal of Scrap.

The Stores Department procures stock and non-stock items for stocking and distribution of stock items required for day to day maintenance of Electric and Diesel locomotives, Coaches and Wagons in addition to passenger amenity items.

9.1 Topics taken up as a Theme Based Audit.

- Procurement of stores through single tender system.

The above theme based review was conducted during the year 2011-12 and the results of the review pertaining to East Coast Railway reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2011-12.

9.2 Results of local audit and central audit.

9.2.1: Blocking of capital amounting to ₹ 1.25 crore due to overstocking of stores.

Para 128 of Indian Railway Codes for Stores Department, Volume-I underlines that fixing the maximum stock is governed by the factors of economic size of each order on the one hand and increased locked up capital on the other. Economic size of the order has to be

determined by striking balances between two conflicting aspects. Further, para 2230 of Vol-II ibid provides that the maximum stock that may be held, at any time, of ordinary stores in stocks should not ordinarily exceed 50 per cent of the issues of each item during the year.

During the check of accounts and records of SMM/ELS/VSKP, it was noticed that about 57 items as on 21.02.2011 were lying overstock for C category items over two years valuing ₹ 21,10,950 . Out of 57 items, in respects of 20 cases it was observed that the average consumption for the last three years was very less even 'Nil' whereas AAC was taken up very high. If the average consumption for last three year is compared with AAC, the over stock amount would increase by ₹ 5, 16,254.

During the check of accounts and records of WSD/VSKP, it was noticed that about 82 items as on 25.02.2011 were lying overstock valuing ₹ 71,18,022. Out of 82 items, in 29 cases it was observed that the average consumption for the last three years was very less even 'Nil' but their AAC were very high. If the average consumption for the last three years is compared with the AAC, the overstock amount would increase by ₹ 27, 45,400. It is clear from the above that AAC is not properly ascertained periodically. This has resulted in blocking up of capital and indicates poor store management. Thus, over procurement resulted in blocking up capital of ₹ 1, 24,90,626- i.e., ₹ 1.25 crore. Besides Sr.Divisional Mechanical Engineer/ECOR/WAT vide their letter dated 12.10.2010 informed the AMM /WSD/WAT that the materials pertaining to Vacuum Brake 4-w tank wagons were not required further to this Division. It was noticed that 7 items which were related to the tank wagon amounting to ₹ 25, 88,882/- were lying unutilized.

The above issue was taken up through a Part I Inspection Report and matter has been closed after obtaining remarks from Railway Administration.

Chapter 10 – Construction

Construction branch is headed by the Chief Administrative Officer (CAO) at the Zonal level. This department is responsible for construction of new projects. Audit findings in respect of voucher and transaction audit of Construction Audit are -

10.1 Results of local audit and central audit: During local audit and central audit the following irregularities were noticed

10.1.1 Loss of ₹ 47, 05,706 due to non-return of railway material by the contractor in the course of the execution of work in Tomka-Banspani Rail link projects.

During review of contracts in the office of Dy. CE/C/JJKR it was noticed that two works for “Execution of balance earth work, minor bridges and other allied works” between km-147.00 147.35(Section-10) and 147.35-147.84 (Section-11) respectively were awarded to Shri A.N.Prasad Rao, contractor under Agreement No. 08/CE/C/I/BBS/ECOR/2004 and 09/CE/I/BB/ECOR/2004 in July 2003. Though the target date of completion was 16.09.2004 these works were completed by 30.06.2006 in all respects after grant of several extensions of time.

The item of 5 Schedule-B Clause 45(A) of Additional Special condition of Contract, inter alia, provides for supply of Cement and Steel by the Railway to the Contractor free of cost for work. Clause 45(C) of the conditions further mentions that if he fails to return any excess material issued to the Railway Store Depot in acceptable conditions at his own cost thereof shall be recovered from him at issue rates of Railway freight, handling, loading, supervision and other incidental charges at rates fixed by the Railway. To this will have to be added an increase of 100%.

During review of the above contract it was revealed that materials were issued to the contractor over and above the actual requirement and according to the progress of work. The contractor failed to return the excess materials of cement and steel issued to him during the execution of the works.

Though five years have passed after completion of works the contractor has not preferred his Final bill and Railway administration has not taken any action to recover the cost of materials from the contractor as per condition of contract.

The cost of Railway materials under both the contracts (Cement=1082 bags and steel 62.770MT) was assessed by Audit as per the attached conditions of contract in Clause 45 (C) above. Accordingly an amount of ₹ 4,01,552/- for Cement and ₹ 43,04,154/- for Steel i.e. a total amount of ₹ 47,05,706/- stands recoverable from Sri. A.N. Prasad Rao.

The matter was taken up through a Part I Inspection Report and final reply from railways is awaited.

10.1.2: Improper planning led to idle investment of ₹ 16.52 crore with avoidable loss on Dividend payable to General Revenue (DPGR) amounting to ₹ 3.18 crore and irregular expenditure of ₹ 18.90 crore beyond the sanctioned amount in construction of ECoR Sadan.

The East Coast Railway, a new Railway Zone emerged due to trifurcation of South Eastern Railway and exercised its jurisdiction from 01.04.2003. The first detailed estimate for setting up of Zonal Headquarters amounting to ₹ 119.23 Crore was sent to Railway Board on 28.11.2002. Thereafter several revisions took place against the sanctioned amount of ₹ 79.31 Crore (sanctioned in 2003).

As against the 2nd revised estimate of ₹ 123.31 Crore, the Railway Board sanctioned ₹ 92.98 Crore on 21.04.2009. The ECoR however took up the issue with the Railway Board (19.05.2009) to increase the sanctioned amount to ₹ 115.89 Crore to accommodate the expenditure already incurred and committed liability to the extent of ₹ 22.91 Crore. The Railway Board, however, advised the ECoR that additional works, if required might be processed for inclusion in works programme as advised in 2008.

Detailed scrutiny of records revealed that the ECoR had resorted to incurring of extra expenditure in creating some assets, simultaneously some idle asset was also created with consequential effect of payment of DPGR and also constructed parallel asset. This case is analyzed below.

a. Unsanctioned expenditure amounting to ₹ 18.90 Crore

The ECoR authority had already incurred an extra expenditure of ₹ 18.90 Crore over and above the 2nd and final revised estimate sanctioned in respect of construction of (i) GM's residence (ii) Type V and Type V Special quarters (iii) Other Staff quarters and (iv) electrical works, etc.,

The source of funds for the extra expenditure of ₹ 18.90 crore was not identifiable from the records provided to audit. In the absence of the source it could not be established how such huge amount was illegally spent. Since the final budget grant under this head does not show any excess expenditure the fund must have come through diversion it from other works which must have suffered. Spending money without sanction and diverting funds illegally to other works surreptitiously smacks of collusion and unethical practices on the part of ECoR.

b. Idle asset created and loss towards Dividend Payable to General Revenue @ 7%.

Civil Works of North Block were completed at a cost of ₹ 16.52 Crore (Stores ₹ 6.39 Crore and contractual payment ₹ 10.13 Crore) on 31.07.2008. Only one department (S&T) has since moved to North Block occupying 1169 Sq.M. in 2009 and balance 12857 Sq.M. floor area remained vacant for want of electrification and other interior works (June' 2012).

It was noticed that ₹ 10 Crore and ₹ 7 Crore were provided for infrastructural works under setting up of East Coast Railway in 2009-10 and 2010-11 respectively in Railway Budget. The funds were surrendered without taking up Electrical, Telecom and Computerisation Works on the plea that Railway Board advised to restrict the work as provided in the sanctioned estimate.

Consequently, there was an inordinate delay to take up the works and the investment of ₹ 16.52 Crore became idle for last four years. Though after issue of observation by Audit, Railway administration started the interior works recently for shifting of other departments it will take some more time. Non-utilisation of the assets had an adverse effect of payment of DPGR @ 7% on the investment amounting to ₹ 4.63 crore from July 2008 to July 2012.

c. Injudicious decision of construction of parallel asset despite construction of ECoR Sadan.

It was further observed that an office building at a cost of ₹ 3.9 Crore on 6.9 acres of land was constructed in Rail Vihar (1 Km away from ECoR Sadan) in 2007. Even though the space in the North Block of ECoR Sadan remains idle, ECoR made an injudicious investment of ₹ 3.9 Crore on creating parallel assets. If cost of prime land and the amount invested in infrastructure and office equipments are factored in the investment the cost would be manifold. Further it is observed that Commercial Department is housed in ECoR Sadan while Traffic Accounts have been placed in Rail Vihar which does not appear to be a logical decision as it would not enhance the operational efficiency, rather a constraint to achieve that.

Thus there was incidence of severe lack of planning of works resulting in idle investment and blocking up of capital amounting to ₹ 16.52 Crores since July 2008 with consequential avoidable loss on payment of DPGR amounting to ₹ 4.63 Crore. The investment of ₹ 3.9 Crore in creating office building separately away from ECoR Sadan on a prime land did not represent judicious and prudent decision particularly keeping in view that more than 12,000 Sq.M. floor area remained unutilized for more than three years. In a time when many development and infrastructural works of the Railway remained incomplete due to lack of resources, incurring ₹ 18.90 Crore more in some works from undisclosed source of fund flouted all kinds of financial control and regulations.

In the meanwhile all the departments have been placed in the ECoR Sadan and the North Block has been utilized. The Traffic Accounts also have been shifted to ECoR Sadan. The building in the 6.9Acre are (Rail Vihar) constructed for Traffic Accounts utilized by construction organization and RVNL/RITES etc.

The matter was initially taken up through a special letter and subsequently as a draft paragraph has been issued.

Chapter 11 – Audit Effectiveness

10.1 Audit Planning

Broadly, the selection of units for Audit of East Coast Railway was planned on the basis of certain vital risk factors such as level of budget planned; resources allocated and deployed; extent of compliance with internal controls; scope of delegation of power; sensitivity and criticality of functions/activities, etc., previous audit finding and media reports, where relevant, were also considered.

Based on such risk assessments, test audit of following units of ECoR was carried out during 2010-11 and 2011-12.

10.2 Executive Offices and Stations inspected during 2010-11 and 2011-12.

Unit	2010-11	2011-12
	No of Executive Office/ Stations	No of Executive Office/ Stations
Divisions	49	51
Work shops	5	5
Stores	3	3
Construction	27	27
Traffic	53	60*
Others	13	14
Total units audited	150	160
Railway Electrification	7	7
Grand Total	157	167

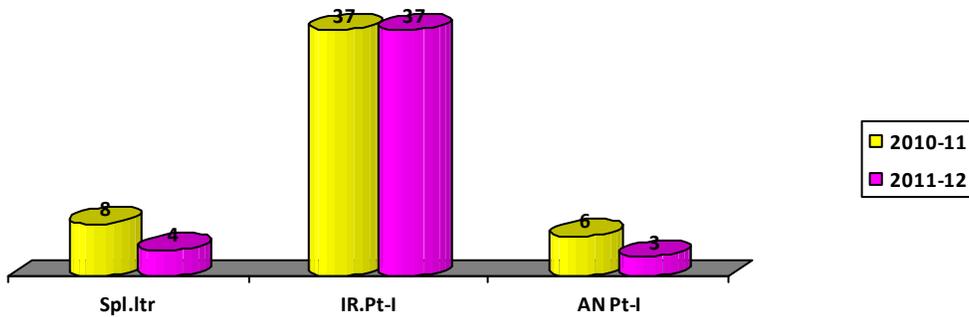
***Four units of TA/BBS could not be completed due to shortage of man power.**

In addition, thematic studies and performance Audit having significances and sensitivity in relation to public policy and implementation as identified by O/o the C&AG were also undertaken.

10.3 Audit objections issued, settled and outstanding.

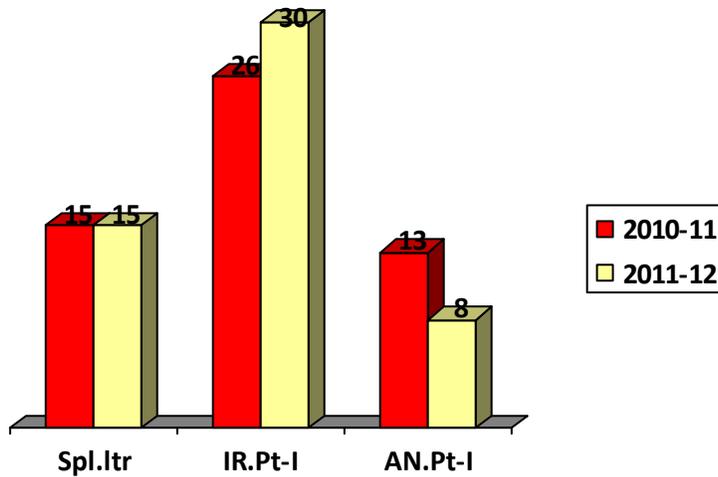
(a) Audit objections issued during 2010-11 & 2011-12.

Year	Special letter	IR .Part-I	A.N Part-I
2010-11	8	37	6
2011-12	4	37	3



(b) Audit objections settled during 2010-11 & 2011-12.

Year	Special letter	IR .Part-I	A.N Part-I
2010-11	15	26	13
2011-12	15	30	8



At the beginning of the year 2011-12, 149 nos of IR part-I, AN Part-I, Special letter were pending. During the year, 41 audit objections were issued through special letters, audit notes and inspection reports and 53 audit objections were settled. At the end of the year, 137 audit objections were outstanding.

10.4 Unit wise Audit Objections issued and settled during 2011-12.

The position of unit wise Audit Objections issued and settled during 2011-12 are as follows.

Units	Category	No. of objection pending as on 01.04.2011		No. of objection issued during the year 2011-12		No. of objection settled during the year 2011-12		No. of closing balance as on 31.03.2012	
		Report	Para	Report	Para	Report	Para	Report	Para
OL/WAT	IR Pt-I	11	16	5	7	4	6	12	17
	AN Pt-I	0	0	1	1	0	0	1	1

	Spl.ltr	5	5	1	1	0	0	6	6
OL/KUR	IR Pt-I	16	20	2	2	1	1	17	21
	AN Pt-I	6	6	1	1	0	0	7	7
	Spl.ltr	4	4	0	0	2	2	2	2
OL/SBP	IR Pt-I	4	4	1	1	0	0	5	5
	AN Pt-I	2	2	0	0	2	2	0	0
	Spl.ltr	0	0	1	1	0	0	1	1
CON/WAT	IR Pt-I	1	1	0	0	0	0	1	1
	AN Pt-I	2	2	0	0	2	2	0	0
	Spl.ltr	2	2	0	0	1	1	1	1
CON/SBP	IR Pt-I	2	2	0	0	1	1	1	1
	AN Pt-I	1	1	0	0	1	1	0	0
	Spl.ltr	0	0	0	0	0	0	0	0
CON/BBS	IR Pt-I	11	22	1	1	4	7	8	16
	AN Pt-I	5	6	0	0	0	0	5	6
	Spl.ltr	8	8	0	0	7	7	1	1
WS/BBS	IR Pt-I	4	6	3	3	1	1	6	8
	AN Pt-I	1	1	0	0	1	1	0	0
	Spl.ltr	0	0	0	0	0	0	0	0
STORES	IR Pt-I	3	3	1	1	0	0	4	4
	AN Pt-I	2	2	0	0	0	0	2	2

	Spl.ltr	2	2	0	0	0	0	2	2
TRAFFIC	IR Pt-I	31	39	23	24	18	20	36	43
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	4	4	0	0	3	3	1	1
E&PF	IR Pt-I	7	19	1	2	1	1	7	20
	AN Pt-I	5	5	0	0	2	2	3	3
	Spl.ltr	1	1	0	0	1	1	0	0
EXPENDITURE	IR Pt-I	5	6	0	0	0	0	5	6
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	2	2	1	1	0	0	3	3
B&A	IR Pt-I	0	0	0	0	0	0	0	01
	AN Pt-I	1	1	1	1	0	0	2	2
	Spl.ltr	0	0	1	1	1	1	0	0
TOTAL	IR Pt-I	95	138	37	41	30	37	102	142
	AN Pt-I	25	26	3	3	8	8	20	21
	Spl.ltr	28	28	4	4	15	15	17	17

10.5 Recoveries at the instance of Audit.

As a result of audit, cases of under charges, non-recovery of dues and overpayments were brought to the notice of Railway Administration and an amount of ₹ 1.78 crore as detailed herein was recovered/accepted for recovery.

Sl.No.	Divisions/Units	Amount recovered/ accepted for recovery during 2010-11 (₹ in crore)	No. of cases above ₹ 50,000
1	OL/WAT	0.856	7
2	OL/KUR	0.0844	2
3	OL/SBP	0.02	1
4	CON/BBS	0.054	2
5	CON/VSKP	0.499	1
6	RE/BBS	0.0048	0
7	WA/BBS	0.0041	0
8	E & PF/BBS	0.0012	0
9	TA/BBS	0.257	3

Indian Railway is a vast organization. A separate Audit Report on Railway is presented to the President and the Parliament annually. It may be appreciated that many important Audit objections pertaining to the Zone that require the attention of GM and PHOD can not be incorporated in the Audit Report of Pan –India character. Here lies the importance of Zonal Audit Report. It will be a pleasure if Zonal Railway Authorities find it useful. While all out efforts have been taken to present the Report error free, still some mistakes may have crept in. It will be appreciated if errors, if any, are brought to the notice of the undersigned.

(B.K MOHANTY)

Pr. Director of Audit