



**Report of the  
Principal Director of Audit  
East Coast Railway  
Bhubaneswar**



**2010 -11**

## *Preface*

This report of the Principal Director of Audit, East Coast Railway, Bhubaneswar for the year ending 31<sup>st</sup> Mar 2011 has been prepared for submission 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 notice 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 2010-11 and other issues that we noticed in the course of the test audit of transactions of all of all the departments, viz, Engineering, Mechanical, Electrical, Signal & Telecommunication, Traffic, Commercial, Medical and Personnel of East Coast Railway during 2010-11. The Audit observations contained in the report are essentially based on the results of audit conducted during the year 2010-11 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 31<sup>st</sup> Mar 2011 has been prepared and submitted separately to the President under Article 151 (1) of the Constitution of India. Audit comments included in the Comptroller and Auditor General's Report could also find a mention here.

**B.K. Mohanty**  
**Principal Director of Audit**

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## **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.*

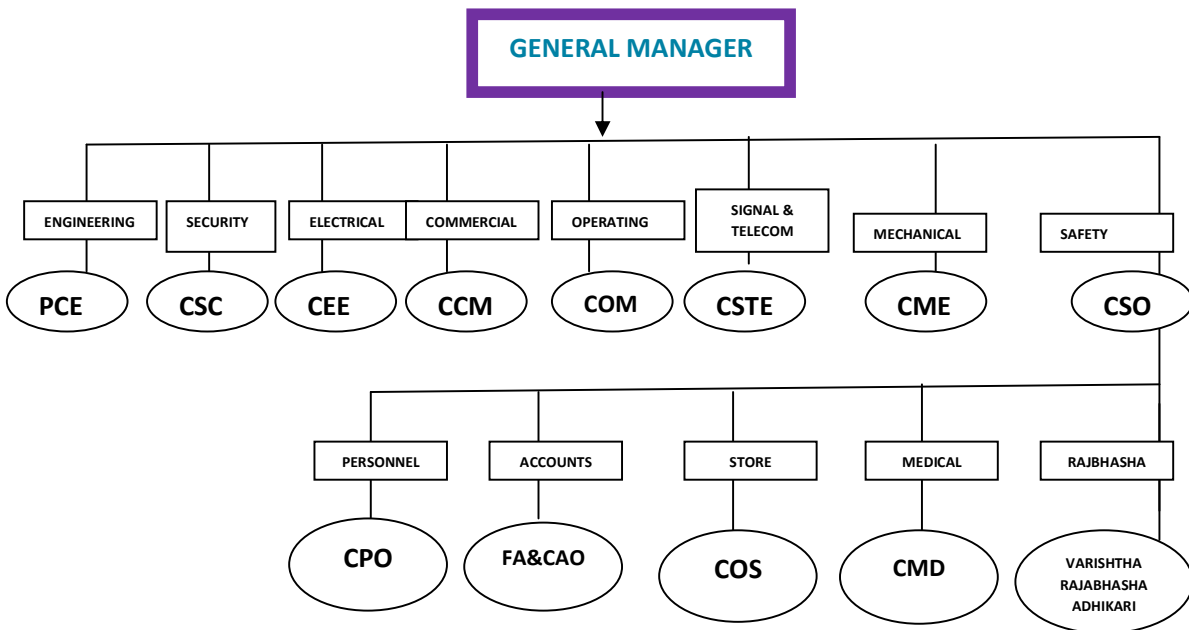
*Indian Railways is the largest organization under the control of the Union Government. It is one of the biggest contributors to the consolidated fund of India and a source of huge revenue generation for the Union. Being the largest Railway network under single ownership in the world, largest employer and the principal carrier of Goods and Passengers in India, it discharges socio-economical 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 accounts of Indian Railways as a Government department and organisation. His responsibility for the audit of Railway accounts is discharged through 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 are audited 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 complied 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 transaction.*

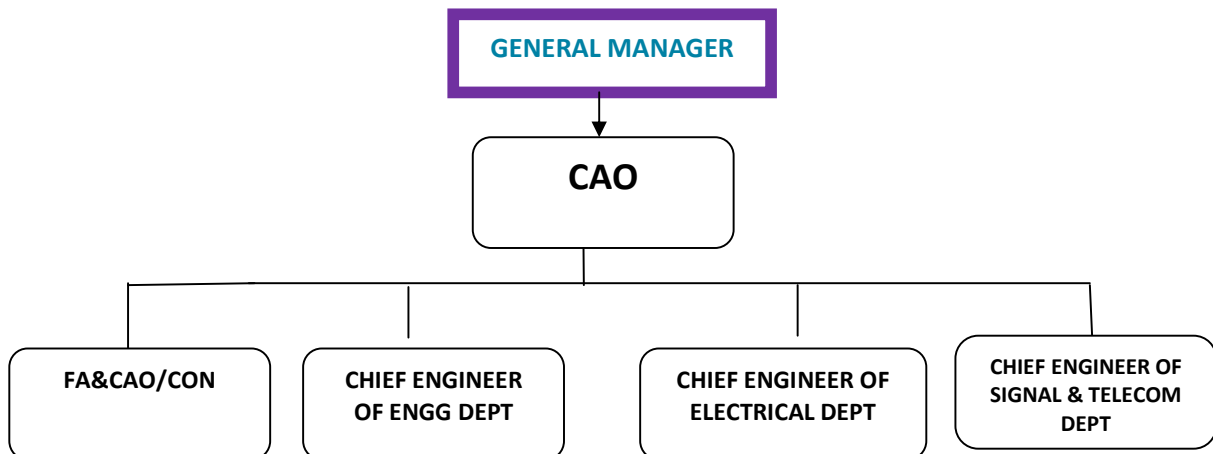
*The CAG has ordered to publish a Zonal Audit Report for each Zonal Railway which would include those important Audit Objection which had been raised to the Zonal Railway Administration but were not finally included in the RAR. Accordingly, a comprehensive Zonal Audit Report for the East Coast Railway has been prepared for the financial year 2010-11.*

## ORGANISATION CHART OF EAST COAST RAILWAY



## ORGANISATION CHART

### EAST COAST RAILWAY (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 2010-11 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 26.48percent (₹.1861.19 crore) in gross traffic receipts over 2009-10.
- The total working expenses increased by 13.02percent (₹. 417.05Crore) compared to the previous year.
- The targets set for Gross Traffic Receipts in the Revised Budget Estimates of 2010-11 were ₹. 8314.16 Crore.
- The operating ratio, which was 48.25% in 2009-10, has declined to 42.82% in 2010-11, indicating better performance.
- The earnings from Coaching services was 7.95% of total earnings in 2010-11.
- The earnings from Goods services was 91.35% of total earnings in 2010-11.
- The earning from other sources (Sundry Earning) was 0.69% of total earnings in 2010-11.

## 1.1 Summary of receipt and expenditure of East Coast Railway

The financial results of the ECoR for the year 2010-11, in comparison to the year 2008-09 and 2009-10 is shown below:-

**Financial Statement at a glance( . in Crore)**

| <b>Sl. No</b> | <b>Particulars</b>   | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> |
|---------------|--|----------------|----------------|----------------|
| 1             | Gross Traffic Receipt  |                |                |                |
|               | (a) Gross Earnings   | 6638.21        | 7023.93        | 8887.81        |
|               | (b) Suspences  | -4.39          | 2.55           | -0.13          |
|               | Gross Receipt  | 6633.82        | 7026.48        | 8887.68        |
| 2             | Total Gross Expenditure  |                |                |                |
|               | (a) Total Ordinary working expenses                            | 2560.53        | 2792.2         | 3027.2         |
|               | (b) D.R.F  | 349.75         | 108.67         | 261            |
|               | ©Pension Fund  | 362.09         | 488.22         | 517.95         |
|               | (d) working Expenses (Excluding suspences)<br>OWE+DRF+PF       | 3272.37        | 3389.09        | 3806.15        |
|               | (e) Suspences  | -53.38         | -18.54         | 3.57           |
|               | Total Gross Expenditure  | 3218.99        | 3370.55        | 3809.72        |
| 3             | Net Traffic Receipt  | 3414.83        | 3655.93        | 5077.96        |
| 4             | Percentage of ordinary working expenses(Operating Ratio)       | 49.3           | 48.25          | 42.82          |
| 5             | Net Misc. Receipt (Misc.Receipt- Misc .Exp)                    | -31.98         | -35.73         | -50.39         |
| 6             | Net Revenue Receipt<br>(Net Traffic Receipt+ Net Misc.Receipt) | 3382.85        | 3620.2         | 5027.57        |
| 7             | Percentage of net Revenue receipt to Capital at charge         | 96.81%         | 92.30%         | 114.96%        |
| 8             | Payment to General Revenue                                     | 231.63         | 258.3          | 209.78         |
| 9             | Net gain   | 3218.62        | 3467.36        | 4850.67        |
| 10            | Capital at charge  | 3494.23        | 3922.03        | 4373.09        |
| 11            | Percentage of net gain or loss to capital at charge            | 92.11          | 88.40          | 110.92         |





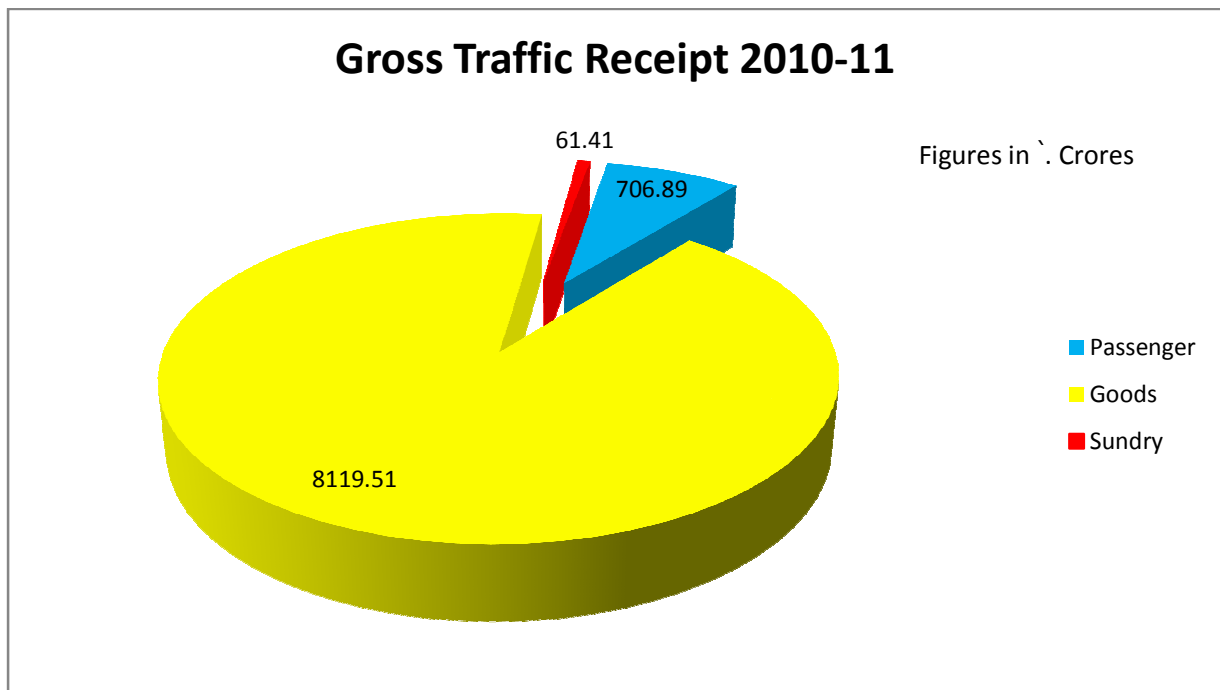
## 1.2 Gross Traffic Receipts

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:

| <b>Gross Traffic Receipts</b> |                       |                                 |                                  |                        |
|-------------------------------|-----------------------|---------------------------------|----------------------------------|------------------------|
| <b>Traffic Earnings</b>       | <b>Actual 2009-10</b> | <b>Budget Estimates 2010-11</b> | <b>Revised Estimates 2010-11</b> | <b>Actuals 2010-11</b> |
| Passanger                     | 627.71                | 687.8                           | 705.95                           | 706.89                 |
| Goods                         | 6346.83               | 6633.09                         | 7550                             | 8119.51                |
| Sundry                        | 49.39                 | 60.73                           | 58.21                            | 61.41                  |
| Suspenses                     | 2.56                  | 4                               | 0                                | -0.13                  |
| <b>Total</b>                  | <b>7026.49</b>        | <b>7385.62</b>                  | <b>8314.16</b>                   | <b>8887.68</b>         |

(` . In crore)

There was over all increase in traffic earnings by ` 1861.19 Crore during the year 2010-11 as compared to previous year 2009-10



### 1.2.1 Passenger Earnings

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

| Passenger Earnings |                              |  |  |          |                                      |
|--------------------|------------------------------|--|--|----------|--------------------------------------|
| Year               | Pass earnings<br>(.in crore) | Passenger<br>originating<br>( in millions) | Passenger<br>carried<br>( in millions) | Pass Km  | Average<br>earning<br>per pass<br>km |
| 2008-09            | 525.15                       | 64.24                                      | 74.51                                  | 11248.32 | 46.69                                |
| 2009-10            | 528.18                       | 71.17                                      | 82.32                                  | 12556.13 | 46.37                                |
| 2010-11            | 648.4                        | 79.37                                      | 91.96                                  | 13955.01 | 46.46                                |

From the above, it would be seen that during the year 2010-11, passenger earnings went up by 22.76% over the previous year. During the year 2010-11 originating passengers in East Coast Railway were 79.37 millions passenger against 71.17 millions corresponding period of 2009-10. The no of passenger carried by ECoR increased by 11.52% in 2010-11 in comparison to 2009-10. The average earnings per passenger Km has however, registered a marginal increase of ` 0.09 crore.

### 1.2.2 Goods Earnings

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

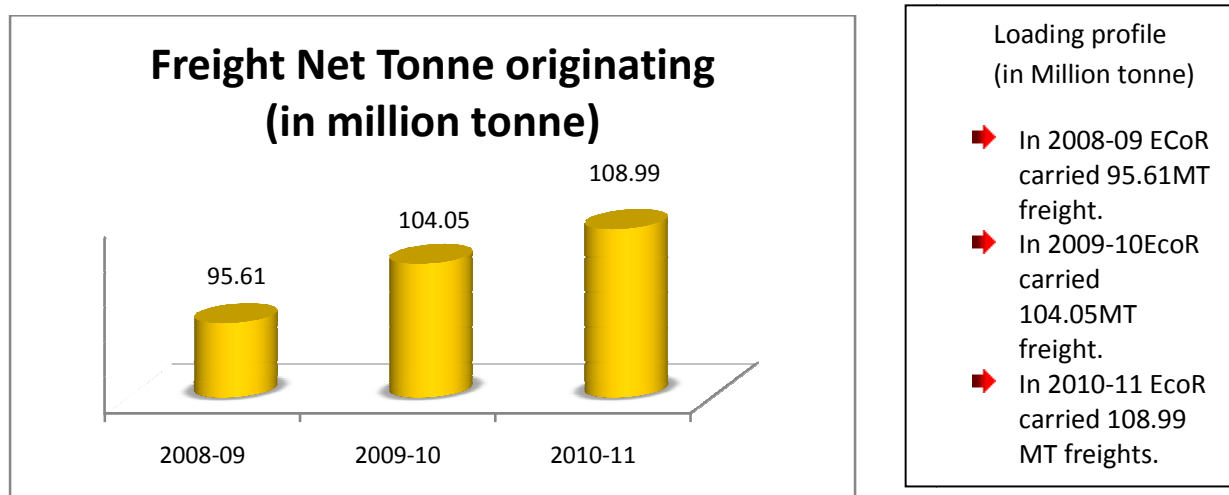
#### Goods Earnings

| Year    | Freight Net<br>Tonne originating<br>(Rev)<br>(in million tonne) | Freight Net<br>Tonne<br>(in million tonne) | Freight Net<br>Tonne Km<br>(million) | Earnings from<br>Goods Carried<br>(Rs. In lakh) | Average<br>earnings per<br>Tonne km |
|---------|---|--|--------------------------------------|---|-------------------------------------|
| 2008-09 | 95.61   | 137.76                                     | 49457                                | 5913.35   | 119.57                              |
| 2009-10 | 104.05  | 154.67                                     | 54114                                | 6302.4  | 116.64                              |

|         |        |       |       |         |        |
|---------|--------|-------|-------|---------|--------|
| 2010-11 | 108.99 | 161.8 | 57965 | 8024.29 | 138.43 |
|---------|--------|-------|-------|---------|--------|

From the above, it can be seen that during the year 2010-11, Goods Earnings went up by 27.32% (₹.1721.89 Crore) in 2010-11 over previous year. The Volume of Goods carried increased from 104.05MT in 2009-10 to 108.99MT in 2010-11, there by increase of 4.7%

**LOADING PROFILE OF EAST COAST RAILWAY (2008-09,09-10,10-11)**



**78 1.2.3 Unrealised Earnings**

The Parties against whom the outstanding dues were in excess of ₹.25 lakh as on 31<sup>st</sup> March 2011 were as follows.

**Unrealised Earnings**

| Sl No. | Category          | Name of the Party                                     | Outstanding dues as on 31st Mar'2010 | Outstanding dues as on 31st Mar'2011 |
|--------|-------------------|---|--------------------------------------|--------------------------------------|
| 1      | Steel Plants      | NINL Sukinda, RINL VSPS, Bhusan, Aryan Ispat Lapanga, | 52.36 lakh                           | 52.36 lakh                           |
| 2      | Electricity Board | NTPC Kanhia, APSEB, TNEB, NTPC Shimadri               | 160.28 lakh                          | 160.28 lakh                          |
| 3      | Cement plant      | Andhra Cement, ICL Bargarh                            | 117.39 lakh                          | 117.39 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 ECoR increased from `0.22 Crore at the end of March-10 to ` 0.95 Crore at the end of March-11

### 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 Earning.

(Figures in Crores)

| Details               | 2009-10       | 2010-11       |
|-----------------------|---------------|---------------|
| Gross Earning         | 7024          | 8888          |
| Gross Working Expnses | 3389          | 3806          |
| Operating Ratio       | <b>48.25%</b> | <b>42.82%</b> |
| Surplus               | 3635          | 5982          |

From the above it can be seen that there is positive trend in operating Ratio, which indicates that East Coast Railway has bettered its performance in the year 2010-2011 over its performance in the year 2009-2010 by 5.43%.

#### 1.4.1 Capital-Output Ratio.

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

| Period ending | Total Capital investment (. 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 NTKM (in millions) | Million NTKMs |                                  |   |
| 1             | 2  | 3                                | 4                            | 5             | 6                                | 7   |
| Mar 2009      | 156094                                   | 50152                            | 11248                        | 857           | 51009                            | 306   |
| Mar 2010      | 159542                                   | 57689                            | 12556                        | 958           | 58647                            | 272   |
| Mar 2011      | 173918                                   | 61840                            | 13955                        | 1067          | 62907                            | 276   |

The capital output ratio in shows physical performance as compared to capital Employed. The figure shows marginal detonation in the year 2011 as compared to that of 2010

#### 1.4.2 Staff Productivity

| Period ending | Number Staff (in thousand) | Total traffic (in million NTKM) | Traffic (per thousand employee) in NTKMs |
|---------------|----------------------------|---------------------------------|--|
| Mar 2009      | 46.12                      | 51008.89                        | 1106.00                                  |
| Mar 2010      | 41.294                     | 58647.14                        | 1420.37                                  |
| Mar 2011      | 40.350                     | 62907.03                        | 1559.03                                  |

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 a share of the Diesel Cess. The status of these funds at the end of the year 2010-11 is discussed below.

### 1.5.1 Depreciation Reserve Fund

(` in crore)

| Year     | Opening Balance | Accretion during the year | Withdrawal during the year | Balance |
|----------|-----------------|---------------------------|----------------------------|---------|
| Mar 2009 | 506.47          | 384.89                    | 358.48                     | 532.88  |
| Mar 2010 | 537.08*         | 148.63                    | 245.15                     | 435.57  |
| Mar 2011 | 435.84**        | 282.71                    | 242.77                     | 475.78  |

\*TWFA amounting to `6.19 Crore.

\*\* TWFA amounting to `0.27 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 2009 | 1924.29         | 500.72                    | 249.98                     | 2175.03              |
| Mar 2010 | 2175.03         | 644.03                    | 386.81                     | 2432.25              |
| Mar 2011 | 2432.25         | 644.03                    | 393.25                     | 2683.03              |

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 also. 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 2010-11 the following irregularities were noticed by the Audit:

### Highlights

**Revenue & Capital Account Current** - Wrong classification of GPF transaction of Railway Audit employees under SRPF instead of GPF (`.13,02,942.00+`.36,06,550.00) , wrong calculation of interest on Fund Balances (DRF and Pension Fund Balances (DRF and Pension Fund) (`.2825080.00 +`. 13354462.00),

[Rectification of misclassification took place at the instance of Audit by issue of correction slips]

- Statement showing calculation of dividend on Capital at charge and subsidy due from General Revenues - **Excess claim of subsidy** to the tune of `59.22 Cr. in respect of three new lines and one ROB project and wrong adjustment of excess subsidy claimed during 2009-10 (`.9.95 Cr.)

[Rectification took place at the instance of Audit by revision of relevant statements]

**Debt Head Report** – Irregular exhibition of balances under Dev. Fund and Safety Fund (`.8818599532.00 + `.1569245871.00), Non-reflection of balances under M.H.-8342-Other Deposits (`.1228403.00 ) and Non inclusion of total figure in respect of GPF balances (`.3182395.00).

[Rectification took place at the instance of Audit by revision of relevant statements]

**Annexure ‘J’**-Statement showing important misclassifications and mistakes-

- Wrong booking of cost of hiring of vehicle amounting `1,01,93,724
- wrong crediting of RTI fees (`.20983.00) to Railway Revenue instead of major head 1001.
- wrong crediting of Leave Salary contribution (`.3,87,832.00) to grant no-13 instead of **major head 1001**.
- wrong crediting of `2,44,66,983.00 received towards Deposit Works to Sundry Earnings (Z-652) instead of ‘Deposit Miscellaneous’

[The misclassification and mistakes in accounting has been accepted by Accounts department of East Coast Railway and appeared in Indian Railway Appropriation Accounts 2010-11]

- **Capital Statement and Block Account Commercial Lines** – ‘Non-inclusion of improvement element’ to the value of assets created out of DRF leading under valuation of assts exhibited in Block Account of Zonal Railway.

## **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:-

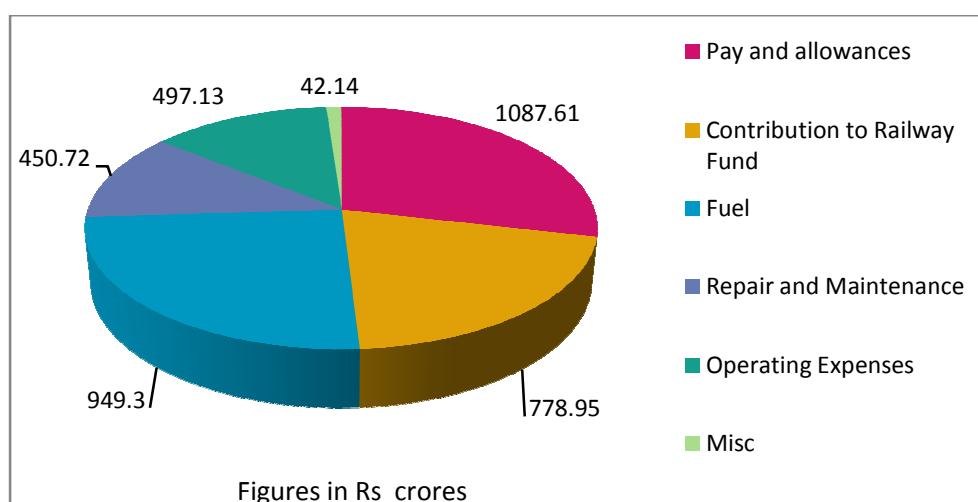


| <b>Summary of Appropriation Accounts</b> |                       |                            |                          |                           |                             |
|--|-----------------------|----------------------------|--------------------------|---------------------------|-----------------------------|
| <b>Voted &amp; Charged</b>               | <b>Original Grant</b> | <b>Supplementary Grant</b> | <b>Total Final Grant</b> | <b>Actual Expenditure</b> | <b>Saving(+)/ Excess(-)</b> |
| <b>Revenue Expenditure(`. in Crore)</b>  |                       |                            |                          |                           |                             |
| Voted                                    | 3122.39               | 157.43                     | 3279.82                  | 4139.78                   | -859.96                     |
| Charged                                  | 0                     | 2.6                        | 2.6                      | 0.24                      | 2.36                        |
| Total Revenue                            | 3122.39               | 160.03                     | 3282.42                  | 4140.02                   | -857.6                      |
| <b>Capital Expenditure(`. in Crore)</b>  |                       |                            |                          |                           |                             |
| Voted                                    | 1739.26               | 0.2                        | 1739.46                  | 1736.92                   | 2.54                        |
| Charged                                  | 0                     | 3.6                        | 3.6                      | 2.27                      | 1.33                        |
| Total Capital                            | 1739.26               | 3.8                        | 1743.06                  | 1739.19                   | 3.87                        |
| Grand Total                              | 4861.65               | 163.83                     | 5025.48                  | 5879.21                   | 853.73                      |

It is evident from the above table that the revenue expenditure has exceeded by 26.12 % than total final grant.

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.

### **2.1.1 Revenue grant**



## 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)                                  | 1274900        | 110                 | 1275010       | 1254865     | 20145                |
| Repair and Maintenance (P.Way)(4)                     | 3080328        | 63                  | 3080391       | 3156165     | (-)75774             |
| Repair and Maintenance (Motive Power)(5)              | 1438488        | 0                   | 1438488       | 1272344     | 166144               |
| Repair and Maintenance (Carriage and Wagon)(6)        | 2200779        | 109                 | 2200888       | 2355647     | (-)154759            |
| Repair and Maintenance (Plant & Equipment) (7)        | 1583747        | 0                   | 1583747       | 1590541     | (-)6794              |
| Operating Expenses (Rolling Stock & Equipments)(8)    | 2132771        | 109889              | 2242660       | 2493685     | (-)251025            |
| Operating Expenses (Traffic)(9)                       | 5216975        | 683785              | 5900760       | 6702544     | (-)801784            |
| Operating Expenses (Fuel)(10)                         | 8578558        | 327100              | 8905658       | 9493042     | (-)587384            |
| Staff welfare fund(11)                                | 1162415        | 116400              | 1278815       | 1308230     | (-) 29415            |
| Misc. Working Expenses(12)                            | 1263735        | 1219                | 1264954       | 7693622     | (-) 6428668          |
| P.F/ Pension and other                                | 3291200        | 359800              | 3651000       | 4079510     | (-)428510            |

|                         |  |  |  |  |  |
|-------------------------|--|--|--|--|--|
| Retirement benefits(13) |  |  |  |  |  |
|-------------------------|--|--|--|--|--|

From the above table it is evident that there has been no substantial excess or savings in so far as grant No.3 to 13 are concerned except in case of Grant No.12 which is subjected for adjustments with suspense balances of Misc. Adv. Revenue and Demands Payable. However, during the detailed verification of revenue grants and expenditure pattern up to minor head/subhead of these grants it was observed that in 28 numbers of cases there was excess provision or short provision of funds. The same was pointed out by Audit as 'Defects in Budgeting' and appeared in the Indian Railway Appropriation Accounts 2010-11

### 2.3 Control over Suspense Accounts

When transactions of receipt or expenditure cannot be classified immediately under the relevant major head of Accounts due to lack of information about the transactions or for any 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 laying under some of the suspense head/ transitory heads of account of ECoR are as follows.

| <b>Control over Suspense (in `.)</b> |                      |   |
|--------------------------------------|----------------------|---|
| <b>Sl.No</b>                         | <b>Suspense Head</b> | <b>Balance out standing as on March2011</b> |
| 1                                    | Cheque Bills         | (+)922792646                                |
| 2                                    | Remittance into Bank | (-)888015103                                |
| 3                                    | PAO Suspense         | 0   |
| 4                                    | Public Sector Bank   | (-)1269498556                               |

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

## **2.5 Unsanctioned expenditure**

Non-inclusion of items of Audit objections amounting to `31.70 crore under “Misc. irregularities” .Railway Administration has issued correction slip at the instance of Audit.

## **2.7 Defects in Budgeting**

Large difference between original Budget grant and actual expenditure treated as defects in budgeting.

Defects in Budgeting on Demand no.2 and Railway Grant no.3,4,5,6,8,9,10,11,12,13&16 amounting saving to the tune of `251.5 Cr and excess expenditure to the tune of `272.8 Cr. have been pointed out by Audit.

An amount of ` 310.90 Cr. Involving 28 nos of items comprising excess provision of fund/short provision of funds have been included in Annexure –K during 2010-11

**2.8 Results of local audit and central audit-** The following points were taken up during local audit and central audit

### **2.8.1 Excess drawal of interest from Civil Grants**

The year wise analysis of differences between the interest worked out provisionally on provident fund balance and that of actually credited to individual subscribers’ P.F. Accounts for the period 2007 to 2001 revealed an excess drawal of interest from General Revenue amounting to `2,87,58,440. The same was taken up through a Part -I Audit Note and the Railway Administration accepted the lapse.

## **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, accountal and remittance of freight, fare and other charges. The operating branch is responsible for smooth transportation of freight and passengers. The total expenditure of the traffic department during the year 2010-11 was ₹. 669.71 crore.

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) Impact of enhanced loading policy CC+8+2.
- (ii) Concept of train load movement.
- (iii) Freight terminals.

The above theme based reviews have been conducted during the year 2010-11 and results of the reviews have been reported through C&AG's report for Indian Railways 2010-11.

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

**3.2.1 Non-Revision of siding charges in consonance with revision of Train Engine Hour Cost and loss of revenue there of-**

Non-Revision of siding charges on revision of Train Engine Hour Cost resulting in short recovery of siding charges in respect of BCHL Siding to the tune of ` 3,32,559/-.

In respect of Bacheli siding, Siding charges were assessed based upon the All India Engine Hour Cost (`7730/- per hour in respect of Electric Train Engine) announced by Rly Board as per letter dated 30.04.2009. The All India Engine Hour Cost of Electric Train Engine was revised w.e.f 01.7.10 and fixed at Rs. 7820/- per hour. Though E.Co.Rly Admn circulated the same vide commercial circular No. 48 (c)/10 dtd. 05.4.10, rates of siding charges in respect of BCHL and other sidings were not revised w.e.f. 1.7.10. This has resulted in short realization of siding charges to the tune ` 3,32, 559/- .

*The matter was been brought to the notice of Railway commercial department through a Part I A.I.R (Audit Inspection Report) but no action has been taken till date.*

### **3.2.2 Non-realization of detention charges to the tune of `1,65,80,501/-**

A check of station outstanding register at Bacheli Station with lists of detention charges received by the station from Dantewada, Gidam and Jagdalpur stations has revealed that detention charges on account of detention to over loaded wagons at above three stations were accrued at `2,41,32,900/- between 22.3.2007 to 27.4.2010.

An 'on account' payment of `16600000 was made towards station outstanding in respect of Bacheli siding by NMDC Ltd. in August/10.

The said amount has been appropriated against many items of station outstandings including demurrage charge and also detention charges accrued at Jagdalpur to the tune of `28,98,600/- GIZ to the tune of `24,37,600/- and `22,16,199/- in respect of Dantewada station as on account settlement against the accrued dues of `1,87,96,700/- leaving a balance of ` 1,65,80,501/- to be paid by the siding holder.

It is further noticed that a total of 60516 wagon hours were lost on account of detention to 2 wagons at JDB 284 hrs. at Datenwada and 22 wagons 60232 hrs. at Gidam stations. The monetary value on account of accrued demurrage charges was worked out to ` 60,51,600/- as on 29.11.10. The same amount is due and the wagons are yet be released for movement.

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

### **3.3.3 Under Charges or freight amounting to ` 2.53 Lakh due to wrong charging of distance base charge.**

In terms of Chief Commercial Manager, East Coast Railway's Commercial Circular No. 85 (G)/09 dated 02.06.2009 classifications for Iron Ore was fixed at class 180 for train load movement with distance based charge.

A review of inward cancelled RRs of Paradip Port/East Coast Railway revealed that in one RR bearing No. E 670689 dated 09.06.2009, Ex. Dongaposi (DPS) to PRDP the distance base charge was not levied correctly i.e. NTE charged was less than the highest NTR of lower slab. This has resulted in under charges of freight amounting to ` 2,53,147/-.

*Above issue was taken up through a Part I Inspection Report and matter has been closed after recovery of an amount of ` 2,53,147/- by Rly Admn.*

### **3.3.4 Under Charges amounting to ` 32,773/- due to less charging of chargeable weight.**

Para 3 of Commercial Circular No. 73 (G)/08 dated 24.6.2008 chargeable weight for ores, gypsum, limestone & dolomite, stones, clinker, cement, slag and E & F grade coal are to be charged at 67 tonnes on CC+8 routes when loaded in BOXN/BOXNCR/BOXNHS/BOXNEL wagons. Para 3.2 of the said circular also

provide that loading in respect of E & F grade coal during the period from 1<sup>st</sup> July to 15<sup>th</sup> August on the above wagons on CC+8 routes will remain same as applicable on universalized CC+6 routes will remain same as applicable on universalized CC+6 routes i.e. 65 tonnes in BOXN/BOXNCR/BOXNHS/BOXNEL wagons.

A review of inward RRs of Indian Metal & Ferro Alloys Limited (IMFA) siding/Charbatia (CBT), has revealed that in four cases chargeable weight for BOXN/BOXNHS wagons loaded with 'F' grade coal from Talcher area i.e. carried on CC+8 routes was charged less than 67 tonnes. This has resulted in undercharges amounting to `32,773/-.

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

### **3.3.5 Short collection of freight amounting to `11,25,838/- due to non-realization of Terminal charges under Hindustan Petroleum Corporation and Indian Oil Corporation Limited.**

As per Commercial circular No. 124(G)/07 dtd/ 31.05.2007 & 09(G)/08 dtd. 18.01.2008 terminal charges @Rs. 10 and @Rs. 20 respectively per ton should be levied on consignments on the basis of chargeable weight at the time of issue of R.R Terminal charges will be levied on Railways' Owned Terminals. with effect from 01.07.2007 and 01.02.2008 respectively.

During check of outward R.R. for the period from July 2009 to November 2009 in Goods office HPCL and IOCL/PRDP it was noticed that in some case of R.R. booked from PRDP to various stations terminal charges as applicable were not collected. This resulted in short realization of charges amounting to Rs.11,25,838/-.

*The above issue was taken up through a Part I Inspection Report and matter has been closed after recovery of an amount of Rs.1,63,570/- and balance amount Rs.9,62,269/- agreed to be recovered by Rly Admn.*



### **3.3.6 Incorrect computation of distance resulting in Undercharges of freight to the tune of `1,55,717/-**

A check of Outward R.R's between the period from 11.12.07 to 15.04.10 at **Pendurti Station** on Main Line of Waltair Division has revealed that distance charged in respect of stations Tikri, ARK, BLGR, DNM and MVF was 260 kms, 130 kms, 337 kms, 490 kms and 237 kms respectively. But as per Goods distance table of ECoR in force, the distance computed should have been 281 kms, 135 kms, 371 kms, 511 kms and 245 kms respectively. The incorrect computation of distance has resulted in under charging of freight amounting to `1,55,717/- in respect of PSC Sleepers booked to above three stations. This was taken up through A.I.R Part-I to which final reply is awaited.

### **3.3.7 Short realization of Terminal Charges and Development surcharge to the Tune of `1,54,438/-**

Rly Board revised the rate of Terminal Charges upward to `.20/ from `.10/- per tonne per terminal. The terminal charges are to be calculated on NTE and also in terms of ECoR, Goods Circular No. 124 (G)/07 dtd. 31.5.07 development surcharge @ 2% on NTR. (Base freight +Busy season surcharge) is to be levied in respect of all kinds of goods traffic.

A scrutiny of outward bookings of PSC Sleepers at Pendurty Station it was noticed that Terminal Charges were not computed and Development surcharge was computed on Base Freight instead of Net Tariff rate as prescribed vide orders stated above. The incorrect calculations of above resulted in short realization of freight to the tune of `1,54,438/- .

Above two issues were taken up through a Part I Inspection Report to which final reply from Railway is awaited.

### **3.3.8 Short realization of Demurrage charges to the Tune of `1,25,400/-**

In terms of ECoR Rly Goods Circular No. 90(G)/05 dated 07.7.05, free time allowed for Flat Wagons is 6 hours in case of Mechanized loading (Para 2.3), Para 2.4 of the said orders also provides that in cases of goods sheds and railway sidings where the placement capacity is less than a rake the free time will start with the placement of the first part of the rake. However, operation between removal of the first part after loading/unloading and placement of subsequent part of the rake for loading/unloading should be treated as dies-non and the time taken for the above shall not be reckoned as free time for the purpose of charging demurrage.

At Garudubilli **Station**, in contravention to the above stated provisions of the order, in case of loading on 21.9.07, a rake of 40 BRN Wagons was placed in three parts in the siding and free time of 8 hours for each placement and drawn out has allowed and demurrage has been calculated on the basis of free time of 8 hours per placement instead of 6 hours for entire rake. The DC charged and collected was `33,600 instead of `1,59,000 this has resulted in short realization of demurrage charges.

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

### **3.3.9 Irregular freight benefit of `4,16,622/- due to granting of train load class rate instead of wagon load class rate.**

In terms of Para 5.1 of Commercial Circular No. 177(G)/09 dtd. 18.11.2009 along with its annexure-III, standard rake size for BOXN wagons would be 59 numbers and minimum wagons to be loaded would be 58 numbers for granting train load class benefit. Further, in case when the minimum number of wagons qualifying for block rake cannot be supplied by the railway against train load indent due to operating or any other constraint arising out of unforeseen circumstances in a specific instance such as accident, blockade etc., the rail user(s) can not be penalized. In such case also train load class benefit can be granted by the station master/yard master, who in turn should get it confirmed in writing from at least a Gazetted Officer.

At Tomka station (Goods), it was noticed from the outward RRs that in 04 cases BOXN wagons loaded with Pyroxinite from Tomka to TWS/Tatanagar have been granted train load class benefit with less than 58 numbers of loaded wagons instead of wagon load class rate. In the said cases approval of higher authority as per rule was not been obtained for grant of train load rate. This has resulted in extension of irregular benefit of freight amounting to `4,16,622/.

*The above issue was taken up through a Part I Inspection Report and matter has been closed after obtaining suitable assurances for regularization from Rly Admn.*

**3.3.10 Under Charges of freight amounting to `10.17 lakhs due to wrong charging of revised class.**

In terms of Chief Commercial Manager, ECoR's Commercial Circular No. 58(G)/08 dated 15.05.2008, classification of Iron Ores for other than domestic consumption under the Main Commodity Head "Mineral and Ores" was revised from class 180 to a new class 200X for both train load and wagon load movement. This instruction came into force w.e.f. 22.05.08.

A check of inward cancelled RRs of Paradip Port/ECoR, revealed that in one RR bearing No. E-716656 dated 22.05.08. Ex. Jaroli (JRLI) to PRDP was charged at class 180 at train load instead of class 200X. The Iron Ore carried was not for domestic purpose and therefore should attract the rate of class 200X. Classifying the class as 180 there was incidence of under charges of freight amounting to `10.17 lakh.

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

**3.3.11 Loss of earning capacity of `1,06,79,442/- due to stabling of wagons in siding premises declared sick after unloading of coal for more than one year.**

A check of accounts and records of sidings of Indian Metal & Ferro Alloys Limited (IMFA) Charbatia (CBT) revealed that three (3) BOXN wagons received with ROM with ROM coal from Talcher to IMFA/CBT. After unloading of coal from the wagons the same found sick on 02.7.09, 30.07.09 and 25.11.09 respectively as per guards declaration and the same were kept in IMFA sick line.

Railway TXR of Mechanical Department attended those wagons but could not make them fit to run and suggested them either to be booked to Cuttack or Khurda sick line for further repairs. Siding authority also several times has requested Station Manager/CBT to draw out those sick wagons from their sick line. However, Operating Department did not take any step to and draw out those sick wagons from the siding premises to Railway sick line for making it fit.

Due to lack of co-ordination between Mechanical Department & Operating departments the wagons could not be moved for repairing immediately and Railways suffered huge loss of wagon earning capacity amounting to `10679442 @ ` 8285/- per day (in terms of 8- wheelers )per wagon.

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

### **3.3.12 Loss of revenue amounting `1,30,870/- due to non-levying of Railway Risk-surcharge on booking of commodities under HKG/Goods Office/SBP.**

In terms of rule No. 12.0 of Goods tariff No. 45 Pt-I (vol-II) effective from 01.4.2007, the main commodities attached with “OR” (Own Risk) in the column “Risk rate” will be charged/booked at Owner’s Risk. However, commodities with “OR” rate can be booked at “RR” rate on payment of 20% surcharge on freight.

A review of outward of RRs issued from Hirakud/Goods Office/SBP, has revealed that while booking of raw rice from HKG to RGDA though “RR” was mentioned in the

Rly Receipt yet 20% surcharge on freight was not levied. As such, Railway administration has sustained a loss of freight amounting to `1,31, lakhs.

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

### **3.3.13 Non-realization of Terminal Charges on overloaded quantities to the tune of `1,70,201/-.**

Rly Board vide Circular No. 58 of 2007 introduced Terminal Charge of `.10/- per tonne per terminal to take effect from 1.7.07. These Terminal Charges are to be levied for bulk and loose traffic on Railway owned Terminals and Sidings and not on the Terminals owned by customer. In suppression of above orders vide their rates circular No. 92 of 2007, Rly Board keeping other items of RC No. 59 intact, notified that above charges @`.40/- per tonne per terminal are to be levied in respect of Iron Ore Traffic. The above stated Terminal charges of other commodities were however revised upward to `.20/- vide Rly Board's letter dated 17.1.08.

In clarification to the above orders of Rly Board, CCM(FS)/ECoR/BBS, notified through Commercial Circular No. 175(G)/07 dated 20.08.07 (Para-4.2) that "if the Weighthment Statement are sent to the destination/originating station for realization of punitive charges at a later date (which means excess weight not included in the RRs), then there is no need to impose the Terminal Charges on the excess weight".

During the Audit Inspection of Visakhapatnam Port Trust (VZP) station, it was noticed some incidents of overloading of rakes were detected en route in motion weighbridges and forwarded to Visakhapatnam Port Trust (VZP) station during the period between 2007- and 2010. Total 116 number of Iron Ore rakes detected of overloading at in motion weighbridge at Simhachalam North Station and levying of punitive charges were suggested for, but no Terminal Charges on such extra loading was calculated and recovered. Due to defective orders terminal charges on the overloaded

quantity could not be recovered and the terminal charges recoverable stood at `1,70,201/-

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

### **3.3.14 Extra expenditure of `13.84 lakhs on functioning of parcel office at BHC.**

The records under parcel office/BHC, revealed that the earnings from parcel office/BHC is very much less with reference to its monthly expenditure on running the parcel office. i.e. `21,400/ pm against Expenditure of `1,36,700/- P.m. towards daily wages of contractual labour engaged at the station concerned. This has resulted in recurring avoidable expenditure. Such expenditure stood at ` 13.84 lakhs for six months only.

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

### **3.3.15 Avoidable detention to Railway Wagons resulted in loss of earning capacity of wagons to tune of `32.72 Crore.**

The operational effectiveness of Railway depends on the optimal use of its rolling stock and minimal detention. It is therefore, imperative to ensure that the wagon are placed for loading /unloading immediately on receipt at station and removed /dispatched to its destination as soon as the loading/ unloading is completed. In case of unconnected wagons Para 2117(7) of Indian commercial manual (Vol-II) provides that if it has been not possible to connect the wagon within 72 hours from the time of receipt of wagons, its contents should be unloaded and stacked in safe places to enable the unconnected wagon for the further use.

Scrutiny of records of Waltair Divison , SambalPur Divison and Khurda Divison of East Coast Railway reveled that due to lack of timely action by Railway Administration , there

were prolonged detention of Rolling stock at different stages and yards at ECoR resulting loss of ` . 32.72 Crore in terms of potential Earning capacity of wagon.

Audit scrutiny of terminal detention Register of M/s Bhusan Power and Steels limited (BPSL/Lapanga under SambalPur Divison reveled that loco power were detached from the rakes after replacement of wagons in siding and released to the other places as per control orders. As such in most of the cases the engine were not available to draw the rakes from siding soon after the completion of loading resulting in detention of loaded rakes at the siding for a considerably long time on Railway Accounts . Since Railway has not fixed any for regular detention.

Since Railway has not fixed any norm for regular detention, Audit assumes that the detention up to 10 hours is sufficient for arranging locos and crew etc. Hence, excluding the detention cases up to 10 hours the total loss was assessed to the tune of ` . 16.38 crore for the period from April 2009 to March 2011.

Similarly Audit Scrutiny at Kirandul Station yard of Waltair Divison, it is revealed that sixty one (26 loaded and 35 empty )different types of 8 wheeler wagons were detached from various freight train at different dates from August 2010 on account of running repairs. The wagon despite being declared fit were detained in Kirandul Station yard of Waltair Divison for period ranging from minimum 76 days to maximum 222 days till 05.04.2011 before they were attached to main stream traffic. There fore, in all 9216 wagon days were lost on account of avoidable detention wagons. Though there was heavy demands for wagon , especially in very busy Kirandul- Vishakpatnam section of Waltair Divison , the wagon were not put to use and avoidable detention of wagon resulted in the loss to the tune ` . 9.39 crore in terms of earning capacity of wagon.

In case of Khurda Road Divison nine partially /fully loaded BOBRN wagon were detached at KUR from a rake with 59 wagons in October 2009 as they were declared empty. Two of the above wagons were sent to NTPC in May 2010 along with other wagon for unloading of materials. Further four, 4 BOXN wagon loaded with Iron ore (02

nos) and Gypsum(02nos) were detached from different trains at KUR due to their wrong destination . The above wagons were detained with their contents for 432 days to 634 days in Khurda Road Yard. By this Railway has already incurred a loss to the extent of ` 6.95 Crores in terms of earning capacity.

*The above issue was taken up through a Draft Paragraph .*

### **3.3.16 Short realization of freight amounting to `5,23,189/- due to non levy of Railway Risk surcharge on booking of commodities at RR Rate.**

As per commercial circular No. 181 (G)/07 dated 24.8.07 Railway Risk surcharge are to be levied @ 20% on the Base Freight rate of commodities booked on Railway Risk rate during the period from 01.4.07 to 31.10.07.

Inspection of accounts and records of SMR/Doikallu (Goods) ECoR/SBP, has revealed that one inward R.R bearing No. D-110642 dated 31.5.07 issued towards booking of bauxite of M/s Laxmidas Ramji, from Katni to Doikallu. In the said case the commodity was booked on RR rate without levy of 20% surcharges. This has resulted in short realization of freight to the extent of ` 5,23,189/-.

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

### **3.3.17 Non-realization of ` 55,33,924/- towards damage and deficiency charges of Railway wagons from M/s Vedanta Alumina / Daikalu.**

During inspection of records under SMR/Daikalu it was seen from Sr. DME/SBP's letter dated 02.9.2009 that a sum of `55,33,924/- was raised by Railway Administration against Vedanta Alumina/Daikalu towards cost of damage to Rly wagons due to defects developed in mechanical loading/unloading of materials to/from wagons by the VAL authority. The cases pertain to the period from Oct'2006 to Jul'2009. Further, it was also seen that Sr. DCM/SBP vide his letter dated 07.9.2009, requested



Sr. DFM/SBP to arrange for raising debit against M/s Vedanta Alumina Ltd./DLKO towards the cost of damage to Railway wagons. The Station Manager/DKLU also vide his letter dated 15.09.2009, informed the party (M/s Vedanta Alumina Ltd.) to deposit the amount with Railway but no amount could be realized from the party till Mar'10.

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

### **3.3.18 Short collection of Terminal Charges amounting to `1,45,600/-.**

Board vide their order dated 18.9.2007 (Rate circular No. 92 of 2007) has notified that Terminal Charges on all goods booked in loose are to be levied @`.10/- per tonne per terminal from the date of issue of above orders. Keeping all other thing intact, Rate circular No. 92 of 2007 however raised the rate of terminal charges to`.20/- per tonne per terminal w.e.f. 1.8.2008.

Scrutiny of outward RRs at Cheepurupalli Station revealed that though rates for Terminal charges were upwardly revised w.e.f. 1.2.2008, the station authority continued to collect terminal charges @`.10/- i.e., old rate. This has resulted in short collection of terminal charges to the tune of`.1,45,600/-.

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

### **3.3.19 Loss of potential earnings on running of Duronto trains due to less occupancy.**

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 from source and destinations with some technical halts in the journey. The Sampark Kranti trains being the first which were introduced with similar strategy during 2004-2005.

However, due to poor patronage, these trains which any way had only technical halts were given commercial stops. Ignoring the earlier experience, Duronto Express was introduced with similar point to point rail service with no commercial halt in between.

42 Duronto trains have been introduced in Indian Rly connecting major Indian cities so far. During check of records under CCM/BBS it was noticed that two sets of trains namely PUI-HWH Duronto and BBS-NDLS Duronto in UP & DN directions are running under East Coast Rly from various dates as shown below

| Stations                          | Train No             | Date of inception | Frequency |
|-----------------------------------|----------------------|-------------------|-----------|
| Bhubaneswar- New<br>Delhi- & back | (12281 Up, 12282 Dn) | 04-04-2010        | Weekly    |
| Puri-Howrah & back                | (12278 Up, 12277 Dn) | 07-12-2010        | Daily     |

As stated above, these two trains are likely to be run non-stop from source to destination with permission to have operational/ Technical halts at various places.

In this connection, it was further seen that the occupancy position of these Trains both UP and DN direction do not portray encouraging performance from their date of operation to till 27.2.11.

*The matter was brought to the notice of Railway administration through a Draft paragraph.*

#### **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. The construction department is headed by Chief Administrative Officer (Construction) and is responsible for execution of projects such as New lines, doubling, Gauge

Conversion, major bridges. The total expenditure of the Civil Engineering Department during the year 2010-11 was ` . 299.01 Crore.

#### **4.1. The following points were taken up as theme based audit**

- (i) Safety works LC/ROBs and RUBs
- (ii) Commercial utilization of surplus Railway-land leasing.
- (iv) Line capacity works on HDN.

The above theme based reviews have been conducted during the year 2010-11 and results of the reviews have been reported through C&AG's report for Indian Railways 2010-11.

**4.2 Results of local audit and central audit-**During local audit and central audit the following irregularities noticed

#### **4.2.1 Non recovery of Building rent and water charges of office accommodation provided to recognized Unions/Associations**

Para 1965 of Indian code for Engineering Department (1999 Edition) prescribed for recovery of the rent for Premises Let out to recognized Union and Federations.

A check of accounts and records of the Office of Sr. DEN (Co-ord), Sambalpur, has revealed that a total of 16 nos of Railway accommodations have been provided at different stations over SBP Division viz. Sambalpur, DRM Complex/Sambalpur, Bolangir, Kantabanji, Titlagarh and Rairakhol to recognized unions/associations, such as Promottee Officers Association, SC and ST Association Shramik Union and Shramik Congress. Two of the buildings had been occupied since March 1989 and are still under occupation of two recognized Unions and the remaining buildings were allotted to different Unions/Associations in the nineties in SBP vide letter W.I./Rent/RTI/3980 dated 10.8.2007, the Office of Sr. DEN (Co-ord) SBP prepared bills for buildings rent and water charges in respect of the buildings occupied by the recognized Associations

(Calculated up to 28.2.2006), Sr. DFM preferred bills on the Unions vide his office letter dated 19.11.2007. The concerned Unions/Associations were also requested inter alia by the Office of the Sr. Divl, Finance Manager, ECoR/Sambalpur to arrange for early payment of the outstanding dues through Demand Drafts drawn in favour of F.A. &C.A.O/ECoR, BBSR payable at Sambalpur. But none of the concerned Unions/Association have acted upon the request of the administration so far. The building rent has further accumulated and up to December 2010, it worked out to `2,45,678/- and water charges `14,520/-.

#### **4.2.2 Railway Quarters lying vacant for a considerably long period under DEN/C/SBP and loss thereof.**

During check of the Quarter Registers and other ancillary records of O/o Section Engineer (Works) HQ under ADEN/SBP, it has come to notice that a total no. of 74 Railway Quarters out of 710 nos under SE/Works/SBP are lying vacant as on November 2010 at stations such as Brundamal, Lapanga, Rengali, Sasan Sambalpur, Hirakud, Godbaaga, Attabira and Baragarh Road. While 65 nos of quarters, are lying vacant for 6 months and more, the remaining quarters are vacant for less than 6 months. Further Audit scrutiny has revealed that

(a) 16 Type-I and 01 Type-II newly constructed Railway Quarters have been lying vacant (05 nos. each at LPG and SSN, 04 Nos. at HKG, 02 at ATS and 01 type-II also at ATS station) since 17.7.2007. Although Quarter Allotment orders were issued to the intending staff by ADEN/SBP, all these quarters are lying vacant till it was reported by audit to railways in 2010.

(b) Further, 48 quarters have been lying vacant for 06 months and more at various statons (03 nos. at Brundamal, 06 nos. at Lapanga, 04 nos at Rengali, 06 nos at Sason, 04 nos. at Sambalpur, 12 nos. at Hirakud and 02 nos at Godbhaaga) resulting in loss of Railway revenues (c) 02 Nos. of Railway Quarters i.e. No. T/14/1/ and No. E/27/3 belonging to Operating and Electircal Pool at Bargarh Road have been unauthorizedly occupied by Railway Staff belonging to

Engineering & RPF department since long, on being vacated by previous occupants on 25.09.2006 and 22.4.2004 respectively. Neither any evacuation proceedings have been initiated against the unauthorized occupants nor any damage rent has been recovered from them. Damage rent @`.5,286/- P.M for the year from 2006 to 2010 in respect of Quarter No. T/14/1 and Damage rent @`.2,438/- p.m . @`.2,823/- p.m. in respect of Quarter No. E/27/3 stand recoverable from the occupants for the period of unauthorized occupation.

(d) Five nos. of Quarters Viz. No. T/17/2, EL/22, T/24/2, T/26/4 and E/28/2 at Bargarh colony are lying vacant since long. These quarters have been locked by outsiders as per the joint survey conducted by ADEN/SBP, SM/BRBA and SE (Works) SBP on 17.8.10. Though one these quarters has been locked unauthorisedly for more than 09 years, one for more than 02 years and the remaining 03 quarters for more than a year, yet no action has so far been taken to evacuate the quarters from possession of outsiders either by the pool department by the Engineering Department.

A total loss of revenue on account of non allotment /non recovery of damaged rent in respect cases detailed above amounts to ` . 12,40,369/-.

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

#### **4.2.3 Infructuous expenditure to the tune of `.8,38,760/- by way of taking supply of ballast at higher rate during validity period of lower rate.**

During the review of Tender file of Sr. DEN (East), ECoR, Waltair, it was noticed that the work of “Crushing of 20000 cum. Contractor’s hard stone, transportation,

stacking on the nominated ground and loading into wagon at Kotabommali Depot in main line” was awarded to M/s Sai Ram Stone Crushers for a value of Rs.1,31,80,000/- vide acceptance letter dated 31.8.07 and CA dated 5.3.08. The supply period was for 12 months from the date of issue of Acceptance Letter with supply schedule as 1<sup>st</sup> qrs @ 4000 Cum and remaining 3 qrs @ 5000 cum per quarter.

As per the penalty clause of the agreement in case the contractor fails to supply the full quantity of ballast scheduled for supply during any quarter, a penalty equivalent to 10% of the cost of such shortfall in ballast supply in that quarter shall be recovered from his bills.

The contractor supplied only 3870 Cum upto 21.3.08 thereafter supply was stopped due to stacking of Railway materials in the nominated grounds. The ground was cleared from 6.5.08 and ADEN/CHE informed the contractor to start supply vide his letter dated 24.5.08. However, the contractor didn't start supply of ballast rather refused to supply the leftover quantity vide letter dated 26.11.08 and 24.1.09 and demanded refund of SD. Railway Administration didn't take any action for non-supply of 16130 Cum ballast. Railway Administration had not determined the contract and took inadequate steps to realize the performance guarantee. The Bank Guarantee of Rs.6.59 lakh was valid upto 31.3.09. The same was not renewed after 31.3.09 nor encashed. Now there is little scope to get the Performance Guarantee amount.

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

#### **4.2.4 Non recovery of rent and water charges from Railway Unions for accommodation and water supply provided to them over VSKP Division.**

The rent for service building let out to recognized unions and Federation should be charged in terms of Para 1965 (E).

The records of the Sr. DEN/Coord/Waltair, have revealed that Railway Administration of Waltair Division had provided 19 accommodations to each of ECORSC and ECORSU at various stations for their branch office since long. The particular regarding recovery of rent, water charges etc. from the actual date of occupation is not available. However, Rly Admn claimed rent for accommodation and water charges for the period from 1.10.96 onwards from time to time but none of the union paid anything towards rent or water charges till date. As per DRM/Engg/VSKP's records, outstanding building rent or water charges from ECoRSU and ECoRSC for the period 1.10.96 to 31.3.10 is `20,70,143/- and ` 20,28,603/- respectively (**Total ` 40,98,746/-**).

On a review of the matter in the light of the provisions of Para 1965 of IR Engineering Code it is noticed that the amount computed by DRM/Engg./Waltair on a/c of building rent are not accordance with the provision of 1965 (E). As per provision the rent may be assessed only on the plinth area on the basis of pooled rent whereas the amount claimed on the basis of land license fee, as a result there is underassessment of rent. As calculated by audit the O/S rent for the period from 1.10.96 to 31.3.10 should be `4,10,856/- from ECoRSU and `3,79,568/- from ECoRSC instead of Rs.2,18,212/- from ECoRSU and `2,20,711/- from ECoRSC as stated by DRM/Engg./Waltair vide letter dated 28.6.10.

Further, DRM/Engg./VSKP/ vide letter No. WEQ/7/Pt.IV/40 dated 26.12.10 placed demand notice to the Co-Ordinator ECoRSU and ECoRSC only for recovery of building rent for the period from 1.4.08 to 31.3.10 for `22,218/- and `21,170/- respectively instead of total dues for the period from 1.10.96 to 31.3.10 including water charges.

*The matter was taken up through a Part I Inspection Report and final reply from railways 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 MEMU/DEMU Services**

Theme based reviews on the above subject have been conducted during the year 2010-11 and results of the reviews have been reported through C&AG's report for Indian Railways 2010-11.

**5.3 Results of local audit and central audit** –During local and central audit the following irregularities noticed

#### **5.3.1 Short recovery of Electrical Charges to the tune of `99,828/- from staff occupying Railway Quarters.**

As per the practice in vogue, Consumption of Electrical energy Charges are recovered from the staff occupying Railway Quarters through monthly Salary Bills. The electric energy bills in respect of each Railway quarter is prepared by the Electrical Department on half yearly basis and sent to Sr. DPO's office for arranging recovery from Salary Bills.

Scrutiny of Salary bills of Mech (C&W), Optg, Commercial Dept of Visakhapatnam it is noticed that electric charges are not properly recovered from salary bills of staff resulting in short recovery from the concerned staff who are in occupation of Railway quarters, though the bills are being sent to Sr. DPO's office by the Electrical Department regularly.

Audit has attempted to reconcile the records maintained in the Electrical Department with salary bills maintained in Sr.DPO's office for the period from Mar'05 onwards and found that there is short recovery of Electrical Charges amounting to `99,898/- in respect of 07 Railway employees under occupation of Railway Quarters at various places.

*The issue was taken up through a Part I Inspection Report and matter has been closed after obtaining remarks from Rly Admn.*

## **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. The total expenditure of the mechanical branch during the year 2010-11 was ₹. 235.31 Crore.

## **6.1 Theme based audit**

- (i) Procurement of plant machinery through COFMOW.
- (ii) Coaching terminals.

The above theme based reviews have been conducted during the year 2010-11 and results of the reviews have been reported through C&AG's report for Indian Railways 2010-11.

## **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. The total expenditure of the personnel branch during the year 2010-11 was ` . 23.35 Crore.

### **7.1 Internal controls**

#### **7.1.1 Parking of Railway Revenue outside the Govt. Account**

Para 1937 and 1938 of Indian Railway Engineering Code prescribe that the Railway Administration will bear the first cost of the building including electrical installations and the cost of maintenance and repairs of the Institutes/Clubs. The institute funds will bear the maintenance charges other than engineering repairs, cost of electric current and municipal taxes etc. The institutes will generate revenues from various sources like membership fees, sale of old newspapers, awards, grants from Staff Benefit fund S/B interest etc.

Various Railway Institute and Clubs in the Head Quarters as well as in the Divisions over East Coast Railway are provided to run their day to day welfare activities.

On scrutiny of the accounts and records of the 8 nos, institutes and clubs it is revealed that the clubs and their premises have been commercially utilized for social functions. Booking of the rooms/halls for marriage etc. is not a part of the regular activities of the club. The rent and hire charges collected out of the commercial exploitation have been credited to the respective Institute's account instead of Railway Revenue in violation of codal provisions. The Railway is incurring a recurring expenditure on the welfare buildings for their upkeep and maintenance. Although an amount of ` . 44,87,106/- was collected as rent and hire charges of the Club/Institutes , the same was been irregularly kept outside the Railway Revenue

On a review of the activities of Kalyan Mandap, it has come to notice that an amount of `3,05,100/- has been collected as license fee during the year 2009-10 and 2010-11 (up to Feb'11). The same amount has been credited to a savings bank account in the name of East Coast Railway, Kalyan Mandap.. In view of the above, it is irregular to credit the revenue realized for Kalyan Mandap to Savings Bank account, rather it is to be credited to the revenue of the Zonal Railway.

### **7.1.2 Irregular grants to Officer's Club-Bhubaneswar**

In terms of Para 2402 of Indian Railway Establishment Manual the sanctioning authority should see, before giving any grants that an audited statement of accounts of the institution concerned has been received and the grants in-aid is justified by financial position of institution concerned. Further recurring grants exceeding ` 1 lakh per annum non-recurring grants exceeding ` 5.lakh should be sanctioned subject to the specific condition that the accounts of the institution to ensure that the grants are utilized for the purpose for which they are sanctioned (Para 2403 of IREM).

On review of the accounts and records of Staff Benefit Fund maintained in the office of the CPO that Officer's Club Bhubaneswar had not submitted audited statement of accounts from the year 2006-07 to 2008-09. However, an amount of Rs.4 lakh has been sanctioned to Officer's Club Bhubaneswar during the year 2009-10 which violates the codal provisions. Thus the sanction of grants without receipt of statement of accounts of the institution concerned for the preceding years is irregular. The club has also not submitted the audited statement of the accounts for the year 2009-10 till Feb'2011.

Both the issues were taken up through a Part I Audit Note and final reply from railways is awaited.

### **7.1.3 Excess credit to Staff Benefit Fund**

In terms of Para 805 of I.R Establishment Code, there shall be credited to the fund on the 1<sup>st</sup> April of each financial year an annual grant from the Revenues of the Railway

as modified from time to time based on the sanctioned strength of non-gazetted Rly employees, permanent and temporary as on 31<sup>st</sup> Mar, post charged to Capital being excluded.

Based on the sanctioned strength of ECoR as on 31<sup>st</sup> Mar'2010 an amount of ` 2,63,44,500/- has been credited to SBF during 2010-11. The per capital contribution for 2010-11 is ` .500/-. The sanctioned strength has been taken as 52689 which includes 1729 no. of work-charged posts. As per the codal provisions no per-capita contributions in respect of the work charged posts should be credited to the SBF. Thus, there is an excess credit of ` 8,64,500/- (500 X 1729) to the Fund. This inflated the Working Expenses of ECoR to the tune of ` 8,64,500/- during the year 2010-11.

*The matter was taken up through a Part-I Audit Note and final remarks from Railway Administration awaited.*

#### **7.1.5 Non-recovery of leave salary during the period of absence.**

During check of accounts and records of office of the S.E. (Works)/ECoR/Bhubaneswar, it was noticed that in respect of some staff, Attendance Register was marked as LAP as per enclosed list. On further scrutiny of their service books it was revealed that neither leave applications were available nor leave was posted in their service books. Over payment of leave salary during the period of unauthorized absence is calculated at ` 2,22,632/- was reported through Part I Audit Note to which Railway Admn's remarks are awaited.

#### **7.1.7 Sanctioning of TA Advance.**

As per rule, in case of outstation duty TA advance may be granted maximum for 30 days Daily allowances with the condition that the advance should be adjusted within fifteen days of completion of tour/re-joining duty if gone on leave immediately on completion of tour. A second advance cannot be sanctioned until an account has been

given on the first except when a second journey is required to be undertaken soon after the completion of the first leaving no time for the employee to prefer his TA bill in respect of the first advance. And the recovery of advance should be made by adjustment from the TA bill submitted after completion of the journey.

A check of accounts and records of Sr. DSC/WAT, has revealed that Sr. DSC's staff are granted one month's basic pay as TA advance in various occasion like elections, training etc. irrespective of No. of days they have been booked for outstation duty. It is also noticed that the TA Bill of the tour for which advance was sanctioned have been passed without adjusting the advance drawn and the advance recovered in three installments for which there is no provision in the rule.

*The irregularity was taken up through Part I Audit Report to which a final reply is awaited.*

#### **7.1.7 Contribution for computation of income resulted in short realization of Income tax amounting to “. 08.22 lakh”.**

Government of India introduced a new defined Contributory Pension System for the new entrants to Central Government service, replacing the existing system of defined benefit pension system vide Government of India, Ministry of Finance, Department of Economic Affairs notification dated 22-12-03 circulated vide Railway Board's letter no. 2004/AC-II/21/1 dtd. 19-02-04 (RB Accounts No. 5/2004).

The NPS is based on defined contributions and is mandatory for all Government servants who joined Government service on or after 01-01-2004. As per the scheme Government servants shall compulsorily make a contribution at the rate of 10% of salary and DA to be recovered from the salary bills every month and a matching contribution will be made by the Government. The contribution and the investment returns would be deposited in a non-withdraw able/ withdraw able pension account as the case may be under the management of a central record keeping agency for further investment.

As per section 15 of Income Tax Act 1962, the income chargeable to income-tax under the head “Salaries” includes any salary due from an employer or a former employer

to an assessee in the previous year, whether paid or not. Section 17 (1) (viii) of the Act enjoins that salary includes the contributions made by the Central Government [or any other employer] in the previous year, to the account of an employee under a pension scheme referred to in section 80CCD shall be deemed to be the income of the employee or his nominee as the case may be in the previous year in which such amount is received and shall accordingly be charged to tax as income of the previous year.

During the check of income tax liability of employees/officers of East Coast Railway under New Pension Scheme as a whole as per the data base supplied by IT centre/ECOR for the financial year 2009-10, it was noticed that the employers contribution was not included as income under the head “salaries” in contravention of the rules *ibid*. This has resulted in short assessment of Income Tax of ₹. 8.22 lakh.

(i) Calculation of income tax taking Government contribution as income under the head “salaries” and duly giving exemption on savings as permissible under section 80CCD, it was noticed that there was a short assessment of Income Tax amounting to ₹.08.22 lakh .

(ii) It was noticed that some employees/ officers have not been allotted PRAN (Permanent Retirement Account Number) and their NPS amount has been shown as “Nil” in the data supplied by IT centre. Due to the absence of NPS amount, their income tax liability, taking employers contribution into account, could not be assessed in Audit.

(ii) The short realization of ₹.08.22 lakh along with the cases of employees not allotted PRAN may be reassessed and recovered from the concerned staff for deposit in Income Tax department.

*The issue has been taken up through a Special letter and final reply from E Co. Railway Admn. is awaited.*



## **Chapter 10 – Construction**

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

### **10.1 Avoidable expenditure of `16.94 lakhs on account of improper consideration of tenders and awarding contracts.**

Review of tenders accepted by CE/CII/BBS, has revealed that two tenders were floated in connection with construction of six major bridges across the New BG line between Talcher-Bimlagarh vide Tender Notice No. CE/CON/11/BBS/T/28/2007 dated 06.12.07 and CE/CON/11/BBS/T/31/2007 dated 31.12.07 within a time gap of approximately three weeks. In response to the Tender Notice, only one offer was received for each of the works. The schedules of both the works are almost identical in nature. The sole tenderer quoted different tender premium with large variation for identical schedules of both the works.

The Tender Committee (TC) meeting in connection with the finalization of the tender was held on 31.3.08 for both of the tenders and by the same tender committee members.

The Tender Committee deliberated the rates of tender for Br. No. 12, 38 & 55 and recommended to accept the rates being reasonable and workable. Accordingly the tender was accepted and letter of acceptance was issued to the contractor. During deliberation of tender for bridge no. 30, 34, and 54, the TC considered the quoted rates against Schedule A,B & G on higher side and recommended for negotiation. The tender was accepted after one round of negotiation and LOA was issued on 16.4.08.

Following anomalies in acceptance of tender by the competent authority were noticed :-

(a) The same TC members had considered the two identical tenders of the sole tenderer on the same day. The large variations in rates quoted by the tender were not discussed by the TC in any of the minutes.

(b) The TC had recommended negotiation for Sch. A, B & G in tender for Br. No. 30, 34 and 54 with the full knowledge of the rate quoted and accepted by the tenderer in Br. No. 12, 38 & 55. It reveals that the quoted rate in respect of Sch. E (cement) and F (steel) in Br. No. 12, 38 and 55 were less by 3 % and 20 % respectively. The rate of cement and steel should not vary for the same period. Hence, acceptance of higher rate for cement and steel in the tender for Br. No. 30, 34 and 54 involves an extra payment of Rs.16.94 lakhs to the contractor. TC had also not mentioned the reason for consideration of higher rate for cement and steel in this tender.

(c) Similarly, in tender for Br. Nos. 12, 38 and 55 the rate for Sch. A was accepted 95% above the SOR but in the tender for Br. No. 30, 34 and 54, the contractor had accepted the rate at 55 % above SOR for Sch A. Consideration of different rates for identical work at the same time by the same TC vitiated the healthy competitive atmosphere.

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

#### **10.1.1 Loss of Railway Revenue due to improper assessment of upfront premium and delay in handing over of site leasing of Air space at VSKP Station.**

Guidelines for Commercial Development of Railway Land/Air spaces were issued by Railway Board vide letter No. 2000/LML/2/58 dated 01.02.2001 with a view to increase earnings. In terms of Para 3.1 of the said letter the upfront premium should

determine the value of the property. GM was empowered to accept the bid upto `8 crore upfront premiums.

Audit review of Air Space Development files of Sr. DEN/Co-ord/ECOR/WAT revealed the following facts.

The tender for Development of Air Space at VSKP Railway Station was awarded by the Competent Authority (G.M./SER) after one round of negotiation to M/s Siri Estates vide Acceptance letter No. L/APS/Tender/Pt.II/VSKP/792 dated 14.12.2001 at an upfront payment of `5 lakh and Lease charges of `2.6 Lakh per annum for twenty years. In the mean while consequent on trifurcation of the erstwhile S.E. Railway, the paper related to the Railway Air Space at VSKP station were transferred to ECoR in Oct' 2003.

It was revealed that the Commercial Department was not consulted on this matter and DCM/WAT was advised not to sign the plan. Commercial Department was of the view that Railway would likely to benefit more through licensing out the premises through IRCTC than through a third party as the appropriated earnings were likely to accrue for Railways. It was also argued that valuation of the premises was not properly assessed. Moreover, giving right of premises for twenty years as not acceptable to them. The DRM/WAT had also expressed reservation on leasing Air Space.

Railway Administration finally handed over the air space to the party on 27.7.05. The party started construction work on 10.8.05 and after completion started business from 19.01.07 by the name Hotel Heritage. Railway Administration claimed arrear leased rent on 07.4.09 of `10,40,000/-(for the period 2002 to 2005) to which the party refused to pay.

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

**10.1.2 Non-recovery of water charges of `4.41 lakh from Stall, Shops, Refreshment Room and RMS Building at Cuttack Railway Station.**

As per GM(Engg)/GRC's letter No. G/WSS/Rate/Pt-6 dated 09.6.05, rates of water charges (when water is supplied from Railway's own source to the outsider connected with Railways and occupying rentable Railway Building) for the period from 01.10.2001 to 30.09.2006 was revised with retrospective effect from 01.10.2001 and was to be recovered at the following rates. Pending further revision, the same rate is also applicable at present.

| Details                                | Revised Rate                 |
|--|------------------------------|
| For un-metered supply of water         | @`.187.50 per unit per month |
| When water is supplied from common tap | @Rs.72.70 per unit per month |

Accounts and records of the office of the Sr. Section Engineer (Works)/ECoR/Cuttack revealed that although 13 nos. of plots/shops/building of Govt./non-government organizations [Stall-5, RMS Building-1, Shops-6, Refreshment Room (IRCTC)-1] operating their business since long period on the platform/Railway Market at Cuttack Railway Station and water pipe line with taps were provided to them by Railway but no water charges is being recovered from them. This has resulted in non-recovery of water charges of `4,40,838/- for the period from Oct'2001 to Jul'2010 as assessed by Audit.

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

**10.1.3 Non-recovery of damages rent to the tune of `12.19 lakhs due to unauthorized retention of railway quarter after transfer.**

As per Railway Board's letter No. E(G)/2000 QRI-23 dated 30.11.2000, a railway employee on transfer may retain his her Rly Qtr under occupation for a period of 02 months on payment of normal license fee, next 06 months on medical ground or till the next education session on children's education ground. As retention of Rly Qtrs requires approval of the competent authority, in absence which the retention of Qtrs is treated as unauthorized attracts recovery of damage rent.

Check of Quarter Register and other related files maintained in the office of Sr. Section Engineer (Works)/ECoR/Cuttack, has revealed that 09 nos. of Rly Qtrs have not been vacated by the Rly employees of several departments after their transfer from Cuttack to other unit viz. TLHR, BBS, PUI, PRDP etc. till the date of audit in Aug'2010. No orders from the competent authority approving retention of the aforesaid quarters were made available to audit during the inspection. This resulted in non-recovery of damage rent of ` 12,18,762/- as assessed in audit.

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

**10.1.4 Un-authorised retention of Rly Qtrs on transfer resulting in non-recovery of damages rent to the tune of `4,66,072/-.**

As per Railway Board's letter No. E(G)/2000 QRI-23 dated 30.11.2000, a railway employee on transfer may retain his her Rly Qtr under occupation for a period of 02 months on payment of normal license fee, next 06 months on medical ground or till the next education session on children's education ground. As retention of Rly Qtrs requires approval of the competent authority, in absence which the retention of Qtrs is treated as unauthorized attracts recovery of damage rent.

Check of accounts and records of the office of the ASTE/BAM and Sr. SSE(Sig)/BAM, has revealed that that 10 nos staff (under the over all control of ASTE/BAM) had not vacated their Rly Qtrs in their old place of posting after transfer to other sections/units). Even in some case no application for retention have been received from the staff concerned.

The records of ASTE/BAM and SSE (Sig)/BAM revealed that the said quarters were either vacated with unauthorized retention for substantial period or still under occupation till the date of audit (in May 2010). This has resulted in unauthorized retention of quarters involving recovery of penal rent worth `4,66,072/- to be recovered from respective employees.

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

#### **10.1.5 Non-disposal of new steel channel sleepers lying idle.**

From the accounts and records of Office of the SE/Bridge/CTC it is seen that 222 nos. of new steel channel sleepers are lying idle at the stores under SE/Br/CTC since 1997. On the basis of instruction of CBE/GRC the then DRM(Engg)/KUR had requested SSE/Br/SER/KGP on 25.8.97 to spare 550 nos. of new steel channel sleepers with small fittings to KUR Divn. Out of the above materials 222 nos of steel channel sleepers of size 200mmX75 mm were supplied to SE/Bridge/CTC. It is ascertained from the SE/Bridge/CTC letter dated 23.09.2003 that all these materials received were without fittings and fixing casted bearing plates. SE/Bridge/CTC also requested ADEN/Br/KUR to arrange for disposal of the materials to any SEs for necessary use if required by them as all these sleepers are lying idle at the stores of SE/Bridge/CTC since 1997. The DRM(Engg)/KUR requested on 15.12.03 to all the SSE(P.Way)s of KUR division to submit their requirement, if any for disposal of these sleepers. Sr.DEN/Co-ord/KUR also desired to know the reasons being the procurement/requisition of the materials which were lying idle for a long time without any use. The last reminder from SSE/Bridge/CTC to DEN/Br.KUR sent on 25.11.05 with a request once again for disposal of the aforesaid

sleepers to which no action has been taken so far by the Rly authority. As a result, all the 222 nos of new channel steel sleepers are lying idle since 1997 at the custody of SSE/Bridge/CTC. The approximate cost of these sleepers on the present day price is ₹ 2.25 lakh

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

**10.1.6. Non-disposal of released materials lying as scrap at SSE/Bridge/CTC since 2001-02.**

During check of accounts and records of Office of the SE/Bridge/CTC, it is noticed that different types of released materials are lying as scrap in the stores under custody of SE/Bridge/CTC since 2001-02. The scrap is accumulated over the years and as on Dec'2009, the weight of the scrap is 408.498 MT. The approximate scrap value of the aforesaid released materials is ₹ 65,76,818/-.

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

**10.1.7. Non adherence to terms and conditions of Deposit Work led to outstanding liability of ₹ 1.74 crore.**

In terms of para 732 of Engineering code "Deposit Works" are works which are required to be executed by railway administration for and at the cost of other Government departments, local bodies, and private persons. Para 1133 to 1136 of Engineering code deal with the execution of Deposit Works. Expenditure in excess of a sanctioned estimate should not ordinarily be left over regularization by post-facto sanctions. The orders of the competent authority should be obtained on the probable excess at the earliest possible stage before the additional expenditure is incurred. Para E-1849 states that the Executive Engineer should pay particular attention to the fact that no expenditure in excess of either the sanctioned estimate or the sanctioned allotment of the deposit made is incurred on any

work. If any excess is anticipated, the acceptance of the party concerned should be called for and additional allotment or deposit, as the case may be, demanded.

During the check of accounts and records maintained in the office of Dy.CE/C/CTC at BBS along with the records of associated accounts it was noticed that NTPC authorities approached railways for construction of NTPC siding at Talcher (THLR) and requested railways to convey the approximate cost. Against the detailed estimate of `4.97 crore sanctioned by CAO/C/BBS, (EstimateNo.CAO(C) BBS/06/Estt/EN-DII/Deposit/0023/OR),NTPC deposited `4.58 crore (including ` 9.16 lakh for preparation of plans and estimates) on 29-03-06. Subsequently during execution of the work, railways revised the estimate to `6.32 crore and requested NTPC to deposit balance fund of `1.74 crore with the railways. NTPC requested railways (December 2007) to furnish (i) the detailed cost breakup of `4.97 crore (ii) the details of work not covered in the original estimate but were executed (iii) reasons for deviation in quantities (iv) the present status of the work vis-à-vis utilization of `4.58 crore (v) Future deviations still expected etc for acceptance of the revised estimate. Railways failed to comply the above queries, since the amount of ` 4.58 crore deposited by NTPC was not completely utilized, till then, due to delay in execution of work.

The work was completed and line was commissioned w.e.f. 25-09-08. NTPC requested time and again to furnish the utilization certificate by the railways but railways failed to furnish the same. A detailed analysis revealed that an amount of `4.92 crore has already been expended (Civil – `2.89 crore, Electrical – `48.92 lakh and S&T – `1.54 crore) i.e. an excess of ` 0.34 crore. Further, Dy CEE/C/BBS vide letter dtd. 07-12-10 had requested for an amount of 30 lakhs to meet internal adjustment of railway materials and cost of staff and Dy CSTE/C/BBS vide ltr. Dtd. 07-02-11 had requested for a further fund of 1 crore so that pending bills can be accommodated.



Against the fund utilization certificate furnished by Dy.CE/C/ CTC on 16-12-10, NTPC reiterated their demand for furnishing the details as requested by them earlier. Railway vide letter dtd. 11-03-11 again tried to convince NTPC to deposit the excess over estimate (`.1.74 crore) but NTPC vide letter dtd. 16-03-11 had again asked for a statement of utilization of `.6.32 crore.

- (1) Incurrence of an expenditure of `. 4.92 crore which came to an excess of 0.34 crore over the amount deposited by NTPC, and non supply of details of breakup as requested.
- (2) Liability of `. 1.74 crore due to non submission of utilization certificate to NTPC by Railway authorities for getting necessary deposit from NTPC,
- (3) Although the line has been commissioning of Railway line on 25-09-08, and non preparation of the completion report, has been reported through a Special Letter to which Railways have failed to reply till date.

**10.1.7. Improved socio-economic condition, enhanced house rent allowance, poor / substandard quality of the Type I Quarters and availability of better accommodation in private areas are the factors for which the Gr. D staff of were not interested to occupy Type-I Qrs. as a result many Type –I quarters lying vacant in VSKP Division from time to time.**

Consequent upon the acceptance of the recommendations of the 6<sup>th</sup> CPC for up gradation of Group ‘D’ cadre to Group ‘C’ cadre, the Ministry of Railways, (Railway Board) vide letter No.2008/LMP/10/26 dated 20.4.09 issued instructions not to process any new proposal for constructions of Type I quarters in Railways. The instructions among others stated that all proposals for replacement of Type I quarters wherever due on age-cum-condition basis should be replaced with Type II quarters instead of Type I quarters and wherever, work sanctioned for Type I quarters whether new construction or on replacement account and tenders have not yet been awarded, only Type II quarters should constructed in place of Type I quarters if feasible through material modification.

During check of contractors' bills along with Tender cases it was seen that the offer of Shri M. Durga Rao for "construction of 38 units Type I Quarters along with 8 units of Type II quarters at Ponduru, Sigadam and Chipurupalli stations of Waltair Division " was accepted and letter was issued on 14.05.09 (vide No.WEK/31/ML /Constn. Of Qrs/PDU, SGDM &CPP/MDR), at an approximate value of `2, 05, 34,431/-. AEN/VZM issued the Work Order for construction of Type-I Quarters on 3.6.09 and the work started on a later date. It is clear from the above that the work of construction work of Type-I quarters were taken up after issue of Railway Board's order no action was taken to cancel the tender or to replace the same by type II quarters by material modification. So far an amount of ` 76,84,069/- was incurred upto Oct'2010 is irregular.

In an another case, acceptance letter was issued on 19.12.2007 for construction (on replacement a/c) of 42 units Type-I along with 16 units of Type II and 3 units Type-III quarters at Pundi, Naupada, Kotabommali, Tilaru, Urlam and Dusi stations, under the jurisdiction of AEN/CHE(vide No.WEK/31/ML /Constn. Of Qrs/CHE Sub/CRS) for an approximate value of `2,74,16,075/- to M/S Chittaranjan Swain (CA No. WAT/Divn/I/ML/Spl/700 dated 15.4.09). In this case though the acceptance letter and work order was issued prior the issue of Railway Boards instruction dated 20.4.09, the construction of Type-I quarter was not started till that date. Even till October 2010 the work was not started at 3 stations NWP,Urlam,Tilaru and at other three places the progress is quite slow and not satisfactory.

- (1) In such a situation the construction of Type-I Qrs. could have been be stopped and Type-II Quarters could be constructed by material modification in replacement of Type -I Qrs. Till date none of the Qrs. are completed though the original completion date was 18.12.08 and there was three time extension without penalty (30/6/09, 31/3/10, 30/6/10) and the last one is upto 30/11/09 with penalty @ ½ % per week or part thereof. The matter was reported through a Special Letter to which Railways have failed to reply till date.

## **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 factor such as level of budget planned; resources allocated and deployed; extent of compliance with internal control ; scope of delegation of power; sensitivity and criticality of function /activities etc. Previous audit finding and media reports , where relevant , were also considered.

Based on such risk assessments, test audit of following auditee units of ECoR was carried out during 2009-10and 2010-11

### **10.2Executive Offices and Stations inspected during 2009-10 and 2010-11**

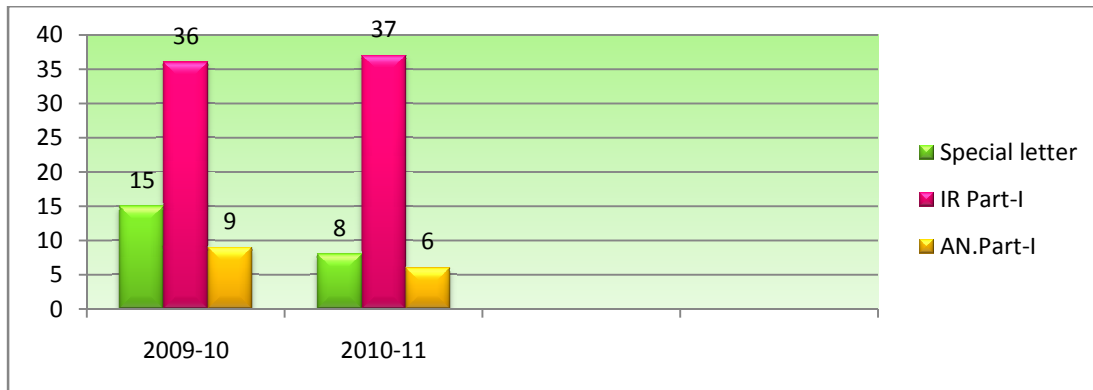


|                            |            |    |    |    |    |    |    |   |   |
|----------------------------|------------|----|----|----|----|----|----|---|---|
| Workshop/MCS               | Spl.Letter | 0  | 0  | 1  | 1  | 0  | 0  | 0 | 0 |
|                            | I.R Part-I | 1  | 1  | 1  | 1  | 1  | 1  | 0 | 0 |
|                            | A.N Part-I | 0  | 0  | 1  | 1  | 0  | 0  | 0 | 0 |
| Stores                     | Spl.Letter | 2  | 2  | 2  | 2  | 0  | 0  | 1 | 1 |
|                            | I.R Part-I | 1  | 1  | 0  | 0  | 0  | 0  | 0 | 0 |
|                            | A.N Part-I | 2  | 2  | 0  | 0  | 0  | 0  | 0 | 0 |
| Traffic                    | Spl.Letter | 4  | 4  | 0  | 0  | 3  | 3  | 3 | 3 |
|                            | I.R Part-I | 16 | 16 | 12 | 12 | 16 | 16 | 8 | 8 |
|                            | A.N Part-I | 0  | 0  | 0  | 0  | 0  | 0  | 1 | 1 |
| Others                     | Spl.Letter | 2  | 2  | 0  | 0  | 1  | 1  | 3 | 3 |
|                            | I.R Part-I | 5  | 10 | 1  | 1  | 3  | 6  | 2 | 2 |
|                            | A.N Part-I | 1  | 1  | 0  | 0  | 2  | 2  | 1 | 1 |
| Railway<br>Electrification | Spl.Letter | 1  | 1  | 0  | 0  | 0  | 0  | 0 | 0 |
|                            | I.R Part-I | 0  | 0  | 3  | 3  | 1  | 1  | 1 | 1 |
|                            | A.N Part-I | 0  | 0  | 1  | 1  | 0  | 0  | 0 | 0 |

**10.4 Audit objection issued, settled and outstanding.**

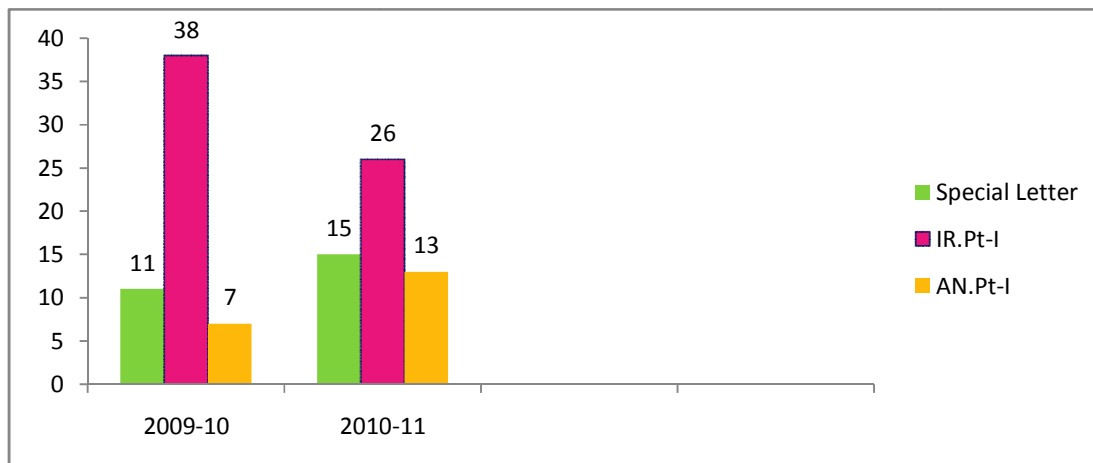
**Audit objection issued during 2009-10 &2010-11**

| <b>Year</b>    | <b>Special letter</b> | <b>IR .Part-I</b> | <b>A.N Part-I</b> |
|----------------|-----------------------|-------------------|-------------------|
| <b>2009-10</b> | <b>15</b>             | <b>36</b>         | <b>9</b>          |
| <b>2010-11</b> | <b>8</b>              | <b>37</b>         | <b>6</b>          |



### Audit objection settled during 2009-10 & 2010-11

| Year    | Special letter | IR .Part-I | A.N Part-I |
|---------|----------------|------------|------------|
| 2009-10 | 11             | 38         | 7          |
| 2010-11 | 15             | 26         | 13         |



At the beginning of the year 2010-11, 151 nos of IR part-I, AN Part-I, Special letter were pending. During the year 51 audit objections were issued through special letters, audit notes and inspection reports and 54 audit objections were settled. At the end of the year, 148 audit objections were outstanding.

### 10.5 Recoveries at the instance of Audits

As a result of audit, cases of under charges, non recovery of dues and over payments were brought to the notice of Railway Administration and an amount of ` 0.77 crore as detailed below was recovered/accepted for recovery.

| <b>Sl.No.</b> | <b>Divisions/Units</b> | <b>Amount recovered/<br/>accepted for recovery<br/>during 2010-11<br/>(Rs. in crore)</b> | <b>No. of cases above<br/>Rs. 50,000</b> |
|---------------|------------------------|--|--|
| <b>1</b>      | <b>OL/WAT</b>          | <b>0.36</b>  | <b>3</b>                                 |
| <b>2</b>      | <b>OL/KUR</b>          | <b>0.0019</b>  | <b>0</b>                                 |
| <b>3</b>      | <b>CON/BBS</b>         | <b>0.17</b>  | <b>2</b>                                 |
| <b>4</b>      | <b>CON/VSKP</b>        | <b>0.03</b>  | <b>2</b>                                 |
| <b>5</b>      | <b>RE/BBS</b>          | <b>0.018</b>   | <b>1</b>                                 |
| <b>6</b>      | <b>Stores/BBS</b>      | <b>0.0020</b>  | <b>0</b>                                 |
| <b>7</b>      | <b>E &amp; PF/BBS</b>  | <b>0.015</b>   | <b>1</b>                                 |
| <b>8</b>      | <b>TA/BBS</b>          | <b>0.15</b>  | <b>4</b>                                 |