Preface

This report of the Principal Director of Audit, East Coast Railway, Bhubaneswar for the year ending 31st March 2013 has been prepared for issue to the General Manager, East Coast Railway, Bhubaneswar. This report flags the important matters which, in our opinion, are required to be brought to the attention of the General Manager, East Coast Railway.

This report covers comments arising from the audit of the accounts of East Coast Railway for the year 2012-13 and other issues that we noticed in the course of the test audit of transactions of all the departments, viz., Engineering, Mechanical, Electrical, Signal & Telecommunication, Traffic, Commercial, Medical, Personnel and Construction organization of East Coast Railway. The audit observations contained in the report are essentially based on the results of audit conducted during the year 2012-13, but there are, however, matters relating to the transactions pertaining to the earlier years mentioned, wherever relevant. No reply has been received from the Railway Administration for 143 Reports issued in the year 2012-13 and prior to that.

Report of the Comptroller and Auditor General of India for the year ending 31st March 2013 has been prepared and submitted separately to the President of India under Article 151 (1) of the Constitution of India.

(A.N Sarkar, IAAS)

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 a unique authority 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. The functions of the CAG are specified in 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 Article 151 of the Constitution, the reports of the CAG relating to the accounts of Union have to be submitted to the President, who shall in turn 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 a source of huge revenue generation for the Union. Being the largest Railway network under single ownership in the world, largest employer and the principal carrier of Goods and Passengers in India, it discharges socio-economic obligation also. Being one of the important organizations under government sector, it plays a crucial role in the 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 was relieved of the responsibility of compiling the accounts of the Railways. CAG's responsibility for statutory audit of the accounts of Indian Railways is similar as for the other departments of the Government of India.

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

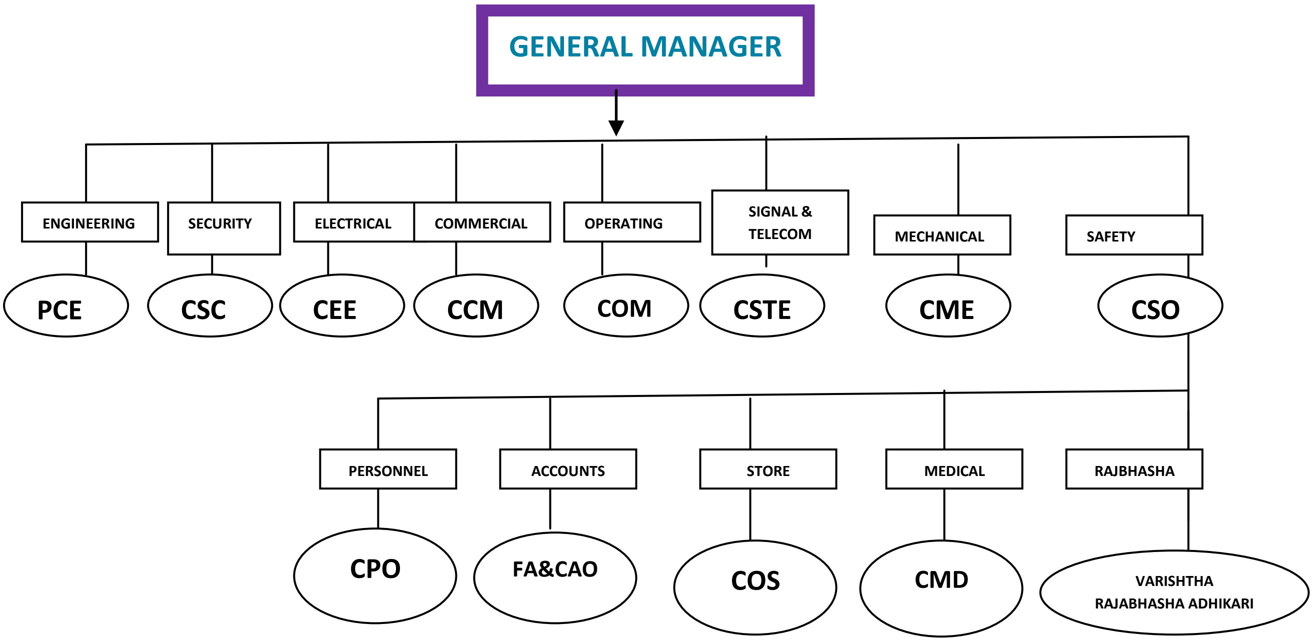
The DAI (Railways) is responsible for preparation of the Report of the Comptroller and Auditor General of India, Union Government (Railways)[Railway Audit Report –'RAR'] *which includes inter alia comments on the Appropriation Accounts of Railways compiled by Ministry of Railways (Railway Board), review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

The CAG has ordered to publish a Zonal Audit Report for each Zonal Railway which would include those important audit objections which had been raised on the Zonal Railway Administration but were not finally included in the RAR. Accordingly, a comprehensive Zonal Audit Report for the East Coast Railway has been prepared for the financial year 2012-13.

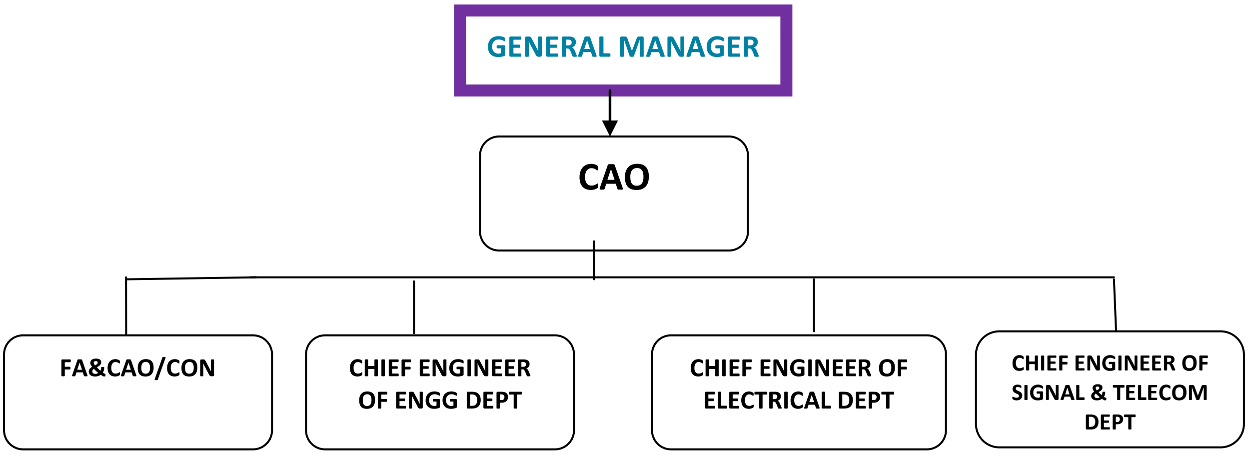
IV

ORGANISATION CHART OF EAST COAST RAILWAY

OPEN LINE



CONSTRUCTION WING



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

Chapter 1 – Financial Results

This chapter provides a broad perspective of the finance of East Coast Railway (ECoR) during 2012-13 and analyses the critical changes in the major financial indicators from the previous year as well as the over all trend.

Highlights

- Growth of 16.55 % (₹ 1490.46 crore) in gross traffic receipts over 2011-12.
- Total working expenses increased by 16.05% (₹ 648.19 crore) compared to the previous year.
- Operating Ratio, which was 44.68% in 2011-12, has marginally decreased to 44.50% in 2012-13.
- Earnings from coaching services was 8.7% of total earnings in 2012-13.
- Earnings from Goods services was 90% of total earnings in 2012-13.
- Earnings from other sources (Sundry Earning) was 1.3% of total earnings in 2012-13.

1.1 Summary of receipt and expenditure of East Coast Railway

The financial results of the ECoR for the year 2012-13, in comparison to the year 2011-12 are shown in the following table:

Financial Statement at a Glance (₹ in Crore)

Sl. No.	Particulars	2011-12	2012-13
1	Gross Traffic Receipt		
	(a) Gross Earnings	9012.50	10512.57
	(b) Suspense	-10.81	-20.45
	Gross Receipt	9001.69	10492.12
2	Total Gross Expenditure		
	(a) Total Ordinary Working Expenses(OWE)	3176.94	3727.36
	(b) Appropriation to D.R.F	272.24	273.00
	(c) Appropriation to Pension Fund	576.53	678.00
	(d) Working Expenses (Excluding suspense) [OWE+DRF+PF]	4025.71	4678.36
	(e) Suspense	9.96	6.36
	Total Gross Expenditure	4035.67	4684.70
3	Net Traffic Receipt	4966.02	5807.40
4	Percentage of ordinary working expenses to Earnings (Operating Ratio)	44.67	44.50

5	Net Misc. Receipt (Misc. Receipt- Misc. Exp)	-38.34	-11.44
6	Net Revenue Receipt (Net Traffic Receipt+ Net Misc. Receipt)	4582.69	5795.96
7	Percentage of net Revenue receipt to Capital at charge	97.16%	110.45%
8	Payment to General Revenue	225.27	205.39
9	Net gain	4357.33	5590.56
10	Capital at charge	4484.69	5061.62
11	Percentage of net gain or loss to capital at charge	97.16	110.45

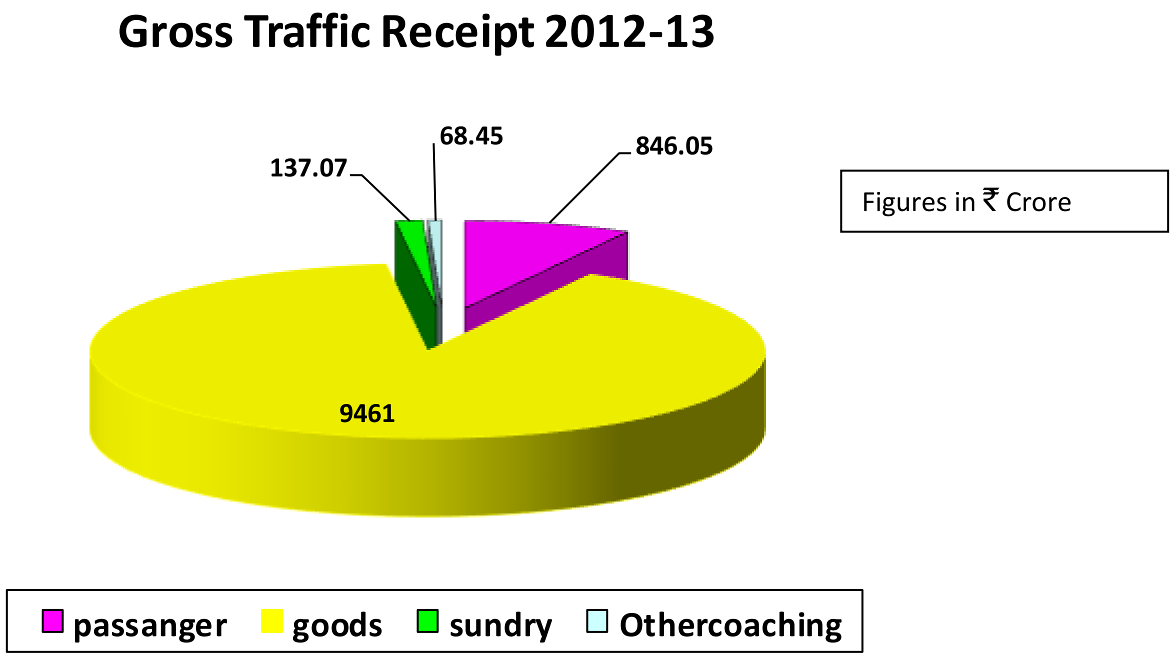
1.2 Gross Traffic Receipts

The detailed break-up of the traffic receipts of the Railways for the year 2012-13 along with the details of BE, RE and actual of previous year's receipts are shown below:

(₹ in crore)

Gross Traffic Receipts				
Traffic Earnings	**Actual 2011-12**	**Budget Estimates 2012-13**	**Revised Estimates 2012-13**	**Actual 2012-13**
Passenger	747.43	846.19	846.00	846.05
Goods	8124.59	10905.92	10547.00	9461.00
Sundry	81.15	97.11	97.00	137.07
Other coaching	59.34	64.00	68.00	68.45
Suspense	-10.82	3.00	3.00	-20.46
Total	9001.68	11916.22	11561.00	10492.12

There was over all increase in traffic earnings by ₹ 1490.46 Crore (16.55%) during the year 2012-13 as compared to previous year 2011-12.



1.2.1 Passenger Earnings

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

Passenger Earnings

Year	Passenger earnings (₹ in crore)	Passenger originating (in millions)	Passenger carried (in millions)	Passenger Km	Average earning per passenger km (in ₹)
2011-12	747.43	86.01	99.76	15420.84	48.47
2012-13	846.05	88.58	103.92	16731.61	50.57

From the above, it would be seen that during the year 2012-13, passenger earnings went up by 13.19% over the previous year. During the year 2012-13, originating passengers in East Coast Railway were 88.58 million against 86.01 million of 2011-12. The number of passengers carried by ECoR increased by 2.98% in 2012-13. The average earnings per passenger Km has however, registered a marginal increase of 2.1 paise.

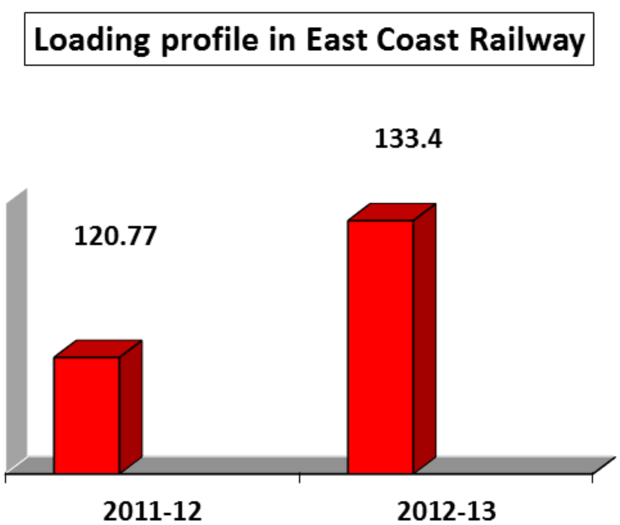
1.2.2 Goods Earnings

The trend in Goods earnings vis-à-vis the average rates per tonne kilometer over the previous year are as follows:-

Goods Earnings

Year	Freight Net Tonne originating (Revenue) (in million tonne)	Freight Net Tonne (in million tonne)	Freight Net Tonne Km (million)	Earnings from Goods Carried (₹ in lakh)	Average earnings per Tonne km (In ₹)
2011-12	120.77	169.55	58968	8040.95	136.36
2012-13	133.41	181.30	58963	9345.26	158.49

From the above, it can be seen that during the year 2012-13, Goods Earnings went up by 16.22% (₹1304.31 Crore) over previous year. The volume of Goods carried increased from 120.77 MT in 2011-12 to 133.40MT in 2012-13, there by increase of 10.46% over the previous year.



☞ In 2011-12 ECoR carried 120.77 MT freight

☞ In 2012-13 ECoR carried 133.40 MT freight

1.2.3 Unrealized Earnings

The parties against whom outstanding dues were in excess of ₹ 25 lakh as on 31st March 2013 were as follows.

Unrealised Earnings

(Rs. in lakh)

Sl No.	Category	Name of the Party	Outstanding dues as on 31st Mar'2012	Outstanding dues as on 31st Mar'2013
1	Steel Plants	NINL Sukinda, RINL VSPS, Bhusan, Aryan Ispat Lapanga	27.30	138.03
2	Electricity Board	NTPC Kanhia, APSEB, TNEB, NTPC Shimadri	176.17	655.32
3	Cement plant	Andhra Cement, ICL Bargarh	37.37	171.87

1.3 Demands Recoverable

The Demands Recoverable represents outstanding in respect of (i) rent/lease charges for letting out Railway land and buildings and (ii) interest and maintenance charges from siding owners. The Demand Recoverable of East Coast Railway declined from ₹ 0.71 Crore at the end of March-12 to ₹ 0.39 Crore at the end of March-13.

1.4 Efficiency Indices

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

1.4.1 Operating Ratio

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

(Figures ₹ in Crores)

Details	2011-12	2012-13
Gross Earnings	9012.50	10512.57
Gross Working Expenses	4025.71	4678.36
Operating Ratio	**44.67%**	**44.50%**
Surplus	4357.33	5590.56

From the above it can be seen that Operating Ratio has marginally bettered as compared to previous year.

1.4.2 Capital-Output Ratio.

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

Period ending	Total Capital invested (₹ in millions)	Goods Traffic (in million NTKMs)	Passenger Traffic		Total Traffic (in million NTKMs)	Capital at charge (in paise) per NTKM (Col -2/ Col-6)*100
			Passenger Kilometers (in millions)	Million NTKMs		
1	**2**	**3**	**4**	**5**	**6**	**7**
Mar 2012	15615	67776	15420	1179	68995	22.63
Mar 2013	17637	69831	16732	1286	71117	24.80

The capital output ratio shows physical performance as compared to capital employed. The figure shows decrement in the performance in the year 2012-13 as compared to that of 2011-12.

1.4.3 Staff Productivity

Period ending	Number Staff (in thousand)	Total traffic (in million NTKM)	Traffic (per thousand employee) in NTKMs
Mar 2012	41.219	68995.24	1673.86
Mar 2013	42.893	71116.82	1658.01

The staff productivity shows marginal decrement as compared to last year.

1.5 Status of Railway Funds

The following funds were financed through revenue or surplus except Railway Safety Fund, which is funded from a share of the Diesel Cess. The status of these funds at the end of the year 2012-13 is as follows.

1.5.1 Depreciation Reserve Fund

(₹ in crore)

Year	Opening Balance	Accretion during the year	Withdrawal during the year	Balance
Mar 2012	475.21[@]	297.45	248.57	524.09
Mar 2013	529.14[#]	295.7	196.52	628.32

[@] TWFA amounting to ₹ (-) 0.57 Crore.

[#] TWFA amounting to ₹ (+) 5.05 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.

1.5.2 Pension Fund

Year	Opening Balance	Accretion during the year	Withdrawal during the year	Balance (₹ in crore)
Mar 2012	2683.03	715.22	394.97	3003.28
Mar 2013	3003.28	802.56	456.37	3349.47

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

Chapter 2 – Appropriation Accounts

This chapter outlines the financial accountability and budgetary practices through audit of appropriation accounts. Railway budget is an instrument of parliamentary financial control and at the same time, an important management tool. Statutory Audit seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and also whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. During the year 2012-13, the following irregularities were noticed by the Audit:

Highlights

<u>Finance Account</u>

- Expenditure made towards payment of Leased Assets-Capital component to IRFC under plan Head -220 out of CAPITAL by re-appropriation from capital fund not contemplated in the Budget Grant ₹ 251,02,00,000.

  The Objection was accepted and reflected in Annexure-J for the year 2012-13.

- The accumulated deferred dividend to the tune of ₹ 422.56 Cr in respect of Daitari-Banspani new line, only ₹ 2.56 Cr was paid during 2012-13 with commitment to adjust balance amount during a period of 14 years @ ₹ 30 Cr per annum, without assessing the financial result of the subject line. This was in violation of RCC's recommendation.

  The statement was forwarded to HQ office with the remarks that mode of payment of deferred dividend through a period of 14 years is in violation of RCC's recommendation while the said line is profitable one.

- Improper accountal of ₹ 17,21,298 towards provision of PRS complex with four counters and other facilities at Rayagada station on R.V line charged to DRF instead of Development Fund.

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

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

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

- The appearances of adverse balance under the Head 6425- Loan for Railway Men's Consumer Co-operative society remained unsettled even during the year 2012-13.

The objection was accepted and qualified certificate issued on this aspects.

Suspense Balance

Miscellaneous Advance Revenue

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

Misclassification and Mistake in Accounting: Annexure-'J'

- Wrong crediting of fees received towards Right to Information Act- ₹ 30,916.
- Advance taken by Railway Recruitment Cell/BBS kept under Suspense Head –MAR without debiting to proper Head under Grant No.3 - ₹ 1,65,98,545.
- Leave salary contribution received from various organizations in respect of deputation of Railway employees has been treated as reduction in expenditure under Grant No.13 instead of crediting the same to Major Head 1001-Misc. Receipts of Indian Railways- ₹ 10,51,306.
- Cost of construction of boundary wall to prevent encroachments at Jagdalpur Station under Waltair Division charged to Revenue Grant instead of Development Fund. Thus, the expenditure was misclassified under Revenue Grant (040-532-32) - ₹ 6,43,951.
- Provision of PRS complex with four counters and other facilities at Rayagada station on R.V. line charged to DRF instead of Development Fund-₹ 17,21,298.
- Provision of 3 bays platform shelters at Rayagada station under the jurisdiction of ADEN/Raygada on R.V. line of Waltair division was wrongly charged to Estimate no. WAT/EST/DRF/23/2010 under DRF instead of Development Fund. - ₹ 6,70,058.

- Construction of boundary wall around Railway settlement at Rayagada to prevent encroachments under the jurisdiction of ADEN/Rayagada on RV line of Waltair division was misclassified to Revenue Grant no. 4 (040-241-32) instead of Development Fund. - ₹ 24,18,331.

- Improvement of C, D, E & F cabins and OPD block (extension of corridor, renovation of room no. 4,5,10 and 11 –i.e. change of flooring, ceiling, AC & Distempering) in Railway Hospital under the jurisdiction of ADEN/Settlement/WAT booked to Revenue Grant no. 11 (011-551-32) instead of Development Fund.- ₹ 9,98,764.

- Cost of upkeep of New Zonal Electrical training School Hospital building at Marripalem, Visakhapatnam for a period of one year and misclassified to revenue Grant no. 8 (080-332-32) instead of Revenue Grant no. 12 (12-511) -₹ 1,89,968.

Out of 9 objections, two cases (Sl. No. 5 & 6) were accepted and reflected in Annexure-J for the year 2012-13. Remaining seven cases were dropped after getting assurance from Finance Department.

Balance Sheet

Balance sheet of East Coast Railway as on 31.03.2013 did not contain the following important disclosures regarding significant accounting polices and practice adopted for depiction of various figures in the Assets and Liability side. The inclusion of disclosure would make the balance sheet more transparent and reliable in the following areas:-

- The Fixed and Floating assets represented only the historical cost in the Assets side.

- The amount shown under Fixed and Floating assets includes the capital invested for Works-in –Progress during 2013-14.

- The liability created towards pension and depreciation was based on yearly contribution to the respective funds in the form of an ad-hoc grant, which Indian Railways Finance can bear with. No actuarial valuation whatsoever was made in order to know the actual pension liability.

- Amount shown under 'Miscellaneous Advance Revenue' in the Assets side includes an amount of ₹ 88,32,584 towards settlement payment on provisional basis under DCPS.

- Amount appearing under Creditors in the Liability side involves an adverse balance of ₹ 5,05,700.53 against SRPF (Contributory) owing to transfer of balance through TWFA from S.E. Railway without any details during trifurcation.

- Appearance of adverse balance of ₹ 3,850 against the head 'Loans & Advances to Railway Consumer Co-operative Society' both in the Liability and Assets side is due to non receipt of loan amount from S. E. Railway through TWFA.

On being pointed out by Audit, all the items were incorporated in the Balance Sheet for the year 2012-13 in the form of Foot Note.

Profit and Loss Account

The P&L Account of the East Coast Railway did not contain the following important disclosure regarding significant accounting policies, practices or deficiencies in respect of figure depicted in Debit and Credit side of the account. In the absence of disclosures, the Account did not reflects the true financial picture of the East Coast Railway for the year 2012-13.

- Gross Earning included an amount of ₹ 20.45 crore taken on accrual basis as on 31.3.2013.

- The total Working Expenses include Appropriation to DRF and Pension Fund amounting ₹ 273 crore and ₹ 678 crore respectively.

- Out of ₹ 422.56 crore of deferred dividend liability in respect of Daitari -Banspani line, an amount of ₹ 2.56 crore was paid 2012-13. The balance amount will be paid @ ₹ 30 crore per annum over the next 14 years.

- Other receipts include ₹ 0.19 lakh towards 'Sale proceeds of Furniture-Statutory Audit' and ₹ 182.23 lakh towards 'L.D. Charges'.

On being pointed out by Audit, above items were incorporated as Foot Note to Profit & loss Account for the year 2012-13.

2.1 Summary of Appropriation Accounts

Appropriation Accounts for the sum expended during the year ended 31 March 2013 compared with sum authorized in original and supplementary demands for the grants for expenditure are summarized below:-

Summary of Appropriation Accounts					
Voted& Charged	**Original Grant**	**Supplementary Grant**	**Total Final Grant**	**Actual Expenditure**	**Saving(-)/ Excess(+)**
Revenue Expenditure(₹ in Crore)					
Voted	4471.22	14.24	4156.61	4221.51	(+) 64.9
Charged	0	0.36	0.89	1.61	(+) 0.72
Total Revenue	4471.22	14.6	4157.5	4223.12	(+) 65.62
Capital Expenditure(₹ in Crore)					
Voted	2020.02	0	1718.78	1739.78	(+) 21
Charged	2.54	5.85	24.03	23.96	(-) 0.07
Total Capital	2022.56	5.85	1742.81	1763.74	(+)20.93
Grand Total	6493.78	20.45	5900.31	5986.86	(+) 86.55

It is evident from the above table that the revenue expenditure has exceeded total final grant by 1.57%.

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

2.2 Financial accountability and Budget management

Excess and Saving (Revenue grant wise)(in '000 of ₹)					
Revenue Grant no.	**Original Grant**	**Supple-mentary Grant**	**Total (OG+SG)**	**Expenditure**	**Excess(+)/ Saving(-)**
Genl Admn&Suptd (3)	1617025	69	1617094	1541000	(-) 76094
Repair and Maintenance (P.Way)(4)	3841425	786	3842211	3648987	(-) 193224
Repair and Maintenance	1470132	0	1470132	1295153	(-) 174979

(Motive Power)(5)					
Repair and Maintenance (Carriage and Wagon)(6)	2898273	0	2898273	3101201	(+) 202928
Repair and Maintenance (Plant & Equipment) (7)	1979604	17	1979621	1902273	(-) 77348
Operating Expenses (Rollingstock &Equipments) (8)	3091703	0	3091703	3288243	(+) 196540
Operating Expenses (Traffic)(9)	8112471	191	8112662	8301863	(+) 189201
Operating Expenses (Fuel)(10)	11820374	0	11820374	11681082	(-) 139292
Staff welfare fund(11)	1525268	244	1525512	1521257	(-) 4255
Misc.Working Expenses(12)	3970241	2339	3972580	1294770	(+) 2677810
P.F/ Pension and other Retirement benefits(13)	4385734	142452	4528186	4784594	(+) 256408

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

2.3 Defects in Budgeting

Huge differences between original budget grant and actual expenditure are considered as defects in budgeting. During verification of Revenue as well as Capital Grant in relation to expenditure pattern, it transpired that there are 20 cases of excess provision of funds amounting ₹ 35,58,855 thousands and 12 cases of short provision of funds amounting ₹ 9,61,808 thousands.

Out of 20 cases of excess provision of funds, 9 cases for ₹ 5,78,232 thousands, and out of 12 cases of short provision of funds, 3 cases amounting to ₹ 4,31,160 thousands were accepted and reflected in Annexure-‘K’-Defects in Budgeting during the year 2012-13. Remaining 20 cases were dropped.

2.4 Controls over Suspense Accounts

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

Control over Suspense (in ₹)		
Sl.No.	**Suspense Head**	**Balance out standing as on March'2013**
1	Cheque Bills	(+) 423927383
2	Remittance into Bank	(-) 459788203
3	PAO Suspense	0
4	Public Sector Bank	(+) 622656050

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

2.5 Unsanctioned Expenditure –Annexure-A

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

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

Excess over Estimates: Status in respects of 37 numbers of cases of excess over estimates pertaining to the period from April'90 to March'13 amounting ₹ 336.34 crore mentioned as "being pursued with executive for regularization of cases"

2.6 Results of Local Audit and Central Audit-

2.6.1 Irregular transaction under the Public Accounts of India.

In terms of CGA's office memorandum dated: 02.09.2008 outlining the procedure for implementation of the DCPS the amounts of NPS contribution received from employees as well as the Government contribution are to be other retirement benefits and should be transferred to the Trustee Bank by minus crediting the above head at the end of each month. It has been under the head of Accounts 8342-other deposit even as a temporary measure.

East Coast railway has a closing balance of ₹ 12,28,403 under the Major Head 8342 as per the balance sheet for the year 2010-11 representing NPS contributions awaiting transfer to the Trustee Bank. On scrutiny of the Zonal Account Current of ECoR for the month of August 2011 it is found that an amount of ₹ 11,33,368 has been minus credited to the Major Head 8342. This is a mistake in According and has resulted in reducing the Credit Balance under the Major Head 8342 and in other words does not reflect the correct picture of the accumulation under other Deposit of the Union Govt. it may be reiterated here that the Debit side of the Major Head 8342 should have been operated while transferring the old balances to the Trustee Bank.

The above aspect was taken up with railway Administration through Test Audit Note Part-I and was closed after getting necessary rectification.

Chapter 3 – Traffic - Commercial and Operations

The Traffic Department has two distinct business processes, viz., Commercial and Operations. Commercial Branch is responsible for marketing of transportation provided by the Railways, collection, accounting and remittance of fare, freight and other charges. The Operating Branch is responsible for transportation of passengers and goods. 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 as theme based Audit.

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

The above theme based reviews were conducted during the year 2012-13 and the results of the review pertaining to East Coast Railway reported to HQ for inclusion in Audit Report for Indian Railway 2012-13.

3.2 Results of Local Audit and Central Audit

During local audit and central audit the following points were taken up.

3.2.1 Loss of earning capacity of ₹6.29 crores due to avoidable detention of loaded wagon.

To maintain the operational efficiency of rolling stocks, unwanted detention should be avoided. During check of record under chief Yard master/ECoR/TLHR, it was noticed that 20 wagons loaded with coal become sick and were kept idle at TLHR yard since Oct/Nov'2011 to various dates.

Though two wagons were declared fit and for another two wagons transhipments of loads were completed, yet wagons were not dispatched till the date of audit. As result, Railway administration has suffered a loss of earning capacity of wagon to the tune of ₹ 2,96,99,398 due to the idling of wagons for a period of about 3 to 6 months.

Similarly from the records of Sr.DOM/KUR, it was seen that 45 loaded wagons are lying idle at BDPK yard from 08.03.2012 to 03.05.2012 for want of power. This has resulted inloss of capacity of wagon to the tune of ₹ 3,31,50,111.

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

3.2.2 Para-1: Short realization of freight due to non implementation of rationalized route.

In terms of Para 3.3 and 5.3 of East Coast Railway's Commercial No.159(G)/09 dated 08.10.2009 and No.37(G)/11 dated 05.04.2011, food grain traffic originating in Northern Railway and Jodhpur and Bikaner Divisions of North Western Railway to stations on Raipur-Vizianagaram section for which the shortest route is via Annupur-Bilaspur shall be charged via Itarsi-Nagpur/Ajni bye-pass.

During scrutiny of cancelled inward RRs of CGS/MSMD, it was noticed that in three cancelled RRs, food grains (wheat) were booked from Karnal, Barwal and Patty stations of Northern Railway to Mahasamund of East Coast Railway and charged via Annuppur-Bilaspur which is not the rationalized route.

Due to the charging of freight in the shorter route other than the rationalized route there is short realization of freight amounting to ₹ 11,27,085.

Para-2: Short realization of freight due to wrong application of two point combination.

In terms of para 5.3 of ECoR's Commercial circular No. 177(G)/09 dated 18.11.2009, two point rake can be loaded at train load class rate for combination of destination terminals notified under annexure-IV of the circular. For availing benefit of train load rate the standard rake of BCN wagons should be 41 numbers out of which 39 numbers should be loaded as per annexure-III of the above circular. Otherwise wagon load rate shall be applicable for the consignment.

On scrutiny of cancelled inward RRs it was noticed that in two RRs booked from Northern Railway containing 22 BCN wagons 23 BCN wagons respectively, freight was collected at train load rate instead of at wagon load rate. The consignments were booked at two originating stations of Northern Railway but not terminated at two stations on the notified sections of East Coast Railway. However, the loading of lesser no. of wagons do not qualify for train load benefit. Due to incorrect charging of freight, there was undercharges of ₹ 8,37,251.

The above two issues were taken up through an IR Part I and the case was closed after recovery of an amount of ₹28,61,981.

3.2.3 Non-clearance of outstanding freight of ₹1,92,151 towards punitive charges.

Section 83 of the Railway Act 1989 concerning claims stipulates that, "If the consignor, the consignee or the endorsee fails to pay on demand any freight or other charges due from him in respect of any consignment, the Railway Administration may detain such consignment or part thereof or, if such consignment is delivered, it may detain any other consignment of such person which is in , or thereafter comes into, it possession".

During check of Outstanding Register of Goods office, Bargarh Road, it was noticed that freight of ` 1,92,151 was outstanding on account of non-payment of punitive charges for the period from June 2012 to Decemeber 2012 as FCI/BRGA had not accepted the weighment slip generated by Railway weighbridge, rather they were relying on their private weighbridge which had never detected overloading.

The above issue was taken up through an IR Part I and matter has been closed after recovery of ₹1,92,151 at the instance of Audit.

3.2.4 Para-I Short recovery of engine hire charges.

In terms of clause 16 of Memorandum of agreement executed between East Coast Railway and Indian Oil Corporation ltd, Paradeep Terminal, Paradeep, M/s IOCL/PRDP would pay freight and also other charges on traffic booked and required by him from the siding in accordance with the Railway Administration tariff and circular in force from time to time.

On reconciliation of forwarding notes submitted by M/s IOCL/PRDP and countersigned by Yardmaster /Station Master, Paradeep, with engine hire charge register and T-39 register, it was noticed that engine hire charges were not realized as per the detention time of the engine indicated in forwarding note. Correction of time was made in the forwarding notes without attestation by the authorized signatory as well as Railway representative. The short recovery of engine hour charges is worked out to ₹3, 95,060.

Para- 2: Short realization of demurrage charges.

As per CCM's commercial Circular No. 87(G)/12 dated 03.09.2012, the free time for loading /unloading of BPTN rake on "Engine on Load" basis was reduced from 6hrs to 5hrs.

During scrutiny of records under CGS/IOCL,PRDP, it was noticed that in 11 cases there were instances of short realization of demurrage charges on account of delay in implementation of effective date of revised free item of 5 hrs for loading of BTPN rakes on " Engine on load" basis. This has resulted in short computation of Demurrage hour by 1 hr in all cases. As such there was short realization of Demurrage charges of ₹85,767.

The above two issues were taken up through IR Part-I and matter has been closed after recovery of an amount of ₹4, 39,567 at the instance of Audit.

3.2.5 Short realization of freight due to charging less siding distance.

In terms of East Coast Railway's Commercial circular No. 137(G)/2011 dated: 19.02.2011 the chargeable distance for all loading/unloading points of M/s Mahanadi Coal fields siding served by Talcher stations to be reckoned on through basis as Talcher+19 KM w.e.f. 20.12.2011.

During check of inward cancelled RR of SDTV/NTPC/Simhadri goods shed, it was noticed that a coal rake was transported from M/s Ananta Colliery siding of M/s MCL served by Talcher stations to SDTV/NTPC/Simhadri. Freight was collected on the pre revised through distance of 589 Km instead of revised through distance of 601 Km, resulting short realization of freight amounting to ₹ 78, 831.

The above issue was taken up through an IR Part-I and matter has been closed after getting suitable remarks from Railway Administration.

3.2.6 Short-recovery of freight due to non-implementation of rationalization scheme.

In terms of Sl. No. 51 of ECoR's Commercial Circular no. 159 (G)/09 dated 08.10.09, iron ore traffic from Barsuan, Bandmunda section of S. E Railway to stations for which shortest route is via Jaruli-Jakhapura and to stations on Karagpur-Bhadrak-Jakhapura-Vizianagaram section shall be charged via Tatanagar-Kharagpur-Bhadrak.

During check of inward RR foils of Goods Office/MGPV/VSKP, it was noticed that the distance charged was 821 km instead of 1142 km. Thus, there was a short collection of freight of ₹ 12,14,845.

Para-2: Short recovery of engine hour cost amounting to ₹ 34,960 from MGPV/VSKP.

During the check of Engine Hour Cost Register and bills under MGPV/VSKP Goods office, it was seen that although diesel engines were used for shunting operations, the shunting engine hour charges were not recovered in four cases during the period from March 2010 to April 2010. This has resulted in the short recovery of shunting charges for eight hours amounting to ₹ 37,960.

The above two issues were taken up through an IR Part-I and matter has been closed after recovery of an amount of ₹12,49,805 at the instance of Audit.

3.2.7 Short realization of freight due to incorrect calculation of Development charge.

In terms of East Coast Railway's Commercial circular No. 119(G)/2011 dated 13.10.11, the normal tariff rate (NTR) will constitute base freight, busy season surcharge, congestion charge and supplementary charge only. Other charges like development charges and freight concession will also be granted as percentage of NTR.

During check of outward RRS of PFGV siding/VPT it was noticed that in case of 12 RRs, the calculation of development charges was made on percentage of NTR after deduction of rebate. Due to less calculation of development charges on NTR minus rebate, there was a short realization of freight amounting to ₹ 42,768.

The above issue was taken up through a part-I inspection Report and reply is still awaited from Railway Administration.

3.2.8 Undercharges of freight amounting to ₹ 2,07,651 due to charging of less distance.

In terms of Para 4.1 of East Coast Railway's Commercial Circular no. 37(G)/11 dated 05.04.2011 all goods traffic origination in East Coast Railway shall be routed through Barang-Kapilas Road Bye Pass avoiding Cuttack. As per East Coast Railway's distance table w.e.f 01.05.03 the distance from SurlaRoad to Manjuri Road via Naraj is 323 km instead of 275 km and from Surla Road to Barpeta Road via Naraj is 1488 km instead of 1466 km.

During inspection of accounts and records of Surla Road station (G) it was noticed in one outward Railway Receipt that the distance charges from Surla Road to Manjuri Road was 275 km instead of 323 km. Again in 02 RRs the distance charged from Surla Road to Barpeta Road was 1466 km instead of 1488 km. This has resulted in undercharges of ₹ 2,07,651.

The above issue was taken up through a part-I Inspection Report and matter has been closed after recovery of an amount of ₹2,07,651 at the instance of Audit.

3.2.9 Undercharges of tariff amounting to ₹ 23,089 due to non-levy of freight at double the normal rate.

In terms of para 208 of IRCA coaching tariff, booking of bulky article will be charged at double the normal rate. Any package whose weight exceeds 100 Kgs will be treated as bulky article for booking of luggage or parcel.

During check of outward parcel way bills under CBS/Balugaon, it was noticed that in case of 84 number of parcel way bills issued during the period from November 2011 to August 2012 the weight of packages containing Fish and Ice more than 100 Kgs but charged at normal rates instead of being charged at double the normal rates. This has resulted in undercharges amounting to ₹ 23,089.

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

3.3.0 Short collection of freight of ₹ 2,92,516 at originating station.

As per ECoR and S.E. Railway’s junction distance table effective from 01.05.2003 and East Coast Railway’s commercial circular 134/G/09 dated 03.09.2009 the distance from Bansapani Iron Ore ltd (IOJB) to Rengali is 372 KM including the inflated siding distance of 15.11 KM from Bansapani Iron Ore Ltd to Bansapani Station(BSPX) instead of 368 KM.

During check of inward RR of Rengali Goods Shed, it was noticed that in case of six RRs the distance charged was 368 KMs instead of 372 Km from Bansapani Iron Ore ltd to Rengali. This has resulted in loss of Railway Revenue to the tune of ₹ 2,92,516.

The above issue was taken up through an IR part-I and matter has been closed after getting suitable reply from Railway Administration.

3.3.1 Under charges of tariff amounting to ₹ 4,49,042 due to non implementation of Rationalization scheme.

In terms of Para 4.3 of General order No. 01/2011 on rationalization scheme, all traffic to and from Vizag area (i.e. all loading /unloading Points served by stations between Simachalam North to Duvvada including all terminal served via Waltair Marshalling yard – Vizag ports) for destinations for which shortest route is via Titlagarh –Raipur store Depot except to and from destination on South East Central Railway and Jabalpur Division of West Central Railway, should be charged via Duvvada- Ballarshah.

During check of inward RR under CGS/New Goods Complex /VSKP, it was noticed in one RR that wheat was carried from Itarasi junction of Bhopal Division of West Central Railway to Vishakapatnam New goods complex Via Titlagarh- Raipur stores Depot instead of Duvvada –Ballarshah, which is permissible route. Thus there is less charge of freight due to charging under inadmissible route (1125Km) instead of Permissible route (1313KM). The non implementation of aforesaid Rationalization scheme has resulted under charges of ₹ 4, 49,042.

The matter was taken up through a Part I Inspection Report and latter converted to Draft Paragraph and final reply is still awaited.

3.3.2 Non-realization of under charges amounting to ₹ 145.58 lakh due to short reckoning of chargeable distance.

In terms of ECoR's commercial circular No. 143(G)/10 dated 23.09.2010, chargeable distance for SEBD siding of M/s Sterilite Energy ltd. Served by Brundamal station was Brundamal (BXQ)+4.38Km. However, in terms of circular no. 85(G)/2012 dated 28.08.2012 the above chargeable distance was increased to Brundamal (BXQ) plus 11.18 Km. The new chargeable distance came into effect from 08.01.2012.

On scrutiny of inward and outward RRs of SEBD, it was noticed that in respect of 168 RRs from January'2012 to July'2012 the distance was charged BXQ+4.38Km instead of BXQ+11.8 Km. As a result there was a short recovery of freight of ₹145.58 lakh.

The above issue was taken up through a Part-I IR and matter has been closed after recovery of an amount of ₹1,45,58,164 at the instance of Audit.

3.3.3 Undercharge of siding charges amounting to ₹ 23,996 due to non collection of siding charges at revised rates.

In terms of commercial circular No. 04(G)/ 2012 dated 12.01.2012 siding charges were revised @ ₹ 28,543 per trip with effect from 01.07.2010 to 30.06.2011 & @ ₹ 30,441 per trip w.e.f 01.07.2011 to 30.06.2012 for traffic originating from NMDC Iron ore loading Deposits No. 5 at Bacheli. Further, Commercial circular no. 57(G)/2012 dated 18.06.2012 revised the siding charges from ₹ 30,441 to ₹ 33, 434 with effect from 01.07.2012.

During check of inward RRs under Station Manager/ Kantakapalli, it was noticed that in case of 19 RRs siding charges on booking of iron ore from NMDC Bacheli to Kantakapalli were not collected at aforesaid revised rates. This has resulted in undercharges amounting to ₹ 23,996.

The above issue was taken up through an IR part-I and matter has been closed after getting suitable reply.

3.3.4 Undercharges of freight amounting to ₹ 1.37 lakh due to wrong charging of freight rate.

In terms of IRCA, Goods tariff no. 45 the rate of one tonne of iron ore for export for a distance of 500 km which is under class 180 is ₹ 576.70 w.e.f 27.12.2010. In addition distance based charges @ ₹ 45 of base fare plus ₹ 1000 shall be levied on the above freight.

During check of outward RRs of Kirandul station it was seen that in one supersational RR issued for export of iron ore from NMDC siding/Kirandul to VZP port was charged lesser than the actual rate due to non implementation of freight rate w.e.f 27.12.2010. This has resulted in undercharges amounting to ₹1,35,420.

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

3.3.5 Short recovery of demurrage charges amounting to ₹ 5,85,700.

In terms of Railway Board rate circular No. 40/2004 and Circualr No. 29/2006 instructions were issued to adopt uniform working hours from 06.00 hrs to 22.00 hrs for all good sheds and siding on all Zonal Railway and Railways were empowered to extend the working hours beyond 22.00 hrs to get rake released expeditiously. It is also decide to reckon only 50% of the time taken between 22.00 hrs to 06.00 hrs for calculation of free time for loading/unloading or removal of consignment from the Railway premises as incentives for consignors/ consignees to release rakes during the extended night hours beyond 22.00 hrs.

Further, in terms of commercial circular No. 189(G)/08 dated 23.12.2008 , the said incentives is permissible only when the normal free time prescribed for loading /unloading or removal of consignment from the Railway Premises expires after 22.00 hrs and if normal free time expires at or before 22.00 hrs, the incentives shall not permissible.

On scrutiny of T-39 register maintained under Traffic Manager /Vishakapatnam port, it was noticed that in 11 cases loading/unloading or removal of consignment in port from Railway premises completed after expire of permissible free time of 9 hrs. For retention of rakes beyond permissible time, demurrage charges paid by the port authority were wrongly calculated. This has resulted to short recovery of demurrage charges amounting to ₹5,85,700.

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

3.3.6 Short recovery of freight amounting to ₹ 1,05,334 due to under assessment of chargeable weight.

In terms of Railway Board rate circular No. 28(G)/2008 dated 18.06.2008 declared Talcher- Vishakhapatnam including line to Vishakapatnam port as CC+8 route w.e.f 30.06.2008 under which Srikakulam Road to Vishakhapatnam port is a part.

Again in terms of Rate circular No. 28 of 2011 dated 29.07.2011 the permissible carrying capacity of BCN and BCNA/BCNAHS wagon is 63 and 66 tonne respectively, when loaded with rice in CC+8 route.

During check of inward RRs maintained under Assistant Traffic Manager/ Vishakhapatnam port, it was notice that the chargeable weight of “rice” booked from CHE to VZP/FCI(G) were charged less than their prescribed PCC as mentioned above. This has resulted in short recovery of freight of ₹ 1,05,334.

The above issue was taken up through a Part I Inspection Report and matter has been closed after getting suitable reply.

3.3.7 Short collection of freight due to under assessment of chargeable weight.

In terms of Rate circular No.28 of 2011 dated 29.07.2011, in CC+8 route, the permissible carrying capacity of BOXN group, BOXNHL and BOXNLW wagon are 68,70&70/68 tonne respectively w.e.f 01.08.2011.

During the check of inward RRs under CGS/SKND it was seen that the commodities "non Coking Coal", "Imported Coal" booked from CBSP to SKND were charged with less weight than its prescribed PCC. This has resulted in less recovery of freight of ₹ 1,86,848.

The above issue was taken up through a Part I Inspection Report and matter has been closed after getting suitable reply.

3.3.8 Short collection of freight due to under assessment of chargeable weight.

As per Indian Railway Conference Association's Goods tariff No. 46 part-I (Vol-II) effective from 06.03.2012 the chargeable weight of the BCN and BCNA/BCNAHS wagons is 63 and 66 tonne respectively when loaded with NPK fertilizers in CC+8 route. In the said IRCA goods tariff, the list of chemical manures mentioned and classified as 130 in train load. But there is nothing about SNPK, which may be included in the group of NPK and charged as per NPK.

During check of inward RRs maintained under CGS/Bhadrak, it was noticed that the commodity SNPK fertilizer was transported in BCN/BCNA wagons in CC+8 route and charged as 61 and 64 tonne respectively instead of 63 and 66 tonne. This has resulted in short realization of freight amounting to ₹ 1,04,730.

The above issue was taken up through an IR part I and matter has been closed after getting suitable reply.

3.3.9 Para-I: Non recovery of Busy Season Surcharge and Development surcharge on Railway Material Consignment (RMC) freight amounting to ₹ 4,32,534.

In terms of Rate circular No. 104 of 2006, all other surcharges including demand management charges viz. Busy Season surcharges (BSC) and Development Surcharges (DC) were to be levied in respect of Railway Material Consignment (RMC). The order has come into force with effect from 15.12.2006. The above stated surcharges have however, been withdrawn by Railway Board in respect of RMC with effect from 15.04.2009 vide rate circular No. 23 of 2009.

During the Audit Inspection of SUP (Goods), it is however, observed that all the RMC consignment booked from SUP (Goods) stations between 22.02.2007 to 09.12.2008 were charged without imposition of BSC and DC over and above the due freight. As only freight element was charged and collected, it has resulted in short realization of freight amounting to ₹ 4,32,534.

Para-II: Non–adherence to Railway Board's order in respect of RMC traffic leading to loss of ₹ 49.72 lakh.

In 2009, Railway Board circulated some procedural guidelines on booking and transportation in respect of RMC traffic vide rate circular 23 of 2009. The circular contained the procedure of booking of RMC traffic in case of loading station and/ or the unloading station is not open for the Goods traffic. Clause 8 of the circular stipulated that incase of the loading station /points of RMC is not open for loading of the goods traffic, the booking should be done from the nearest station open for goods traffic. Similarly, the booking should be done for stations open for goods traffic beyond the actual unloading points is not open for goods traffic. Clause 14 of the said circular also stipulated that RR shall be issued only for those stations which are open for goods booking located beyond the actual unloading stations or block section in the direction of the movement.

In this connection it is pertinent to mention that the clause 15 of the said agreement provides that RRs will clearly specify the station/block section from/to where the consignment will be loaded and unloaded. In all such cases, RRs will be deposited at the booked station for purpose of book delivery of the consignment. This shall not, however, prevent loading/ unloading material from the material trains/wagons.

But, during Audit inspection of S.Kota stations, it is revealed that, The RMC traffic is being booked from and to stations which are not opened for goods traffic and RRs are prepared from the actual loading stations to unloading station. Contrary to the provision of the circular under refer and RMC traffic from SUP stations between 19.02.2010 to 30.02.2011 was booked on actual distance basis i.e from loading points to unloading points. Consequently the commercial department is deprived of earnings amounting to ₹ 49.27 lakh.

The above two issues were taken up through an IR part-I and final reply is still awaited from Railway Administration.

3.4.0 Irregular operation of temporary revenue post without sanction involving unsanctioned expenditure of ₹ 415.86 lakh.

On the review of records under the Chief Commercial Manager and Dy. CCM/Claims/ECoR/BBS, it was seen that from CPO/ECoR's letter No. ECoR/Pers/6/Cadre vetting/Comml/Claims/HQ/01 dated 15.12.2011 to CCM/ECoR/BBS that the currency for 94 temporary revenue post operations, the said two offices were expired on 01.04.2011. In the said letter, CCM/ECoR was requested by CPO/ECoR to arrange for extension of currency of these posts, processing of which has not been under taken by either of the offices till date. However, without having the competent authority's sanction, 94 posts under reference were operated for the period from 01.04.2011 to 29.02.2012 resulting irregular incurring of expenditure amounting to ₹4,15,85,744 and violation of established rules.

T*he issue was taken up through a Part I Inspection Report and final reply is still awaited from Railway Administration.*

3.4.1 Para-I: Unmatched date and time in CGS records and Station Manager's record.

The DC bill is prepared on the basis of date and time of arrival and departure of goods rakes as mentioned in Station Manager's diary. However, in two cases, it was seen that the time mentioned in station manager's diary did not tally with the time mentioned in demurrage bills prepared by the Chief Goods Supervisor/Ambodala, (MVAA siding).This has resulted in short billing of ₹ 5,71,900.

Para-II: Non/less billing of Demurrage Charges (DC), though data recorded in SMR diary.

It was also seen in six cases that though there was data showing arrival and departure time of goods rakes in station manager's diary, yet no DC bills has been prepared by the goods supervisor/Ambodala till the date of audit inspection (23.02.2012). This has resulted in non billing/non-realization of DC bill of ₹15,730.

The above issues were taken up through an IR Part-I and matter has been closed after recovery of an amount of ₹ 7,29,200 at the instance of Audit

3.4.2 Non–raising of debit of ₹ 32.62 lakhs towards cost of commercial staff against Bhusan Power & Steels Ltd., Lapanga.

Bhusan Power & Steels Ltd. Lapanga in Sambalpur Divison was commissioned on 14.02.2007 and an agreement was executed between the siding owners and Railways on

29.05.2007. As per clause 13(a) of the agreement, in all private siding other than the Engine on Load (EOL) only, barring the cost of one commercial staff per shift, Railway will bear the cost of all other Railway staff. The cost of all staff at Engine on Load (EOL) siding will be borne by Railway.

During inspection of the O/o Sr.DCM/SBP it was noticed that the siding has been working round the clock and four commercial staff, i.e., one for each of three shifts and one for Rest giver/ leave reserve were posted in the siding for day to day transaction.

The siding is not working on EOL scheme as the siding holder refused on 10.11.2007 to accept the offer of the Railway to function under EOL concept due to inadequate infrastructure in the siding. Hence, cost of commercial staff posted at siding is recoverable from the siding holder as per the provision of Agreement. The DCM/SBP in his letter dated 29.08.2007 has also intimated the GM (P)/BPSL to bear the cost of staff posted in siding.

It is ascertained that no debit has been raised against the siding holders by divisional authorities towards the cost of staff posted in siding till March 2012. The cost of the staff as of March'2012 works out to ₹32.62 lakhs.

The above issue was taken up through an IR part-I and matter has been closed after recovery of an amount of ₹32,62,069 at the instance of Audit.

3.4.3 Loss of revenue of ₹3.23 crore on undue grant of rebate on freight under Wagon Investment scheme (WIS) violating provisions of agreement.

In order to encourage public-private partnership in procurement of wagons to meet with anticipated incremental freight traffic, a new scheme called "Wagon Investment Scheme" was announced in Railway Budget 2005-06. The scheme was circulated vide Railway Board's letter No. 2004/TC(FM)/4/4 dated 30.03.2005 and effective from 01.04.2005.

As per clause 7.6 of said circular customers investing in Railway wagons will be assured of supply of guaranteed number of 06 BOXN rakes every month and will get 10% concession in freight for a period of 10 years.

In terms of Railway Board's letter No. 2004/TC(FM)4/4 dated:03.01.2006 two separate agreements were executed between CCM(FS)/ECoR and M/s BPSL on 19th day of August 2008 for procurement of two BOXN rakes under Wagon Investment Scheme(WIS). Para

4.2 of the both the agreements stated that the loading station for the 1st and 2nd rake will be Lapanga and unloading stations are Chandigarh/Mandi Govindgarh (Northern Railway) and Shalimar (S.E Railway) respectively. As per clause 5.2 of both agreements, the customer will get 10% freight rebate for 10 years and guaranteed supply of 04 rakes per month for 1st agreement and 06 rakes for 2nd agreement. Again as per two supplementary agreement signed on 19th day of the August clause 4.2 original agreement was modified and the commodity HR coils/Billets only was inserted.

Accordingly, M/s BPSL started loading HR coils/Billets only and availed freight rebate. However, after certain period, M/s BPSL started also loading various products like CR coils, BP coils, GP coils, CRCA sheets, HR Sheets, CR Sheets, GC sheets, Round Bar, wire rod, Hexagon, etc., with HR coils/Billets. In terms of agreement, loading of other commodities with HR Coils/Billets do not qualify for freight rebate of 10%. This has resulted in irregular grant of rebate of ₹ 3,22,54,483 in 66 cases for the period from February 2011 to February 2012.

The above issue was taken up through a Special letter and matter has been closed after recovery of an amount of ₹ 1.10 crore and Railway Administration agreed for further recovery of ₹ 0.54 crore.

3.4.4 Short realization of freight of ₹ 12.50 crore due to non-implementation of rationalization scheme.

In terms of Para 4.3 of Railway Board's Lr. No. 2011/TT-III/27/1 dt. 01.04.2011 on Rationalization Scheme, all goods traffic from Visakhapatnam area (i.e., all loading/unloading) points served by stations between Simachalam North (inclusive) to Duvvada (inclusive) including all terminals served via Waltair Marshalling Yard, Vadlapudi, Jagyapalem, Visakhapatnam Port, Gangavaram Port and Visakhapatnam Steel Plant for destinations for which the shortest route is via Titlagarh Raipur Stores Depot except to and from destination on SEC Railway and Jabalpur Division of WC Railway shall be carried via Duvvada-Ballarshah with effect from 10-04-2011. Further, Commercial Circular No. 81(G)/2012 dtd.16-08-2012 was issued on Rationalized Scheme effective from 20-08-2012 and there was no material change in rationalization scheme in para 4.3 in respect of East Coast Railway.

During scrutiny of outward Railway Receipts of Visakhapatnam Steel Plant goods office, it was noticed that 56 rakes of steel traffic booked to Buti Bori during the period from 15.04.2011 to 14.08.2012 and 71 rakes to Kankariya during the period from 17.04.2011 to

15.08.2012 were booked via Titlagarh-Raipur Stores Depot in violation of the aforesaid Rationalized rule. The distance charged from Visakhapatnam Steel Plant to Buti Bori and to Kankariya via Titlagarh-Raipur Stores Depot was 866 KM and 1793 KM respectively. As per the rationalization scheme, the chargeable distance should be via Duvvada -Ballarshah as 989 KM and 2014 KM respectively .

Due to non-observance of aforementioned Railway Board's order on rationalized route there were undercharges of freight of ₹ 3,09,14,297 on steel traffic booked to Buti Bori during the period from 15-04-2011 to 14-08-2012 and ₹ 9,41,17,401 to Kankariya.

The above issue was taken up through a special letter and latter converted into Draft paragraph.

3.4.5 Failure of Railway authorities to verify documents submitted in support of concessional freight claimed by consigner and non imposition of penalty thereon resulted in a loss of revenue to the tune of ₹ 2302 crore.

Railway Board in their Rate circular (RC) No.24 and 30 of 2008 and 36 of 2009 had instructed the parties booking iron ore for domestic consumption has to submit a set of documents for availing of concessional rate. Non-compliance of the Rate Circular by several parties for booking of Iron Ore at domestic rate was noticed during of check records at Kirandul and Bacheli Stations of ECoR.

During check of records for booking of Iron Ore by M/s. Kudremukh Iron Ore Company Ltd., (KIOCL), a central Public Sector Undertaking, it was observed from the certificate of registration (Form II) issued by Government of India, Ministry of Labour and Employment that the company is to carry out works of filtration of Iron Ore Concentrate and its export, and production of Iron Ore pellets and its export. It was further noticed from the company profile that KIOCL is engaged in the business of manufacturing and exporting high quality Iron Oxide Pellets and manufacturing and supply of Pig Iron for domestic market. At the time booking of Iron Ore from KRDL and BCHL loading points of Waltair Division, KIOCL submitted monthly Excise Return (ER-2) as applicable to a 100% Export Oriented Unit(EOU). No documents in support of domestic manufacture of pig iron were submitted by KIOCL to the Railways.But, KIOCL booked all the consignments of iron ore between 22.5.2008 and 31.3.2012 to its Mangalore plant through the port of Visakhapatnam, giving declaration in the forwarding note that the consignments were meant for 'domestic' purpose and availed domestic rates. The

Railway administration never verified whether the iron ore was actually being used for domestic purposes or not, but allowed 'domestic' tariff for transportation of all consignment for the above mentioned period.The Railway Board, vide RC 36 of 2009, mentioned that the iron ore pellets for export as well as iron ore moved for such pelletisation (for export) will be charged at Class 180 along with levy of "Distance Based Charge". It enjoins that if at any stage, it is detected that the endorsement of forwarding note and/or the affidavit furnished under the provisions of para 3 was false, inaccurate or misleading, penalty for misdeclaration shall be imposed as per extant instructions. In addition, such consignors and consignees will be black listed for a period of three years for transport of Iron Ore from any terminals of Indian Railways. Railways may also take recourse to further legal action in such cases. It was verified form the production record of the company for last four years that the company had produced a small quantity of Pig Iron (180MT only) but huge quantity of pellets (6423 MT). Since the production of Pig Iron is meager most of the iron ore was actually utilized for making of pellets which was /will be exported. Since M/s KIOCL is an 100% export oriented company, prima facie, the Railway authorities should have levied DBC subject to production of proof by M/s KIOCL to the contrary.

In our opinion, the entire consignments booked by the company for the periods mentioned above should be charged with the applicable rate i.e. with DBC. The total tariff on this account as assessed by Audit comes to ₹ 575 crore instead of ₹ 192 crore collected from the company. Moreover, the company is also liable for penalty as per rule for mis-declaration.the action taken note in case of M/s KIOCL stated that the affidavits and indemnity notes were collected afresh on being pointed out by audit. In that case, the fresh affidavits become untenable. As per Rule 126 of Goods tariff No.41, Part-I (Vol-I) the penal charges should be levied at four times of the applicable rate for such cases of mis-declaration which works out to ₹ 2302 crore which is recoverable from the company.

From the foregoing facts, it is inferred that ECoR had not applied due diligence in scrutinizing documents submitted by KIOCL and even when the documents declare that the company is a 100% EOU, ECoR authorities did not attempt to check whether the iron ore was actually being used for domestic manufacture. This resulted in a loss of revenue of ₹ 2302 crore including penalty.

The above issue was taken up through a Special letter and Railway Administration has recovered ₹ 51.8 crore from the party and the matter is subjudice.

Chapter 4 – Engineering - Open Line

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

4.1 Topics taken up as theme based audit

- **Procurement and utilization of Permanent way material**

The above theme based review was conducted during the year 2012-13 and the results of the review pertaining to East Coast Railway reported to HQ for inclusion in Audit Report for Indian Railway 2012-13.

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

4.2.1 Para-1: Non-raising of debit towards supply of glued joints etc. to MCL through RITES.

During check of accounts and records of SSE/P.Way/TLHR, it was seen that as per request of Dy.GM/C/RITES vide letter dated 16.5.2012 addressed to Sr. DEN/Co-ord/KUR, 8 numbers of glued joints along with 18 numbers of AT Welding were supplied and inserted by SSE/P.Way/TLHR on up line between TLHR-TLSB in MCL siding during 26.5.2012 to 30.05.2012. As per the record available to audit, it was seen that no debit was raised against RITES towards the cost of the P.way material issued to them. The cost of aforesaid materials supplied to MCL was ₹ 95,400.

Para-2: Non- raising of debits towards supply of p.way materials to MCL.

During check of accounts and records of Sr.DEN/Co-ord/KUR, it was seen that P.way materials were supplied by Engineering Department of KUR division to MCL authority during January 2012 to December 2012 towards derailment/ maintenance work at their siding. The cost of P.Way material to the tune of ₹ 43,837 is lying unrealized from MCL.

The above two cases were taken up through an IR Part-I and closed after getting suitable reply from Railway Administration.

4.2.2 Non-recovery of outstanding dues of ₹ 1.05 crore from non-commercial plot holders due to negligence on the part of Railway Administration.

Railway lands are generally licensed by commercial and Engineering Department to outsiders for commercial purposes connected with Railway working. But temporary licensing of Railway land to private individual for the purpose of setting shops, commercial offices, vending stalls, clinics etc. not connected with the Railway working has been stopped since 07.06.1984 in terms of Railway Board's letter No.80/W2/18/0/A dt 07.06.1984. This ban continued. However, according to Railway Board's letter No.83/W2/IM/18/87 dated 17.09.1985, the licences of existing licensers, even if not connected with the Railway working may be renewed from time to time so long as the land is not required by Railway for its own purpose. All the subsequent orders of the Railway Board, the latest one being "Master Circular" no. 2005/LML/18/8 dated 10.2.2005 also reiterate the same policy guideline in respect of temporary licensing of railway land to private individuals.

During audit scrutiny of the accounts and records of Sr. DEN/Co-Ord/SBP, it was observed that 213 non-commercial plots had been licensed to private individuals long back, mostly in the 70's of previous century at various stations, viz., Titlagarh, Kesinga, Rupra Rd, Norla Rd, Muniguda, Bissamcuttack, Kantabanji, Khariar Rd, Harishankar Rd, etc., It was see that:

(i) Only in 8 cases, the plot holders had cleared all their dues barring that for 2012-13.

(ii) In 25 cases, the parties have made part payments, and

(iii) In the remaining 180 cases, the plot holders have not made any payment since long.

The above issue was taken up through a Part-I Inspection Report and closed after getting suitable reply from Railway Administration.

4.2.3 Non-recovery of water charges from Group C staff

Group D staff is exempted from paying water charges while Group C and above who occupy Railway quarters should pay water charges at the prescribed rates. Thus, any official who is promoted from Group D to Group C should pay water charges from the date of promotion. During inspection of accounts and records of DPO/ECoR/SBP, it was noticed that 342 railway staff belonging to various departments like Engineering, Commercial, Operating, Personnel and

Medical Departments were placed in Pay Band-I with GP 1800 from 01.01.2006. Yet, no water charges were recovered from the staff occupying railway quarters. Thus, non- implementation of RB's order resulted in non-recovery of water charges from Group C staff of SBP division for the period from January 2010 to February 2012 amounting to ₹ 47,450.

The above issue was taken up through a Part-I Inspection Report and closed after recovery of ₹47,450 by the Railway Administration.

4.2.4 Unauthorised retention of Railway Quarters after transfer resulting non-recovery of damage rent of ₹ 6.07 lakh.

As per Railway Board's letter No. E(G)/2000 QRI-23 dated 01.06.2001, a Railway employee on transfer may retain Railway accommodation for a period of 02 months on payment of normal license fee and next six months on medical ground or till the next education session on the children's education ground, on payment of special license fee. In terms of Railway Board's RBE No. 79/2010, staff/ officer transferred to East central Railway and North Western Railway can retain Railway Accommodation at the previous place of posting upto 31.03.2011 on the ground of school session and medical treatment etc.

During check of records of Sr. DPO /KUR, a case of unauthorized retention of Railway Quarters by Ex. Sr. DEE (G)/KUR from 01.09.09 to 30.06.2012 has been noticed .The damage rent recoverable from Sri P.Behera, for unauthorized retention of said quarters during the periods from 01.09.09 to 31.08.2011 and 01.09.2011 to 30.06.2012 was assessed by Railway administration and Audit at ₹ 4,28, 544 and ₹ 1,78,561 respectively. Summing up, an amount of 6,07,105 was realizable from Sri Behera, Ex Sr. DEE/G/KUR towards damage rent for period from 01.09.2009 to 30.06.2012.

The above issue was taken up through an IR Part-I and closed after recovery of ₹1,78,561 at the instant of Audit.

4.2.5 Unauthorized Occupation/retention of Railway Quarters by Railway employees and non-recovery of damage rent.

During scrutiny of quarter file and register maintained under various departments in the Khurda Road Division, cases of unauthorized occupation and unauthorized retention of railway quarters were noticed. Accordingly 08 ordinary letters were issued to Railway Administration during the period from December 2006 to January 2012.

Year	Department	No. of cases	Money value of damage rent(in ₹)
2006-07	S&T	01	61,013
2007-08	Engg.	01	1,98,914
	Comml	01	1,69,935
2008-09	Engg.	02	2,94,615
2009-10	Engg.	01	97,029
2010-11	Elect(TRD)	01	1,42,263
2011-12	Govt. Railway Police	01	5,00,051
Total		**08**	**14,63,820**

Though the cases are pertaining to various periods from December 2006 to January 2012 and several reminders have been issued by Audit from time to time, no final reply has received from Railway Administration on recovery of damage rent.

The matter has been taken up through an IR Pt-1and final reply is still awaited from Railway Administration.

4.2.6 Injudicious award of a contract resulting in extra expenditure.

During review of tender cases, it was noticed that an open tender for the work "Improvement and widening of level crossings as per widened roads at both approaches in Sambalpur-Rairakhol section of SBP Division" was invited on 25.7.2008. As there was no response from bidders, competent authority ordered to refloat the tender. So the tender was refloated on 01.10.2008. In response to the tender, one offer was received from Sri. B. Senapati, with offer price ₹ 1,00,29,483, which was 44.5% over and above estimated value. After two rounds of negotiation, the contractor reduced his rate to ₹ 94,39,944 which was still 36% above the tender value. The T.C. considering the offered rate as high, recommended to discharge the tender. Finally the tender was floated for the fourth time and was opened on 06.01.2010. On the fourth occasion, there was again very poor response and only one offer was received from the same contractor with offer price ₹ 1,21,32,551 which was 74% above the tender value. After one round of negotiation, the tender was finalized at ₹ 1,03,69,599 which was 49% over and above the tender value. Thus, injudicious discharge of the earlier tender led to avoidable extra expenditure of ₹ 9.30 lakh.

The above case was taken up through an AN IR Part I and final reply is still awaited from Railway Administration.

4.2.7 Loss of ₹ 85.40 lakh due to non-recovery of risk and cost from defaulting contractor.

On a review of completed Contract No. CE/ECoR/2003-04/TP/18 dated 20.12.2003, it was noticed that a special limited tender was invited for manufacture and supply of 63,285 numbers of special sleepers for curves and tunnels. The contract for the above work was awarded to two firms namely M/s Vijay pre-stressed Products Pvt. Ltd. for supply of 20,164 numbers of such sleepers @ ₹10486.36 per sleeper and M/s Sahuwalla Cylinders Pvt. Ltd., for supply of 42,671 numbers at the rate of ₹ 1049.57 per sleeper. It was revealed that while M/s Vijay Pre-stressed Products Pvt. Ltd., supplied the ordered quantity, M/s Sahuwalla Cylinders Pvt. Ltd were able to supply only 33,214 numbers against ordered quantity of 42,671 number of sleepers. They could not supply the balance quantity of 9,457 numbers within the scheduled delivery date of 10.08.2006 and even during the extended delivery period up to 31.03.2008. However, the firm stopped manufacturing of sleepers from 08.11.07 and hence failed to supply the balance quantity. Therefore, the contract was terminated at their risk and cost .The risk cost involved as a result of termination of contract is ₹ 97.12 lakh. To make good short supply, Track procurement cell decided to float a fresh tender after clubbing up further requirement of WAT Division. A tender was floated for supply of 19,766 numbers of sleepers.

M/s Sahuwalla Cylinders Pvt. Ltd., the defaulter of the previous tender, was also called upon to offer their rates with the condition that they should deposit 10% of the value of the unsupplied quantity as LD under Clause 15 of Special Conditions of Contract and 10% of the offered rate as security deposit to ensure against the second default.

It was noticed that despite failure to supply the entire quantity in the initial contract M/s Sahuwalla Cylinders Pvt. Ltd., was awarded a contract for supply of 9,766 numbers of Special PSC sleepers for curves and tunnels @ ₹ 2076.49 totalling ₹2,02,79,001. ECoR recovered the LD amounting ₹ 15,01,999 being the 10% cost of unsupplied sleepers.

As per clause 702(b) of IRSC as mentioned in preamble, ECoR was to recover the extra expenditure incurred for the unsupplied quantity of 9457 sleepers which worked out to be ₹97,11,582. But the contractor was let off the hook by recovering only ₹11,71,256 and balance of ₹ 85,40,236 remain unrecovered.

The above case was taken up through an AN IR Part I and final reply is still awaited from Railway Administration.

4.2.8 Irregular payment of Price Variation bill ₹ 13.44 lakh due to grant of extension of time without penalty.

As per clause 3.27 of Special Conditions of Contract (Pt-I), "time is the essence of contract" as it attracts the concept of time over run and cost over run in the contractual payment.

A work of supply & delivery in stack of 50 mm size 60,000 cum of hard stone machine crushed ballast and loading to wagons at HDS depot was awarded for ₹3,38,40,000 and proposed to be completed by 7.3.2008. The work was not completed in time & five extensions were granted without penalty due to various reason. The reasons attributed to extension on Railway accounts i.e., non-availability of stacking ground, which is under purview/control of Railway Administration. Similarly, reasons put forth by contractor as onset of monsoon is also common/known phenomenon in all contracts. The work was finally completed on 29.07.2009 with supply of 57,350.66 cum ballast at contract value of ₹ 3,23,45,772.

Due to irregular grant of extension of time on grounds of onset of monsoon and non-availability of ballast stacking ground, the Railway Administration was compelled to pay price variation of ₹ 13.44 lakh from April 2008 to July 2008 on account of increase in cost of labour (55%), material (15%), fuel (15%) during the said period.

The above case was taken up through an AN part-I and closed after receiving final reply from Railway Administration.

4.2.9 Termination of tender due to default in deposit of performance guarantee (PG) amount, leading to extra expenditure of ₹ 9,93,996 on re tendering.

In terms of Railway Boards letter No. 2007/CE-I/CT/18, Pt. XII dated 31.12.2010, the clause 16(4) of General Condition of Contracts (GCC) stipulated that successful bidder shall have to submit a Performance Guarantee (PG) within 30 days from the date of issue of issue of letter of acceptance and a penal interest of 15% per annum shall be charged for delay beyond 30 days in case the contractor fails to submit the requisite PG even after 60 days from the date of issue of LOA, the contract shall be terminated duly forfeiting EMD and other dues, if any payable against that contract. The failed contractor shall be debarred from participating in re-tender for that work.

Work of “provision of stabling line by side line No. 1A at Puri station” was awarded at a cost of ₹ 91, 52,199 vide LOA No. 340 dated 27.10.2011. The contractor could not deposit the PG amount within 60 days from the date of LOA. As such the contract of the tenderer was terminated duly forfeiting the EMD of ₹ 1,85,180 and was debarred from participating in tender of said works.

The work was subsequently awarded at a value of ₹ 1,03,31,375 to be completed by 23.09.2013 vide LOA No. 420 dated 24.09.12.

In this case the Railway Administration was forced to bear extra expenditure of ₹ 9,93,996 on account of termination of earlier contract on ground of non deposit of PG amount by the due date.

The above case was taken up through an AN Part-I and closed after receiving final reply from Railway Administration.

4.3.0 Irregular payment of ₹ 6.34 lakh towards price variation in violation of contract condition.

During check of completed contract file of permanent way work, it was noticed that various permanent way works such as painting of rails, either enabling work from Km 621.20 to 678.33 on IPM-PSA section under SE/SPT were awarded to Electric Coats (India) Pvt. Ltd., Kolkata vide LOA No. 200 dated 01.10.2009. The value of the work was ₹67,40,800 and proposed schedule of completion of work was within 12 months from the date of issue of LOA.

As per item 3.37 of Special Conditions of Contract of the LOA, Price Variation Clause (PVC) shall be applicable for tenders of value more than ₹ 1 crore irrespective of contract completion period and price variation amount shall not be applicable to tenders of value less than ₹ 1 crore.

During the check of completed contract file of said contract, it was seen that the contractor was paid price variation amount of ₹ 6,33,700 even though the tender value was less than ₹ 1crore.

The above case was taken up through an AN Part-I and closed after receiving final reply from Railway Administration.

4.3.1 Loss of ₹ 5,25,157 on account of extension of speed restriction due to delay in completion of work.

Para 1219 of Engineering Code for Indian Railway stipulates that Railway Administration should keep the design and drawings related to any work ready before awarding contract for such work. While reviewing completed contract No. RV/24/10-11 dated 22.07.2010, it was, however, seen that, on RV line between RGDA –LDX stations at Km 345/8 to 346/5, there was a 3.5 and 3 reverse curve at these location since the line was doubled in 1994, therefore permanent speed restriction of 80Kmph was imposed. In order to remove the permanent speed restriction, it was proposed to alter the 3.5 reverse curve to 2.5 reverse curve. Accordingly, the detailed estimate was prepared to undertake repairs to formation for both UP and DN track for total length of 400 mts along with the construction of retaining wall between RGDA and LDX stations on R-V line and sanctioned at cost of ₹ 1,38,85,281. Railway administration awarded contract under agreement No. RV/24/10-11 dated 22.07.2010, in connection with the work of “removal of permanent speed restriction by execution of balance work for formation of repairs and construction of retaining wall in between UP and DN lines in connection with slewing track between Km 345/8 to 346/5 between RGDA and LDX on RV lines at a contractual value of ₹ 1,17,85,764. The date of completion of the work was fixed 11 months from the date of acceptance of letter. The time limit had been extended twice upto 23.03.2011.

The contractor applied extension first time upto 31.12.2010 citing various reasons like heavy rain, labour sickness, traffic block and delay in finalizing the design and drawing of retaining wall. Again contractor have applied for second time extension till 23.03.2011 citing same reason. Each time the authority accorded extension without imposing any penalty. Finally the work was completed on 19.10.2011 after a delay of 14 months and speed restriction on both UP and DN lines however, continued for 06 months above the original date of completion of the contract.

It is seen that while applying for extension of time the contractor along with other routine reasons , also assigned a specific reason repeatedly, i.e., delay in finalizing the design and drawing of the retaining wall. The authority while allowing extension of time accepted that reason also and imposed no penalty.

It is therefore, observed that the Railway Authorities could not make ready the design and drawing well in advance of awarding the contract and this has caused delay in execution of works by 14 months and traffic at restricted speed till completion of work. Failure of Railway Administration to make ready the relevant design and drawing of the said works before awarding contract has forced Railway Administration to grant extension of time to the contractor without penalty. As a result of delay, the Railway Administration had to run the trains under speed restriction. Thus, Railway Administration incurred avoidable loss to the tune of ₹ 5,25,157 towards loss of speed by Goods train in the section between 23.08.2010 to 28.02.2011.

The above case was taken up through an AN Part-I and final reply is still awaited from Railway Administration.

4.3.2 Excess variation of steel quantities involving excess expenditure of ₹ 6,51,691 in connection with proposed replacement with 21 units Ty-I and 4 units Ty-II Qtrs at RGDA Sub-division on RV line.

During review of completed contract on the work "proposed replacement of 21 units Ty-I and 4 units Ty-II Qtrs at RGDA subdivision on RV line vide agreement no.1106 dated 06.01.2009, it was noticed from the schedule that reinforcing bars were required for the work i.e RCC roof slab 100 mm thick on ground floor, first floor and above, Precast reinforced cements concrete of proportion 1:2: 4 and Pre cast reinforced concrete slab3 to 4 cm thick for cup boards and racks. Variation in the quantities of said items of work were increased by 55.36%, 48.92% and 52.35% respectively in the process of execution of work. Simultaneously item no.1 of schedule G of said work i.e., 'Supply and stacking of high yield strength deformed reinforcing bars' should also have increased same proportion, but it is seen the quantities of the material used in respect of item no.1 of schedule G increased exorbitantly by 142.75% i.e., 21.412 MT of steel bars consumed in excess in respect of proportionate allied works, where usage of reinforced steel bars was required. This has entailed excess expenditure of ₹ 6,51,691. As per the average variation in the quantities of item requiring reinforcement of steel, increase in quantities of reinforced steel should have been 52.21% or 7.83 tonnes instead of 21.412 MT.

Due to disproportionate use of reinforcement of steel Railway Administration has incurred extra expenditure of ₹ 6,51,691.

The above case was taken up through an AN Part-I and final reply is still awaited from Railway Administration.

4.3.3 Violation of Railway Board's order resulting in incurrence of irregular capital investment amounting to ₹ 90.98 lakhs.

The Railway Board vide letter No. 2008/LMB/10/26 dated 20.04.2009 instructed all the General Managers of Indian Railways that no new proposals for construction of Type-1 quarters should be processed. It was further stipulated that in respect of already sanctioned works of Type-I quarters, whether new construction or on replacement account, wherever tenders have not been awarded, only Type-II quarters should be constructed in place of Type-I quarters, if feasible, keeping in the view of the site condition and this is to be done after making due provision in the detailed estimates through material modification.

During review of the estimates No. 40/SBP/2008 for construction of 140 units of Railway Quarters in place of old dilapidated quarters, it has been noticed that the estimates was sanctioned through pink book item no. 342 of the year 2008-09 at a cost of ₹ 4,33,26,000. The detailed estimates was sanctioned in August 2008 at a cost of ₹ 5,10,99,064. Contracts for the sanctions such as Belasonda, Mahsamund, Bagbahera, Nawapara, Lakhna and Muribahal were awarded prior to issue of Railway Boards order dated 20.04.2009. But the proposal for the construction of 40 no of Type-I (D/S) , 32 no of Type-II (D/S), 01 no. of Type-III and 3 no. of type-IV (S/S) at Khariar Road stations was sent to DRM/SBP on 25.06.2009 to obtain his approval to go ahead with the tender already opened with the assurance that the acceptance letters would be issued after obtaining sanction of the revised estimates by the competent authority duly incorporating the change required for the conversion of Type-I Qrs. Into Type-II Qrs. After obtaining the approval of DRM/SBP on 25.06.2009, the revised estimates duly taking into account necessary changes for conversion of Type-I Qrs. Into Type-II Qrs. (40 nos. at KBJ and 18 no. at KRAR) was sent to HQ/BBS on 03.09.2009 for sanction. But without waiting for receipt of sanction to the revised estimates, the Railway Administration awarded work for construction of 18 no. of Type-I(S/S) and 4 no. of Type-II(S/S) quarters at Khariar Raod, vide LOA No. 86 dated 07.12.2009 at contracted cost of ₹ 92,77,618 in violation of the Railway Board directives. The work of the construction of 18 no. of type-I (S/S) quarters and 4 no. of type-II (S/S) quarters at KRAR was completed on 06.07.2011 at a value of ₹1,15,52,996 with upward variation of 24.53% against the contracted cost of ₹ 92,77,618. The portion of expenditure incurred on construction of Type-I quarters at Khariar Road through aforementioned contact was approximately of ₹ 90.98 lakh.

The above case was taken up through an AN Part-I and final reply is still awaited from Railway Administration.

Chapter 5 – Electrical Engineering

Electrical Department is headed by the Chief Electrical Engineer at the Zonal level. Electrical 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 Topics taken up as theme based audit

- **Loco management in Indian Railway**

The above theme based review was conducted during the year 2012-13 and the results of the review pertaining to East Coast Railway reported to HQ for inclusion in the Audit Report for Indian Railway 2012-13.

5.2 Results of local audit and central audit –

During local and central audit the following irregularities were noticed.

5.2.1 Avoidable extra expenditure of ₹ 47.78 lakh towards payment of electricity charges at higher rate due to non-segregation of HT power connection in certain maintenance shops.

Andhra Pradesh State Electricity Board offers different tariff charges for High tension connection Viz. Industrial, Non-Industrial Rates etc based on the purpose for which energy is used. The tariff rate for non-industrial purpose is higher than that of tariff rate for industrial purposes.

A scrutiny of relevant records by Audit from April 2007 maintained at Sr. Divisional Electric Engineer (G)/Vishakhapatnam revealed that the Electric loco Shed being charged at higher rate under non-industrial category by the APEPDCL and same was being paid by the Railways. Railway Administration, however, never explored the possibility of availing lower tariff under industrial rate meant for industries and by taking up the issue with the state Electricity Board. Consequently, the Railway Administration have incurred an avoidable extra expenditure of ₹ 47.78 lakhs towards payment of electricity charges at higher rate under non-industrial category between the period of April 2007 to August 2012.

The above matter was taken up through an AN Part 1 and final reply is still awaited from Railway Administration.

5.3.2 Loss of ₹3.24 crore per annum due to purchase of electricity at higher rate and supply for domestic purpose at lower rate.

There are 11358 residential railway quarters in Waltair Division of ECoR as on 04.05.2010, out of which 7671 quarters were under occupation by employees. ECoR provides Electricity to all those occupied railway quarters by purchasing power supply from State Electricity Boards/Distribution companies (APEPDCL/Andhra Pradesh, SOUTHCO/Odisha and CSPDCL/Chhattisgarh). Railway Administration purchased electricity under two categories, viz., non-domestic and domestic which are further categorized as High Tension and Low Tension. The purchase rate per unit of electricity varies from Electricity Board to Electricity Board and according to the category as shown below.

Category	Average net purchase price per unit of Electricity (in ₹)		
	APEPDCL	SOUTHCO	CSPDCL
Domestic High Tension	4.34	4.32	3.88
Domestic Low Tension	5.98	4.18	3.59
Non Domestic Low Tension	7.36	6.31	5.06

It was observed that Railways purchased Electricity at Bulk rate and supplied to the quarters at lower rate as per slab as fixed by State Electricity Boards for their retail customers in the state for domestic use.

APEPDCL (Railway rate in Andhra Pradesh region) ₹		SOUTHCO (Railway rate in Odisha region) `		CSPDCL (Railway rate in Chhattisgarh region) `	
Up to 50 units per month	1.45	Up to 100 units per month	1.45	0 to 200 units per month	1.52.
51 units to 100 units	2.80	100 units to 200 units	2.35	0 units to 400 units	1.81
101 units to 200 units	3.05	Above 200 units	3.15	0 to 700 units	2.90

The above tables show that the purchase rates of all categories are much higher than the rate fixed for recovery from the employees up to average consumption of 200 units of electricity per month. According to the trend of consumption of electricity as meter reading statements it is noticed that the average consumption per month per quarters of all types of supplies is less than 200 units.

As such, Waltair Division has been incurring loss of ₹ 3.24 crore every year on account of purchase of electricity at higher rate and providing at lower rate to railway quarters.

The above matter was taken up through a Special letter and final reply is still awaited from Railway Administration.

Chapter 6 – Mechanical

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

6.1 Topics taken up as theme based audit

- **Loco management in Indian Railway**

The above theme based review was conducted during the year 2012-13 and the results of the review pertaining to East Coast Railway reported to HQ for inclusion in the Audit Report for Indian Railway 2012-13.

6.2 Results of local audit and central audit –

During local and central audit the following irregularities were noticed.

6.2.1 Infructuous expenditure of ₹ 50.90 lakh on procuring two machines but not put to use.

Para-I: Infructuous expenditure of ₹ 11.02 lakh.

An incinerator costing ₹12.82 lakh was procured from M/s Cecon Pollutech Systems (P) Ltd., Lucknow to burn zero value scrap items of different sizes accumulated in Workshop during POH of coaches. Warranty period for the machine was 24 months from the date of installation. The machine was procured on 06.05.2008 and commissioned on 06.05.2009, that is, one year after receipt, mainly due to delay in completion of site. Just after commissioning, the Production Engineer/CRW/MCS intimated the firm on 04.06.2009 that the rear wall of the furnace had bulged out and developed crack at joints. The incinerator was not working owing to corrosion of 30 m high chimney and breaking and falling down of two upper segments of corroded chimney on incinerator room by snapping the stay wire on 23.10.2009. As such, the machine was out of order for most of the period after commissioning. The Railway Administration had paid ₹ 12,31,104 (₹ 9,74,624, i.e., 80% of cost of the machine after deducting 4% towards liquidated damages (LD) on 17.07.2008 and ₹ 2,56,480 i.e., balance 20% on 9.07.2009).

While replying to the request of Railway Administration to repair the machine, the firm blamed (November 2009) the Railway Administration that (i) opening of one of the three stay wire of the top segment of the chimney from the stay wire hook by miscreant resulted in top segment getting loose from tie wire and bent down due to wind pressure (ii) non-availability/use of insufficient water for scrubbing of emission as it may release untreated, unscrubbed fume through chimney which may also contain acidic fumes discharged by incinerator (iii) poor maintenance of the system which require periodic cleaning.

The workshop authority in April 2010 encashed the bank guarantee of ₹ 1,28,250 and decided to repair the broken chimney through out sourcing. However, the same is yet to be repaired. The machine could not be utilized for the purpose for which it was procured resulting in infructuous expenditure of ₹ 11, 02,854.

Para-II: Non–utilization of Bogie Load Testing machine.

A Bogie Load Testing machine was procured from M/s Peeco Hydraulics Private Limited, Howrah (through COFMOW) for `30.31 lakh on 20.04.2006 against original delivery period of 31.12.2005. The machine was planned to carry out load testing of bogie, simulate weight of coaches, so as to aid in deciding the quantum of height adjustment to be done in the bogie. The machine was procured on turn-key basis with warranty period of 18 months from the date of dispatch or 12 months from the date of commissioning, whichever is earlier.

It was seen that during the period of delivery, the bogie shop was under extension which took seven to eight months to complete. During that period, the machine was in packed condition. The foundation work was completed in January 2007 and the machine was installed on 02.01.2007 after a gap of more than eight months from the date of receipt. During commissioning, some defects were noticed and the firm had taken out some instruments from the machine in March 2007 for re-programming and calibration. The rectified instruments were fitted with the machine in April 2007 and requested the workshop authority to issue the commissioning certificate. In the joint report dated 14.05.2007 between workshop authority and the firm, it is stated that machine was not showing the desired result. The machine is still in the same condition.

On repeated requests by the workshop authority for commissioning of the machine, the firm blamed the Railway and stated that they were not responsible due to various reasons.

They also commented that the department was not interested in using the machine. A committee at COFMOW in December 2008 decided that an amount of ₹ 7, 93,080 be deducted from the firm’s bill. Till January 2012, no confirmation in this regard is received from the Workshop. The work is being managed as earlier. As such machine could not be put to use after lapse of six years from the date of receipts of machine resulting in blocking of capital worth ₹ 30.31 lakh.

The above two cases were taken up through an IR Part 1 and final reply is still awaited from Railway Administration.

6.2.2 Non–realization of penalty due to delay submission of performance guarantee amount.

During review of tender file it was seen that a work “Operation and comprehensive Maintenances of 500 KVA diesel generator sets provided in power cars at Puri and Bhubaneswar coaching depots for three years” was awarded on 26.5.2011 to the lowest tenderer, M/s Cumminis India Limited, Pune, for contract value of ₹3,00,05,546.

As per Sr.DEE(G)/KUR’s letter No. KUR/EL/W/488/05/OP & Maint/DG-PG/ Rajdhani/12 dated10.05.2012 addressed to the contractor, there were some irregularities in execution of work by the contractor for which he was imposed penalty of ` 20,000 to be recovered from his forthcoming bills. Similarly as per agreement No. KUR/EL/W/ 488/05/OP&Main/DG-PG/AG dated 03.01.2012, it was also seen that penalty of ` 11,098 was imposed on the contractor towards delay in submission of Performance Guarantee amount which was due to be recovered from the contractor’s outstanding bills. While examining the works file, no such recoveries of ₹ 31,098 from the contractor came to notice.

The above case were taken up through an AN Part 1 and final reply is still awaited from Railway Administration.

Chapter 7 – Personnel

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

7.1 Results of local audit and central audit.

7.1.1 1. Railway Earning credited to Non –Govt. Account

a) Earning of Club/Institute from commercial activities.

East coast Railway had various institutes and clubs in the Headquarters as well as in Division to run the day to day welfare and cultural activities of officers and staff.

In terms of Para 1937 and 1938 of Indian Railway Engineering Code, the Railway Administration will bear the first cost of the building including electrical installations and the cost of maintenance and repair of the institutes/clubs (welfare buildings). The institute will bear the maintenance charges other than engineering repairs, cost of electricity and municipal taxes, etc., The institute will generate revenue from various source like membership fees, sales of old newspapers, awards, grants from the Staff Benefit Fund, Savings Bank interest, etc.,

A verification of the accounts and records of the institutes and club revealed that the club has utilized the premises commercially for social function which contradicts the very purpose of the institutes. Bookings of the rooms/ halls for marriage are not the regular activities of the club. The rent and hire charges collected out of commercial exploitation are being credited to the respective institute's account instead of Railway Revenue in violation of codal provisions, as the absolute ownership of the institutes/clubs and assets rest with the Railways. The guidelines for use of the institutes/clubs premises by outsiders for private functions have already been provided in RBE No.150/2006 circulated.

It is observed that an amount of ₹ 27,29,175 has not been credited to Govt. Account. It may be mentioned here that an amount of ₹ 44,87,106 was not transferred to Govt. Account till 2009-10 by the various institutes/ clubs except officers' club/Bhubaneswar. In compliance, the Railway administration stated that the amount would be utilized in future for various welfare activities. The reply is not acceptable as the institutes/clubs are having other source of income and repair & maintenance of the same rest with the Railway administrations as in the case other welfare buildings.

Immediate steps should be taken to remit the amount of ₹ 72,16,281 (₹ 27,29,175+ ₹ 44,87,106) to Govt. Account.

b) Earnings from Community Hall on commercial Exploitation.

One community hall (Kalyan Mandap) was established in Rail Vihar/CSP in Noveber 2009 for the welfare of railway employees. The community hall is provided to the Railway employees (in service and Retired) including outsiders for conducting social functions like marriage, etc., Verification of the records revealed that an amount of ₹ 3,23,400 collected towards booking charges for the mandap have been credited to the saving bank account of the Kalyan Mandap instead of Govt. Account during the period March 2011 to December 2012.

It is pertinent to mention here that an amount of ₹ 3,05,100 was credited to the same account in respect of booking charges collected up to February 2011 and same was objected by Audit. In compliance to audit objection, Railway Administration stated that the amount would be utilized for daily maintenance, social & cultural activities, developmental activities, etc.

The reply is not tenable as the Kalyan mandap was constructed out of Railway funds and its repair and maintenance rest with Railway administration. Apart from this, Kalyan mandap is receiving periodical grants from the Staff Benefit Fund/ECoR for developmental activities. It is not proper to utilize the amount received towards booking charges for above activities instead of crediting the same to Govt. Account.

Immediate action should be taken to transfer the accrued amount of ₹ 6,28,500 (₹ 3,23,400+₹ 3,05,100) to the 'Railway Sundry Earnings'.

c) Non–transfer of Service Tax to Central Government.

Mandap keeper's services came under the Service Tax net with effect from 1 July 1997 through notification No. 19/1997-ST dated 26 June 1997. Railway Officer's Club/ECoR/BBS collected ₹ 1,53,750 towards service tax from April 2010 to December 2012 but kept the amount in the club account without depositing it to government account. Service tax is required to be deposited with Govt. in the month subsequent to the month of collection. Delay in remittance of service tax attracts penal provisions. The details of service tax collected prior to April 2010 could not be ascertained due to non-availability of records to Audit.

d) Non-payment of Passenger charges.

As per para 1938E read with 1939E, the cost of electricity consumed should be borne by Railway officer's club. But it is noticed that as per minutes of AGM of Railway officer's club /BBS held on 2.10.2010 it was decided to seek ruling from CPO regarding deduction of electric charges from the club which is not at all required in the view of clear codal provisions. The club has not collected and amount of ₹ 1,74,000 towards electricity charges including cleaning charges and parked in the club account. Immediate steps should be taken for bifurcation of electric charges and credited to Railway Account.

e) Improper monitoring of Foreign Service contribution.

In terms of para 2006 of Indian Railway Establishment Code Volume II, leave salary and pension contribution as per approved rates are to be paid by the employee concerned or borrowing organization for period of active foreign service, so that the same period will be counted as qualifying service for pension. The leave salary and pension contributions are paid to be annually within 15 days from the end of each financial year or at the end of the foreign service, before the end of the financial year. On delayed payment of FSC, interest is to recovered.

Railway Board and the zonal Personnel Department sanction the deputation /foreign service in respect of gazetted and non-gazetted railway employee respectively. The Bill compiling units should work out the FSC and raise debit against the borrowing unit after due vetting by Accounts Office. The Accounts Office should watch the timely realization of the FSC through FSC Register. The realization should also be recorded in the Service Book of the concerned official.

On a test check of records following irregularities were noticed:

a) Short realization of FSC of ₹ 5926 in respect of the following officials who are on Foreign Service.

1. Ms. Mamata Gusain, S & WI/CPO (on deputation to IRCTC/NDLS) for ₹ 5013.

2. Mr. A. K. Mohanty, CTI (on deputation to RVNL/BBS) for ₹ 913. The short realization is due to non-inclusion of deputation allowance and non-accountal of periodical increments for computing leave salary contribution and pension contribution respectively.

b) In respect of Sri A.K.Mohanty, CTI, leave salary contribution of ₹ 32469 and pension contribution of ₹ 48,297 pertaining to the year 2010-11 have not been received till date.

It is further observed that the remittance of FSC is not recorded in the Service Books. There is no system in ECoR to intimate the borrowing organization regarding the amounts to be paid to the lending organization. In its absence, the possibility of non-realisation of FSC in respect of officials continuing on foreign service as well as repatriated from the same cannot be ruled out and consequently the officials concerned may get pension from Railway for the period spent on Foreign Service without remittance of the contribution due.

f) Unjustified expenditure of ₹ 35 lakh towards hiring of School Buses.

As per Para 2112 (3) of Indian Railway Establishment Manual Vol.-II, Railway Admn. may operate school buses for the wards of Railway employees under the following circumstances.

i) In the light of difficulties being experienced by the Railway employees posted in far off localities/remote areas as well as the practice being followed in defence service Establishments use of government service vehicles for transporting children of Railway employees to school on payment may be allowed wherever there is genuine hardships on transport or where there is service disruption of transportation arrangements made by the school authorities themselves. Such use may be permitted ensuring that the government work does not suffer on this account.

ii) Buses/Vehicles for the exclusive needs of transportation of children to schools may not be normally justified but the exceptional cases of stations where there is total absence of any public transport system, General Manager may consider such facilities under DF-Staff welfare, when the facility is not exclusive to any particular group, but to the generality of the railway population involved. These powers may be exercised by General Managers personally but sparingly and always with the concurrence of FA &CAO.

In the detailed estimate for “Setting up of E.Co. Railway Zone at BBS” there was provision for purchase of four School Buses to cater the to & fro services from Rail Vihar to different schools located in Bhubaneswar for the wards of Railway employees residing in and around Rail Vihar.

At present, in total five buses are being utilized for schooling purpose by East Coast Railway/HQ as a welfare activity and the expenditure are booked under Grant no. 7 meant for Repair and maintenance of Plant & Equipment. At present, a nominal charge of ` 100 per student is being levied for this purpose in respect of buses plying to 11 schools without any correlation to the expenditure actually incurred in providing the service.

The above cases were taken up through an IR Part 1 and final reply is still awaited from Railway Administration.

7.1.2 Service verification made without taking into account unrealized Foreign Service contribution.

In terms of Para 2006 of Indian Railway Estt. Code Vol- II, leave salary and pension contribution for Foreign Service as per approved rates are to be paid by the employee and concerned or the borrowing organization for the period of active Foreign Service, so that the same period will count as qualifying service for pension. The leave salary and pension contribution are to be paid annually within 15 days from the end of each financial year or at end of the Foreign Service expires before the end of a financial year. Interest on delayed payment of Foreign Service contribution (FSC) is also to be recovered where there is delay in remittance of such contributions.

Accounts Department monitors the deputations/Foreign Service in respect of Gazetted officers' up to J.A. Grade and non-Gazetted accounts employees. The Bill compiling units should work out the FSC and raise the debits against the foreign body after due vetting by accounts office. The accounts office should watch the timely realization of the FSC through FSC Register. The realization should also be recorded in the service book of the concerned officials.

During the inspection of office of the FA&CAO/BBS, it was noticed that Sri S.K. Pattanayak/IRAS, Ex-Dy. CM-IT was on deputation to Odisha Hydro Power Corporation Limited (OHPC) w.e.f. 29.10.2008 to 18.9.2011 as Director Finance. As OHPC limited is a Public Sector Undertaking of Govt. of Odisha. The Foreign Service Contribution (FSC) is leviable from the borrowing organization.

On scrutiny of Foreign Service records maintained in the Accounts office it is revealed that no FSC was credited to E.Co. Railway in respect of Sri S.K. Pattanayak/IRAS for the period spent on deputation. The total FSC outstanding against the borrowing organization i.e. OHPC has been worked as ₹ 5,84,863, comprising pension Contribution of ₹ 3,59,085 and leave Salary Contribution of ₹ 2,25,778.

It is pertinent to mention here that the above period of deputation was certified as qualifying for all pensionary benefits by Accounts Department in the absence of FSC.

The above cases were taken up through an IR Part 1 and closed after getting suitable reply from Railway Administration.

7.1.3 Irregular issue of Privilege Passes.

During the check of Pass and PTO's accounts maintained under various departments, cases of irregular issue of privilege passes over longer route and irregular inclusion of son/guardian in privilege passes, etc., were noticed. In all, 18 ordinary letters were issued to Railway Administration during the period from February 2006 to March 2012 with money value of ₹ 15,909.

Though the cases are pertaining to various periods from February 2006 to March 2012 and several reminders issued by this office from time to time yet no compliance to the ordinary letters has been received.

The above case was taken up through an IR Part I and final reply is still awaited from Railway Administration.

7.1.4 Recoverable amount of ₹ 259,827 due to non-utilization /improper utilization of advance withdrawn for scoter/Motor cycle Advance.

Para1106 and 1108 of Indians Railway Establishment Manual Vol-I deals with various conditions for granting of advance for purchase of scooter/Motorcycle. In terms of Para 1108(5), unless Railway servant who is sanctioned and advance for the purchase of conveyance the purchase of pay within one month of date on which he draw advance, he shall refund forth with the full amount of advance drawn together with interest thereon for one month. In exceptional cases, competent authority may extend the period of one month prescribed in this rule up to two months. Where a Railway Servant refund the full amount of advance before the end of the month in which it was drawn, the interest may be recovered for the actual period the advance was retained by the Railway servant. When the amount of advance is retained beyond one month in the contravention of the above provisions, interest will be charged at stipulated higher rate on outstanding balances for the actual period in excess of one month.

During the check of Scooter/Motor Cycle advances files maintained in the office of the CPO/BBS for last 2 years, it was noticed that Scooter/Motor Cycle advance were sanctioned in favor of a number of employees under the various Department at Headquarters. Some employee did not utilize the loan amount within the stipulated period. Some employees also submitted false documents. As such entire amount along with interest amounting to ₹ 63,315 is recoverable and necessary action as deem fit should be taken against them.

In addition to this, another seven employees who got Scooter/Motor Cycle advance sanctioned during the year 2010-11 did not submitted any document as a proof of their proper utilization of the amount. Although a letter no. ECoR/Pers/Scooter/MC/Moped/2010-11 dated 11.07.2011 was issued by Asst. Personnel Officer/Bills to six such employee with the advice to return the balance principal amount and accrued penal interest otherwise suitable action will be taken against them but till date, they neither submitted any document nor paid the balance amount. Sri Tapan Kumar Sahoo, Jr. Steno has submitted an affidavit only instead of Registration certificate for purchase of an old Scooter from Mrs Ranjubala Behura which is not acceptable in audit. Therefore the entire amount along with the interest amounting to ₹ 1,96,512 was recoverable from seven employees.

The above case was taken up through an AN part-I and final reply is still awaited from Railway Administration

7.1.5 Under utilization of X- Ray Baggage Scanner procured at a cost of ₹ 24 lakhs.

As a part of introduction of Integrated Security System in Bhubaneswar Railway station, an X-ray Baggage scanner machine was procured at a cost of ₹ 23,56,438 and commissioned at station premises on 25.01.2010. The machine was installed in the side of entry gate to Platform-No.1. The machine was utilized in two shifts upto February’2012 from 8 hrs to 24 hrs. The machine is being utilized for 24 hours in three shifts from March ‘2012.

On verification of log book it was found that an average no of 52,238 bags from January 2011 to April 2011, 56,211 from July 2011 to September’2011 and 14,448 bags from

December 2011 to February 2012 were scanned monthly by X ray Scanner. During the above period the percentage of scanning varies from 1.72% (February 2012) to 10.33% (February 2011) in comparison to the number of originating passengers who boarded the trains from Bhubaneswar Railway station. The machine was out of order from 11.05.2011 to 30.06.2011 and 18.10.2011 to 01.12.2011.

The analysis of number of bags scanned revealed drastic reduction day by day from December 2011 which is not good sign so far as security concerned. It may be mentioned here that during the aforesaid period, the RPF Personnel have traced unauthorized carrying of Silver Bricks, Revolver and long razor, etc., by passengers. All items were detected as a result of scanning.

On physical verification it was observed, the passengers get their luggage scanned at their sweet will or out of curiosity. There is no compulsion on the passenger for scanning of luggage. Adequate numbers of RPF personnel have also not been attached to the scanner machine. The very purpose of installation of machine is defeated due to poor monitoring. Suitable steps should be taken to utilize the X ray Baggage scanner more efficiently, so that the very purpose of the installation may be achieved.

Para-II: Non-recovery of quarter rent and water charges.

On a test check of salary bills of O/o CSC/ECoR/BBS, it was noticed that licence fee and water charges were not recovered from the salary of the five officials from the very date of occupation of Railway accommodation.

The outstanding licence fee and water charges recoverable from the said official was arrived at ₹ 31,003. Immediate action may be taken to recover the amount.

The above case was taken up through an IR part-I and final reply is still awaited from Railway Administration.

Chapter 8 – Signal & Telecommunication

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

8.1 Topics taken up as Theme Based Audit

- **Signalling works –Replacement of old age assets**

The above theme based review was conducted during the year 2012-13 and the results of the review pertaining to East Coast Railway reported to O/o the C&AG for inclusion in Audit Report for Indian Railway 2012-13.

8.1.1 Extra expenditure of ₹ 37, 88,481 towards cost of replacement of substandard integrated power supply by Railway electrification and heterogeneous make IPS by construction.

Power supply system is the heart of the signaling system. For a reliable signaling system installation, reliable power supply is the most important. RDSO has developed a comprehensive power supply Scheme is known as Integrated Power System (IPS) to tackle the problem of interruption and low voltage.

During inspection at the office of the Chief CSTE /HQ, it was noticed that 04 IPS were installed in Bayree (BYY), Dhanmandal (DNM), Jenapur (JEN), Haridaspur(HDS) of Khurda Division by Railway Electrification during December, 2004 to March' 2005 were found being defective even in the guarantee period. Despite contacting the firm several times, no response of the firm forced Railway Administration to contact Dy.CSTE/RE who disowned all responsibilities as the items were in warranty period. After frequent failure, the Railway Administration replaced IPSs at Jenapur on 20.05.2007 and Haridaspur on 20.04.2007. Logically, the Railway Administration was required to award AMC for BYY and DNM as IPs of those were not replaced. But it is noticed that AMC for all 04 stations including 02 stations where new IPS were installed was awarded to M/s S.M Creative Electronics Ltd for ₹7,39,560. Further the IPS of BYY was replaced on 09.08.2009 on account of frequent failure. As a whole the Railway Administration had replaced these three IPS after 2years 5 month to 04 years 5 months of installation against the codal life of 15 years at a cost of ₹ 19, 47,953.

Besides, in WAT division of ECoR of infinity EV motors, (now M/s Sukhila Power Electronic Pvt. Ltd, Hyderabad make) was provided by S& T construction units at Parvatipuram (PVP) station. One out of two IPS was installed in December'2006 and other one was kept as standby for meeting emergency. Sr.DSTE/WAT requested Dy.CSTE/CON to replace the IPs by RDSO approved IPS at Parvatipuram. But the construction wing did not take any action to replace the same. After expiry of the warranty period, the firm became reluctant to take up the AMC as only 01 of this make installed in ECoR. At time of failure in the installed IPS, the spare part of the standby IPS were used in installed IPS. Due to non availability of spare parts of the said make and frequent failure, the IPS was replaced in March'2010 only after 3years and 04 months making the other standby IPS paralyzed. Railway Administration incurred an amount of ₹18, 40,528.48 in replacement of IPSs.

The above case was taken up through an IR Part –I and final reply is still awaited from Railway Administration

8.1.2 Irregular acceptance of Tender by Sr. DSTE/WAT.

A tender for Material intensive contract was called for the work of "Modification to the existing SSI in connection with the provision of crossover at Jaggayapalem yard and Provision of sand hump at Pondaru, Tilaru, Pundi and Chipurpalli" by Sr.DSTE with approval of DRM/WAT for an estimated amount of ₹34,28,292. M/s Ansaldo STS transportation system India Private ltd, Bangalore was the lone tenderer, with offer price of ₹ 56,56,682 i.e 65% higher than the Railway estimated cost.

On scrutiny of the case it is noticed from the minutes of TC meeting that for preparation of estimates the rate of item No. 1,2,15,27 and 28 of the Schedule 'B' contributing an mount of ₹ 14,57,900 i.e 42.5% of the total tender value was obtained from the budgetary quotation dated 13.8.10 of M/s Ansaldo STS Transportation system India private ltd, Bangalore, who was the only tenderer. However, the same firm quoted 65% above their budgetary quotation in their tender .TC ignored the fact and state that "it is not appropriate to compare the offer rates of lone tenderer with budgetary offer of the same firm” and recommended for one round of negotiations.

After one round negotiation with the lone tenderer M/s Ansaldo STS Transportation System India Private Ltd, Bangalore on 12.01.2011 the tender was accepted for ₹53,82,418. The TC justified the higher rate (57% above Railway estimated cost) by stating that “the rate of FAT (Factory Acceptance Test) and SAT (site Acceptance Test) as given By M/S Ansaldo STS Transpiration Systems India Private Ltd. in their budgetary offer have not been added during the preparation of Tender schedule even though these testing are mandatory in safety point of view along with SSI modification work in the respective stations yards. Thus the testing charges of ₹23,30,000 was not taken in the basic rates in the tender schedule while floating the tender. The difference of total tender value of the Schedule A&B and revised offer is ₹19,54,126. Thus the testing charges of ₹ 23,20,000 has been made good by the lone tenderer by quoting the offer rate +57% above since modification of work and supply items are combined together in tender schedule. As such offer rate of tender is perceived to reasonable and acceptable and accepted by accepting authority without any remarks.

The above case was taken up through an IR Part I and closed after getting suitable reply from Railway Administration

8.1.3 Injudicious procurement of Axle counter and Electricity operated lifting barriers at a cost of ₹1.96 Crore and loss on Payment of DPGR of ₹ 0.62 crore.

In view of expiry of codal life of some important signaling items on Raipur-VSKP and TIG-SBP route it was proposed to go for replacement of various S&T items to be funded from SRSF. In this connection S&T/CON/SBP awarded 10 works for “Execution of signaling works and supply of critical materials for provision of interlocking with MACL signaling” for 16 stations and one work for Route Relay Interlocking at TIG stations of SBP Divisions during period from 2005-06 to 2007-08. The work included supply& installation of Axle counter block equipment (08 nos) & Electrically operated lifting Barriers Assembly sets (17 nos).

Eight numbers of Axle counter Block Equipment were supplied by the agency at a cost of ₹1.43 crore under 2 nos of agreement for four stations between periods from 20.09.2006 to 27.11.2007. Though the works have since been completed by 08.11.2008, all the axle counters are lying unutilized in stores under SSE/S/CON/TIG, barring one Axle Counter which was issued on SSE/Sig/JJKR on 17.03.2008.

Besides, 17 nos of electrically operated lifting Barriers were procured through the agencies at a cost of ₹ 0.52 crore under 9 nos of agreement for 13 locations between periods from 08.01.2006 to 28.09.2007. Though the works were being shown as completed and commissioned, all the E.O, lifting Barriers are lying unutilized in the stores under SSE(S&T)/CON/TIG as on 20.07.2012. This resulted in blocking of capital to the tune of ₹ 1.96 crore and use of the material in other works is remote.

The above case was taken up through a Special letter and final reply is still awaited from Railway Administration.

Chapter 9 -Stores

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

- Warehousing of materials.
- Distribution of materials to consignees.
- Inventory management.
- Fabrication and distribution of uniforms.
- Printing of Tickets, Money Value Books and Forms, etc.
- Disposal of scrap.

The Stores Department procures stock and non-stock items required for day to day maintenance of electric and diesel locomotives, coaches and wagons in addition to passenger amenity items.

9.1 Topics taken up as Theme Based Audit

- **Procurement of stores through single tender system.**

The above theme based review was conducted during the year 2012-13 and the results of the review pertaining to East Coast Railway reported to O/o the C&AG for inclusion in Audit Report for Indian Railway 2012-13.

9.2 Results of local audit and central audit.

9.2.1 Para-I: Blocking up capital of ₹ 2.28 crore due to non-revision of average annual consumption.

Para 128 of the Indian Railway Code for Stores Department, Volume-I, stipulates that fixation of a higher maximum stock limit would involve inventory carrying cost, unnecessary locking up of capital, risk of deterioration of stores, extra storage and protection arrangement, increased labour charges and accumulation of surplus due to unnecessary advance purchase of stores.

Besides, in terms of Para 603 ibid, consumption during the last three years should be taken into account to arrive the average rate of consumption. Para 2230 of Volume-II of the Stores Code inter-alia stipulates that the maximum stocks that may be held at any time, of ordinary stores in stock should not ordinarily exceed 50 per cent of the issues of the items during the year. It should be the objective of every COS to see that the stocks on hand of all items of ordinary stores are maintained well within the limit.

During the check of accounts and records of SMM/CRW/MCS, it was noticed that as on 07.02.2012, about 64 items valuing ₹ 2.28 crore were lying overstock. The average consumption for the last three years were very less or even 'nil' though their AAC calculated were very high. According to the trend of the consumption of the materials, AAC should be revised. But it was noticed that AAC was not revised though the trend for the previous year consumption were low. Out of 64 items, in 11 cases it was also seen that the average consumption for the last three years was less than 50% of their AAC and in 13 cases, the last three years' (2010-11) consumption was less than 50 % of AAC. Thus, there was instance of excesses procurement over and above the actual requirement which resulted in the blocking up capital of ₹ 2.28 crore. There is every possibility that some of the items would loose their potential use which would ultimately be disposed off as scrap material. The instances do not show an encouraging trend of stores management.

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

9.2.2 Avoidable loss of ₹ 7,37,986 on account of non-keeping of Security Deposit (SD) prior to issue of purchase order in respects of safety items.

The clauses 501, 502 and 702 of Indian Railway standard conditions of contract and Railway Board's letter No.2004/RS/779/11 dated 24.07.2007 deals with the quantum of security deposit in respect of store tenders. Accordingly, contractor shall deposit with the Railway, 10% of tender value as SD within 14 days from the date of acceptance of tender. In case of safety items, SD shall be taken from all firms except registered NSIC Vendors up to the monetary limits of their registration for items. If the contractor fails to deposit SD within the specified period, it shall be lawful for the purchaser (a) to recover from the contractor the amount of such

SD by deducting the amount from pending bill with the purchaser or the Govt. or any person contracting through purchaser or (b) to cancel the contract or any part thereof and to purchase or authorize the purchase of the stores at the risk and the cost of the contractor and in the even of the provisions of the Clause 702 shall apply as applicable. As per clause 702, if the contractor fails to deliver the stores or any installments thereof within the fixed or extended delivery period or repudiates the contract before the expiry period, the purchaser may (a) recover from the contractor, liquidated damage equivalent to 2% of price of any stores (including elements of taxes, duties, freight, etc.,) or (b) cancel the contract or a portion thereof and purchase at the risk and cost of the contractor who shall be liable to bear the loss suffered by the department. The purpose of keeping SD in advance is to ensure the supply of safety items. In case of non-supply of the items, the SD value may be forfeited for loss or inconvenience occurred due to non-supply.

During the review of tender cases it was observed that a P.O. number 03811243104179 dated 17.7.2009 for ₹ 60,14,538 was awarded for supply of 3463 numbers of Brake Beam for coaches with bogie mounted brake cylinder to ICF Drawing No. T-3-2-624 ALT No. H/7. Similarly, another P.O. No. 03081214104245 dated 18.8.2009 for ₹ 13,65,520 was awarded for supply of 505 numbers of Brake Beam for under frame mounted brake block to Drawing specification ICF Drawing No. T-3-2-808 Alt No. B/2. Both the items are of safety items. While submitting the offer, the firm instead of submitting Earnest Money, submitted NSIC Certificate which did not contain the particulars of first item while the registered amount for second item was less than the amount offered. On the recommendation of TC, the contract was awarded with the condition to deposit SD before the release of PO. The Tender Accepting Authority on request of the firm prepared the POs with the remarks to deduct 10% SD from 1st bill and submitted it to Accounts for vetting. However, while vetting the P.O., the FA & CAO (F&S) on 22.6.2009 had pointed out that as an interim measure in line with the practice being followed in other Railways deduction of SD from 1st bill of stores contract on Safety items will be allowed subject to the condition that COS/ECoR certifies that the agency involved has proven record of recent past. Besides, the matter was being referred to Executive Director Finance (Stores-II) for necessary clarification. The FA & CAO also requested to take up the matter with Stores Directorate of Railway Board for clarification.

However, without taking approval from the Directorate, the PO was issued with SD clause i.e., to deduct SD amount from the first bill. But the firm failed to supply both the items.

The PO was cancelled at the risk and cost with general damage of 10% of contract value. In June 2010, the firm was requested to deposit ₹ 6,01,454 and ₹ 1,36,532 respectively within 15 days towards General Damages. As the firm failed to deposit the amount, in July 2010 the Railway Administration (COS/ECoR/BBS) intimated all Zonal Railway for recovery of the amount from the firm. The amount is yet to be realized. Thus non-adherence of rules led to loss amounting to ₹ 7,37,986.

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

9.2.3 Non-realization of penalty of ₹ 79,236 (approx.) from a cleaning contractor.

The work of cleaning of PURI station was awarded at a contract value of ₹ 94,54,777 for two years with effect from. 09.05.2011.

As per item 18 of the penalty clause of the Agreement, the contractor should engage 71 men daily (3 shifts) including three supervisors and the distribution of man power in three shifts will be done as per directions of the concerned health inspector to execute the cleaning work failing which ₹186 will be deducted per manpower per day from his running bills.

During check of the work file of the said case, it was seen that the mechanized cleaning of Puri Railway Station was stopped from 15.3.2012 due to labour strike and again resumed by the contractor from. 21.3.2012.

In view of the non-performance of the duty, penalty of ₹ 79,236 for 6 days from 15.3.2012 to 20.3.2012 @ ₹ 186 per staff per day for 71 staff was recoverable from the contractor bills.

The matter was taken up through an AN Part- I and closed after recovery of ₹ 79,236 from the contractor by Railway Administration.

Chapter 10 – Construction

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

10.1 Results of local audit and central audit:

10.1.1 Non-observance of conditions of contract led to loss of ₹ 1.59 crore besides unquantifiable loss to the Railways due to delayed execution of the contracts.

As per the General Conditions of Contracts of IR, tenderers are required to deposit an amount of earnest money deposit (EMD) at the time of submitting of tender, as per the rate fixed by Railway Board. The latest rate was circulated vide Railway Board's letter No. 2007/CE-IICT/18 dated 28-09.2007**.**

With a view to avoiding post tendering delays in execution of works and making it legally binding on the contractor to stick to the time schedule of the execution of the works, Railway Administration envisaged necessary conditions in the tender document as per GCC regarding payment and monitoring of EMD. As per conditions of the tender, the tenderer is required to furnish an undertaking at the time of submitting the tender document stating that the full value of the earnest money shall stand forfeited if-

(1) The contractor does not execute the contract documents within 15 days after issue of acceptance letter or;

(2) The contractor does not commence the work within 15 days from the issue of acceptance letter.

An amendment was made to the above rule and time limit to sign the agreement was reduced from 15 days to 7 days. However, the time limit for commencement of work remains as 15 days as it was earlier. The revision came into effect from June 2010 along with revisions of GCC.

Audit reviewed 104 works files pertaining to all Construction Departments, viz., Engineering, Electrical and Signal Department of Visakhapatnam for a period from 23-10-2007 to 31-03-2012. It was noticed that in all tender documents, apart from the aforementioned undertaking by the contractors, a provision has been incorporated under clause 3.7 of tender document in consonance with the revised GCC.

Audit scrutiny reveled that there are a number of instances where the aforementioned condition of tender and contract were not observed by the contractor/Railways to forfeit the EMD due to delay in commencement of work or delay in execution of agreement as mentioned below.

i. In 62 nos. of contracts (59.62%), the contractor neither executed the contract agreement nor started the work within the prescribed time from the issue of Letter of Acceptance;

ii. In 2 contracts (1.92%), the contractor executed the contract agreement within the stipulated time but failed to start the work within the stipulated time.

iii. In 39 contracts (37.5%), the contractor started the work in time, but the contract agreement was not executed within the prescribed time limit.

iv. Only in one case the stipulated rules have been observed in Toto.

By not implementing the conditions of tender/contract, which is legally binding, not only the works got delayed but Railways had foregone the opportunity to forfeit the EMD amounting to ₹ 1.59 crore. The amount will be more if all the contract cases are taken into account

The matter was taken up through a special letter and final reply from Railway is still awaited.

10.1.2 Non-recovery of ₹ 65,00,881 due to non-return of railway materials including non- recoupment of cost of missing fittings by contractor during execution of work in DKB Rail link projects.

Execution of P.Way linking, welding of rail joints, maintenance of tracks and other miscellaneous work from the Jaroli stations to Km 20.00 of DKB rail link projects was awarded on 20.01.2003. Though the target date of completion was 05.05.2003, the currency of contract was extended several times with the completion of work on 30.09.2007.

Clause 45(a) of Additional special conditions of contract provides for supply of cement and steel by Railway to the contractor free of cost for the work. Clause 45(c) of conditions further mentions that if he fails to return any excess material issued to Railway stores depot in acceptable condition at his own cost, the cost thereof shall be recovered from him at issue rate of Railway freight, handling, loading, supervision and other incidental charges at the rate fixed by the Railway. This will have increased by 100%.

Review of the above contract revealed that materials were issued to the contractor over and above the actual requirement and the contractor failed to return these after completion of the work. Besides, the contractor was liable to recoup the Railway missing track fitting during the period of maintenance which he failed to adhere to.

Though more than four years already passed after completion of work, the contractor had not submitted his final bill and Railway Administration has not taken any fruitful action to make the contractor return excess railway material issued and recoup the missing track fittings. In the event of non- return of the above materials an amount of ₹ 65, 00,881 stands recoverable from the contractor as assessed by Audit. Chances of recovery of the above amount appears to be very dim as only ₹ 13 lakh towards security deposit and the final bill is available with Railway which is not sufficient to meet the above amount. Since the contractor is not a working contractor in Railway now, the above deficit of ₹ 52 lakhs may be treated as loss to Railways.

The matter was taken up through an IR Pt-I and final reply is still awaited from Railway Administration.

10.1.3 Extra expenditure of ₹ 13,18,459 due to execution of work on higher rate.

The work for ‘Execution of earthwork in formation/cutting, minor bridges, supply of ballast and P.Way linking works for permanent diversion and regrading of existing track and other allied works in between chainage 24,800 to 40,000 in RGL-SBP doubling work’ was awarded at a total cost of ₹ 6,05,51,890. There was substantial variation of quantities ranging from 65.50% to 200% on individual items in Schedule ‘F’ of the contract. It was noticed that large scale variation was attributed to inclusion of around 4 Km regrading patch in the work. However, the P.Way linking work of this 4 km patch was originally under the scope of another contract for P.way linking etc works executed by another agency. The original date of completion of the aforementioned Agreement was 28.3.2009 which has been extended several times, the last one being up to 28.2.2011.

It was seen that the earthwork of the said 4 Km patch was completed in February 2011 and the section was opened for traffic by the Commissioner of Railway Safety (CRS) on

09.4.2011. Therefore, it is evident that the P.way linking works have been executed in the section between the period from February 2011.

In this connection, it was observed that P.Way linking work of the additional patch of 4 Km has been executed by the latter contract, whereas the currency of the original contract was live up to 28.2.2011. That is, instead of getting the work executed through the existing contract at lower rates, the additional work has been executed through the existing contract at lower rates resulting extra expenditure of ₹13,18,459.

The matter was taken up through an IR Pt-I and final reply is still awaited from Railway Administration.

10.1.4 Para-I: Non-recovery of damage rent of ₹1,54,830.

As per RBE No. 8/90, a Railway employee on transfer from one station to another station is permitted to retain Railway quarter at the former station of posting on payment of normal rent for two months or special flat rate of license fee. On request by the employee on educational or sickness account the period of retention of Railway accommodation may be extended for the further period of six months on payment of special license fees. All occupations beyond permitted period are to be treated as unauthorized on which damage rent at prescribed rate is recoverable.

During inspection of SPO/CON/VSKP, it is noticed that Sri Y.Bhaskar Rao/Cook Gr.-II who was working at RGDA under JE/Works/C/RGDA was transferred and posted under SE/Con/TIG vide O.O No. 372 dt 18.01.2007 and again retransferred from TIG to RGDA vide O.O No.01 dated 04.02.2011. During intervening period, he has neither vacated the Railway quarter nor applied for retention of Railway quarters at former stations, but continued at same Railway quarters at old station. The occupation of quarter from 18.03.2007 to 31.01.2011 treated as unauthorized occupation of Railway quarters, for which damage rent of ₹1,54,830 is recoverable from the staff concerned.

Para-II: Avoidable expenditure of ₹56,476 towards payment of TA.

In addition to this it was also observed that Sri Bhaskar Rao, Cook-II has transferred and posted at RGDA in construction organization. As there was no establishment to engage Mr. Rao at RGDA, even in ORH as the maintenance of which has been handed over to private agency, Sri Rao has been travelling daily from RGDA to TIG to serve in ORH/TIG and for which he was drawing TA/DA. An amount of ₹56,476 was claimed as TA between March'2011 to Feb'2012.

The above matter was taken up through an IR Pt-I and closed after recovery of an amount of ₹1,54,830 from concerned employee.

10.1.5 Avoidable excess expenditure of ₹4,16,404 towards increase in CD enhancement charges and loss of ₹3,86,179 towards HSD oil consumed by DG sets.

During audit inspection of Dy. CEE (CON)/VSKP, it was revealed that Donkinvalsa (DNV) and Komatipalli(KMX) station were converted into electronic interlocking (EI) system signaling. The equipment of EI signaling required for uninterrupted power supply system for their smooth functioning, as the station falls under an area where power cuts are incessant and was causing frequent interruption in functioning of EI equipment at above two stations. With a view to tackling the problem of sever power cuts, Railway Administration decided to dedicate continuous power supply to Donkinvalsa and Komatipalli Railway stations and approached APEPDCL.

On receipt of application from Railway Administration, APEPDCL prepared an estimates for ₹7,27,750 and ₹4,72,057 in respect of DNV and KMX stations with a condition that the rates are valid for 06 months from the date of issue of demand and payment is to be made within 06 months. But after protracted correspondence between finance and executive the final finance concurrence was however given on 27.04.2011 and sanction of CAO/C/BBS has finally accorded on 06.06.2011. Railway Administration however, arranged the above payment of ₹ 7, 27,750 in respect of DNV stations and ₹4,72,057 in respect of KMX stations on 01.12.2011 i.e after a lapse of one year. The APEPDCL authorities have refused to accept the DDs made available to them by Railway on the ground that the validity of their offer has since expired and advised Railway to apply for enhancement of CD afresh, on this the Railway Administration applied for enhancement of CD afresh on 07.05.2012. i.e., after a lapse of almost 5 months. APEPDCL submitted their revised estimates in respect of Donkinivalsa stations on 23.08.2012 for a total sum of ₹ 11,44,161 which was 57% higher than the previously submitted estimate. Finally the sanction of CAO was obtained on 03.10.2012 in respect of DNV stations only for payment of charges to APEPDCL to the tune of ₹11,73,153 including service charges. The issue of KMX station is still pending and the analogy of DNV stations is can be well presumed that the charge for enhancement of CD would go up in respect of KMX stations also. If the ratio of increase in respect of DNV station prevailed the charges might go up to ₹7,41,129/- i.e an increase of 57% on previously estimated charges by APEPDCL of ₹4,72,057. It is also observed that to mitigate the problem of frequent power cuts and EI signaling equipment function smoothly Railway Administration had to ensure uninterrupted power supply through DG sets engaged at station during power cuts resulting avoidable expenditure of ₹3,86,179.

The matter was taken up through an IR pt-I and final reply is still awaited from Railway administration.

10.1.6 Inclusion of furniture items amounting to ₹ 3,35,493 in works contract and undue benefit extended to the contractor to the tune of ₹ 60,699 towards tender increase.

During the inspection of Dy. CSTE /C/VSKP a case of irregular inclusion of items of office furniture, viz., tubular office chair, revolving office chair, steel almirah and steel table in schedule of various signaling contracts has been noticed. The aforementioned furniture's were not directly related to the scope of works, viz., electronic interlocking and panel interlocking. Inclusion of such items not only overloaded the budgets of concerned works but also carried the burden of the tender increase which is specific to some propriety items to be supplied in connection with works contract (T.I @ 18% to 26% above departmentally estimated value in respect of schedule B). The same T.I by default becomes applicable to furniture's items. The total increase of budget in this respect was ₹ 3.35 lakhs. An amount of ₹60,699 was paid to the contractor on account of tender increase become applicable in respects of furniture items, viz., tubular office chair, revolving office chair, steel almirah and steel table along with other items of work.This could have been avoided by awarding separate contract on quotation basis at MRP rates for purchase of furniture after obtaining the sanction of competent authority and saving could have been achieved.

As per extent rule for classification of expenditure the items of furniture as stated above are to be necessarily classified under office expenses. But due to inclusion in the works schedule, the procurement leads to misclassification too.

The matter was taken up through an IR Pt-I and closed after getting suitable reply from Railway Administration.

Chapter 11 – Audit Effectiveness

10.1 Audit Planning

Broadly, the selection of units for audit of East Coast Railway was made on the basis of certain vital risk factors such as level of budget planned; resources allocated and deployed; extent of compliance with internal controls; scope of delegation of power; sensitivity and criticality of functions/activities, etc., previous audit finding and media reports, where relevant, were also considered. Based on such risk assessments, test audit of following units of ECoR was carried out during 2011-12 and 2012-13.

10.2 Executive Offices and Stations inspected during 2011-12 and 2012-13.

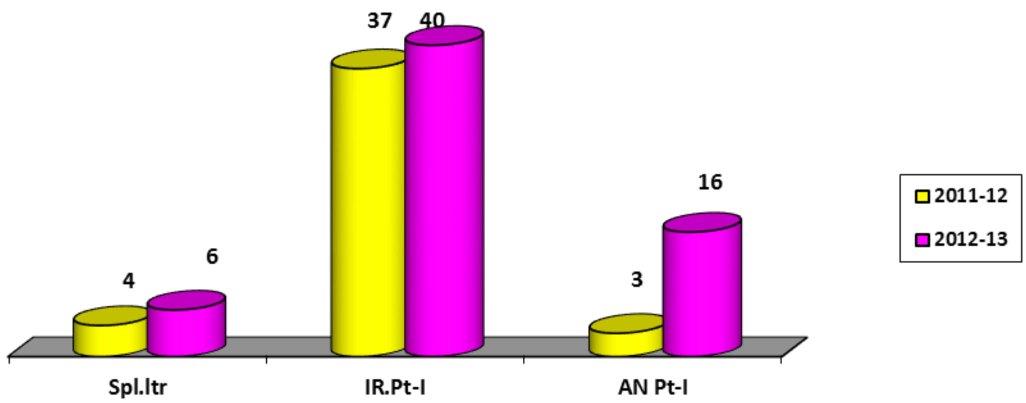
Unit	2011-12	2012-13
	No of Executive Office/ Stations	No of Executive Office/ Stations
Divisions	51	27
Work shops	5	5
Stores	3	3
Construction	27	23
Traffic	60	65
Others	14	10
Total units audited	160	133
Railway Electrification	7	7
Grand Total	**167**	**140**

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

10.3 Audit objections issued, settled and outstanding.

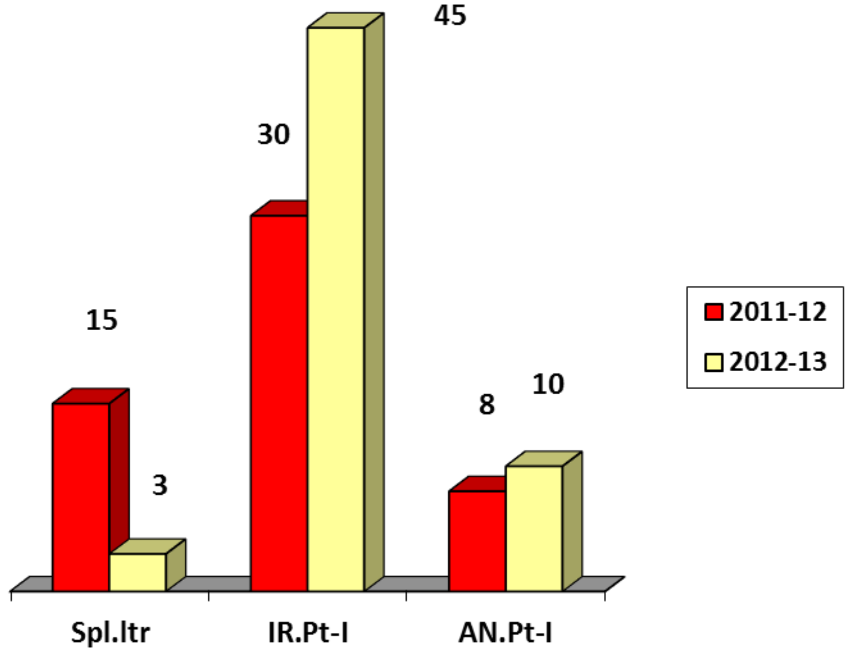
(a)Audit objections issued during 2011-12 &2012-13.

Year	Special letter	IR .Part-I	A.N Part-I
2011-12	4	37	3
2012-13	6	40	16



(b)Audit objections settled during 2011-12 &2012-13.

Year	Special letter	IR .Part-I	A.N Part-I
2011-12	15	30	8
2012-13	3	45	10



At the beginning of the year 2012-13, 139 nos of IR part-I, AN Part-I, Special letter were pending. During the year, 62 audit objections were issued through Special Letters, Audit Notes and Inspection Reports and 58 audit objections were settled. At the end of the year, 143 audit objections were outstanding.

10.4 Unit wise Audit Objections issued and settled during 2012-13.

The position of unit wise Audit Objections issued and settled during 2012-13 are as follows.

Units	Category	No. of objection pending as on 01.04.2012		No. of objection issued during the year 2012-13		No. of objection settled during the year 2012-13		No. of closing balance as on 31.03.2013	
		Report	Para	Report	Para	Report	Para	Report	Para
OL/WAT	IR Pt-I	12	17	0	0	1	1	11	16
	AN Pt-I	1	1	4	4	1	1	4	4
	Spl.ltr	6	6	1	1	1	1	6	6
OL/KUR	IR Pt-I	17	21	5	6	3	5	19	22
	AN Pt-I	7	7	5	5	5	5	7	7
	Spl.ltr	2	2	0	0	1	1	1	1
OL/SBP	IR Pt-I	5	5	3	3	2	2	6	6
	AN Pt-I	0	0	2	2	0	0	2	2
	Spl.ltr	1	1	0	0	0	0	1	1
CON/WAT	IR Pt-I	1	1	3	3	2	2	2	2
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	1	1	1	1	1	1	1	1
CON/SBP	IR Pt-I	1	1	1	1	0	0	2	2
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	0	0	1	1	0	0	1	1
CON/BBS	IR Pt-I	8	16	1	1	6	12	3	5
	AN Pt-I	5	6	0	0	1	1	4	5
	Spl.ltr	1	1	0	0	0	0	1	1
WS/BBS	IR Pt-I	6	8	3	3	1	1	8	10
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	0	0	0	0	0	0	0	0
STORES	IR Pt-I	3	3	1	1	0	0	4	4
	AN Pt-I	2	2	1	1	0	0	3	3
	Spl.ltr	2	2	0	0	0	0	2	2
TRAFFIC	IR Pt-I	36	43	20	24	29	32	27	35
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	1	1	2	2	0	0	3	3
E&PF	IR Pt-I	7	20	3	8	1	5	9	23
	AN Pt-I	3	3	0	0	0	0	3	3
	Spl.ltr	0	0	1	1	0	0	1	1
EXPENDITURE	IR Pt-I	5	6	1	1	0	0	6	7
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	3	3	0	0	0	0	3	3
B&A	IR Pt-I	0	0	0	0	0	0	0	0
	AN Pt-I	2	2	1	1	3	3	0	0

	Spl.ltr	0	0	0	0	0	0	0	0
TOTAL	IR Pt-I	102	142	40	50	45	60	97	132
	AN Pt-I	20	21	16	16	10	10	26	27
	Spl. letter	17	17	6	6	3	3	20	20
Grand Total		139	180	62	72	58	73	143	179

10.5 Recoveries at the instance of Audit.

As a result of audit, cases of under charges, non-recovery of dues and overpayments were brought to the notice of Railway Administration and an amount of ₹ 3.28 crore as detailed herein was recovered/accepted for recovery.

Sl.No.	Divisions/Units	Amount recovered/ accepted for recovery during 2012-13 (₹ in crore)	No. of cases above ₹ 50,000
1	**OL/WAT**	**0.619**	**9**
2	**OL/KUR**	**0.052**	**2**
3	**OL/SBP**	**0.155**	**1**
4	**CON/BBS**	**0.070**	**2**
5	**CON/VSKP**	**0.006**	**1**
8	**E & PF/BBS**	**0.058**	**1**
9	**TA/BBS**	**2.316**	**2**

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

(A.N. Sarkar, IAAS)
Principal Director of Audit