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Preface

This report of the Principal Director of Audit, East Coast Railway, Bhubaneswar for the year ending 31st March 2014 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 2013-14 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 2013-14, but there are, however, matters relating to the transactions pertaining to the earlier years mentioned, wherever relevant. Final reply is awaited from the Railway Administration for 147 Reports outstanding upto the year 2013-14.

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

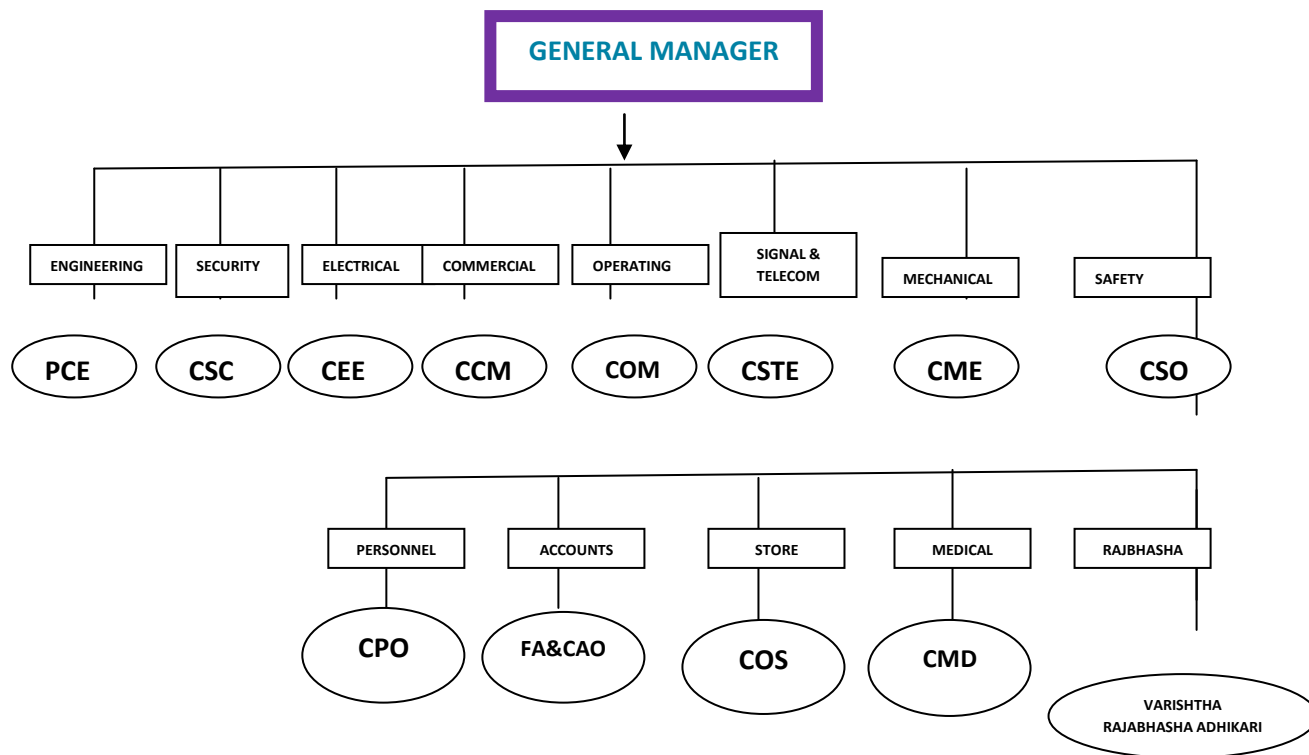
Railways (Railway Board), review reports (e.g. Performance Audit Report, Theme based Review Report, IT Audit Report, etc.,) and reports on financial transactions.

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 2013-14

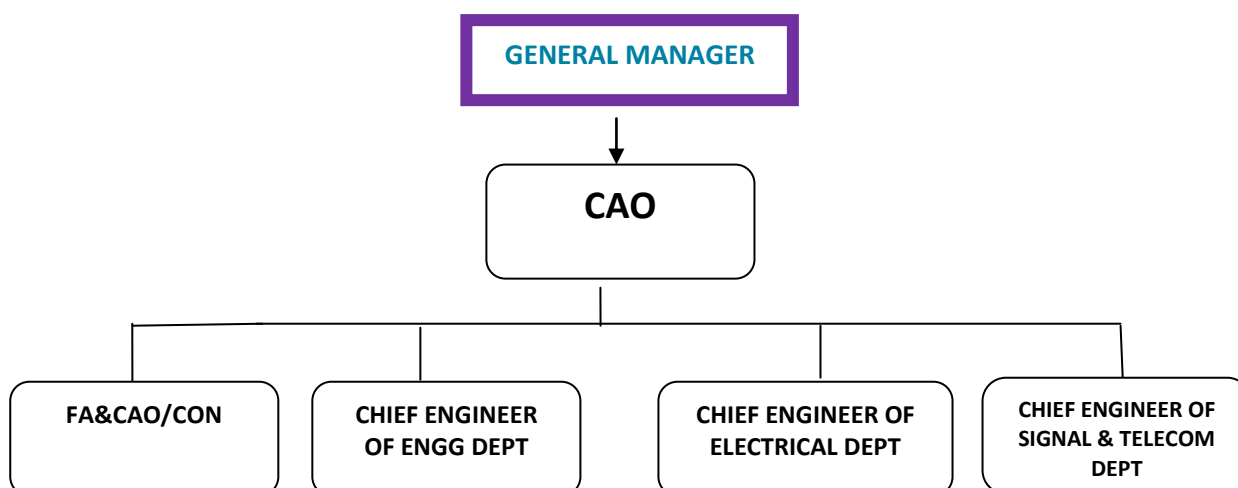
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ORGANISATION CHART OF EAST COAST RAILWAY

OPEN LINE



CONSTRUCTION WING



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

OVERVIEW

The Zonal Audit Report contains 11 chapters. The Report flags significant audit findings arising from the audit of records/ transactions of East Coast Railway.

Highlights:

Chapter 1: Financial Results

Gross Traffic Receipts registered a growth of 17.19 % (₹ 1803.86 crore) in 2013-14 as compared to 2012-13.

The total Working Expenses increased by 27.27% (₹ 1277.93 crore) over the previous year.

The Operating Ratio increased from 44.50% in 2012-13 to 48.34% in 2013-14.

The earnings from coaching services was 8.06% of total earnings in 2013-14.

The earnings from Goods services was 90.17% of total earnings in 2013-14.

Chapter 2: Appropriation Accounts

- 2.6.1 Wrong allocation of Expenditure of ₹ 9,98,764 spent towards the developmental works.
- 2.6.2 Tax deducted at source from companies is misclassified as Income tax instead of Corporation Tax.
- 2.6.3 Wrong Accountal of Application Fees received by RCT/BBS.
- 2.6.4 Misclassification of Government Contribution towards NPS.
- 2.6.5 Improper Allocation of Corporation Tax.

Chapter 3: Traffic - Commercial & Operations

- 3.2.1 Non provision of passenger amenities in PSA-CTC-PRDP passenger train.
- 3.2.2 Para 1: Irregular extension of Rebate of ₹ 1.52 lakh.
Para 2: Undercharges of ₹ 2.15 lakh due to irregular extension of train load rate benefit.
Para 3: Undercharges of ₹ 3.75 lakh due to irregular allowance of train load rate benefit.
- 3.2.3 Para 1: Undue benefit of two-point rake resulting in loss of ₹ 19,636.
Para 2: Irregular grant of trainload rate resulting in loss of ₹ 1,91,771.
- 3.2.4 Para 1: Undercharges amounting to ₹ 1,02,033 due to non-charging of Wagon Load Class Rate.
Para 2: Non-accountal of Error Sheet amounting to ₹ 7,13,900.

- 3.2.5 Undercharge on account of moving traffic by longer route but charging by shorter route.
- 3.2.6 Loss of revenue of ₹ 6.85 lakh due to irregular grant of train load rate.
- 3.2.7 Short-realization of Service Tax amounting to ₹ 11,22,235.
- 3.2.8 Loss of Railway revenue of ₹ 13,41,842 due to non-notification of revised siding distance.
- 3.2.9 Para 1: Non collection of punitive charges at the destination station.
Para 2: Loss of earning due to delayed allotment of rake for backloading.
- 3.2.10 Para 1: Non-realisation of detention charges of ₹ 7,65,000 on overloaded wagons that had undergone load adjustment.
Para 2: Irregular waiver of demurrage charges.
- 3.2.11 Para 1: Non-levy of Engine Hour Cost of ₹ 22.53 lakh from M/s Paradeep Phosphate Ltd.
Para 2: Irregular waiver of huge amount of Demurrage charges.
Para 3: Non-collection of detention charges of ₹ 30,000.
- 3.2.12 Undercharges of freight of ₹ 6.96 lakh due to irregular extension of train load rate benefit instead of wagon load rate.
- 3.2.13 Irregular booking of commodity under two point combination system leading to short realization of freight of ₹ 11.65 lakh.
- 3.2.14 Para 1: Short realization of freight from inward Iron Ore Traffic due to error in computation of NTR.
Para 2: Under charges of freight of ₹ 4.81 lakh on Iron Ore traffic.
- 3.2.15 Para 1: Undercharge of freight of ₹ 1.27 lakh due to grant of train load benefit rate instead of wagon load benefit.
Para 2: Short realization of freight of ₹ 74,776 due to wrong computation.
- 3.2.16 Short realization of freight due to wrong calculation of chargeable weight.
- 3.2.17 Short realization of freight due to incorrect levy of distance based charge.

Chapter 4: Engineering – Open Line

- 4.2.1 Unauthorized occupation of Railway land by outsiders and loss of revenue of ₹ 29.49 lakh.
- 4.2.2 Irregular payment of Transport Allowance.
- 4.2.3 Non-billing/realization of license fees of ₹12.13 lakhs from M/s. Bhusan Steel Ltd./MRDL for the year 2011-12.
- 4.2.4 Avoidable loss of ₹ 27.40 lakh on account of staff quarter lying vacant in Khurda Road Division.

- 4.2.5 Para 1: Irregular Passing of CEA bill in respect of third, fourth and fifth child.
Para 2: Irregular acceptance of vouchers of later years in respect of CEA Bill passed for the current year.
- 4.2.6 Improper computation of value of LAR by the tender committee led to discharge of tender and resulted in Extra expenditure of ₹ 21.26 lakhs in retendering.
- 4.2.7 Injudicious discharge of tender and extra expenditure of ₹ 1,92,061 for retendering with higher rate.
- 4.2.8 Non-recovery of defective materials used in railway lines compromising safety.
- 4.2.9 Avoidable expenditure of ₹ 72.90 lakhs towards surcharge on extra water drawn from GVMC.

Chapter 5: Electrical Engineering

- 5.1.1 Avoidable expenditure of ₹16.45 lakhs towards payment of over drawal penalty, power factor penalty and delayed payment surcharge.
- 5.1.2 Para-1 Irregular reimbursement of tuition fees.
Para -2 Non-recovery of damage rent.
- 5.1.3 Para-1 Irregular reimbursement of tuition fees.
Para- 2 Non-recovery of revised license fee.
Para- 3 Short recovery of electrical charges.

Chapter 6: Mechanical

- 6.2.1 Para- 1 Irregular payment of House Rent Allowance.
Para-2 Irregular reimbursement of tuition fees.
- 6.2.2 Short recovery of electrical charges.
- 6.2.3 Irregular payment of Transport Allowance.

Chapter 7: Personnel

- 7.2.1 Non-recovery of Motor Cycle Advance and interest thereon to the tune of ₹ 17,33,846.
- 7.2.2 Irregular occupation of Railway Rest House accommodation by Railway Officers on transfer resulting in non recovery of appropriate rest house charges and irregular drawl of House Rent Allowance amounting to ₹1, 93,329.
- 7.2.3 Para- 1 Non-recovery of damage rent.
Para- 2 Wrong fixation of Pay.
Para- 3 Short Recovery of Electrical Charges.

Para- 4 Short Recovery of Electrical Charges.

7.2.4 Abnormal delay in regularization of advance of ₹1.76 crore by RRC/BBS.

Chapter 8: Signal & Telecommunication

8.1.1 Para-1 Non-recovery of damage rent.

Para-2 Wrong fixation of pay.

Para-3 Irregular reimbursement of tuition fees.

Para-4 Non-recovery of penalty from the contractor as per Railway Board's Order to the tune of ₹ 8.27 Lakh due to cable cut.

Chapter 9: Security

9.1.1 Irregular reimbursement of tuition fees.

Chapter 10: Construction

10.1.1 Undue benefits to the Contractors due to non-recovery of Building and other Construction Workers Welfare Cess of ₹4.37 crore in East Coast Railway and non- deposit with State Government.

10.1.2 Inadequate preliminary investigation of the bridge site of the Doubling line over Bonam river resulted in cost escalation and delay in execution of JSG-RGL doubling work.

Chapter 11: Audit Effectiveness

11.1 Audit Planning.

11.2 Executive Offices and Stations inspected during 2012-13 and 2013-14.

11.3 Audit objections issued, settled and outstanding.

11.4 Unit-wise audit objections issued and settled during 2013-14.

11.5 Recoveries at the instance of Audit.

Chapter 1 – Financial Results

This chapter provides a broad perspective of the finance of East Coast Railway (ECoR) during 2013-14 and analyses the critical changes in the major financial indicators from the previous year as well as the over all trend.

Highlights

- There was a growth of 17.19 % (₹ 1803.86 crore) in gross traffic receipts over 2012-13.
- Total working expenses increased by 27.27% (₹ 1277.93 Crore) compared to the previous year.
- Operating Ratio, which was 44.50% in 2012-13, increased to 48.34% in 2013-14.
- Earnings from coaching services was 8.06% of total earnings in 2013-14.
- Earnings from goods services was 90.17% of total earnings in 2013-14.
- Earning from other sources (Sundry Earning) was 1.3% of total earnings in 2013-14.

1.1 Summary of receipt and expenditure of East Coast Railway

The financial results of the ECoR for the year 2013-14, in comparison to the year 2012-13 is shown in the following table:-

Financial Statement at a Glance (₹ in Crore)

Sl. No	Particulars	2012-13	2013-14
1	Gross Traffic Receipt		
	(a) Gross Earnings	10512.57	12338.84
	(b) Suspense	-20.45	-42.86
	Gross Receipt	10492.12	12295.98
2	Total Gross Expenditure		
	(a) Total Ordinary Working Expenses(OWE)	3727.36	4844.60
	(b) Appropriation to D.R.F	273.00	296.55
	(c) Appropriation to Pension Fund	678.00	823.09
	(d) Working Expenses (Excluding suspense) [OWE+DRF+PF]	4678.36	5964.24
	(e) Suspense	6.36	-1.59
	Total Gross Expenditure	4684.72	5962.65
3	Net Traffic Receipt	5807.40	6333.33
4	Percentage of ordinary working expenses to Earnings (Operating Ratio)	44.50	48.34
5	Net Misc. Receipt (Misc. Receipt- Misc. Exp)	-11.44	4.10
6	Net Revenue Receipt	5795.96	6337.43

	(Net Traffic Receipt+ Net Misc. Receipt)		
7	Percentage of net Revenue receipt to Capital at charge	110.45%	108.31%
8	Payment to General Revenue	205.39	439.51
9	Net gain	5590.56	5897.92
10	Capital at charge	5247.63	5851.23
11	Percentage of net gain or loss to capital at charge	106.53	108.31

1.2 Gross Traffic Receipts

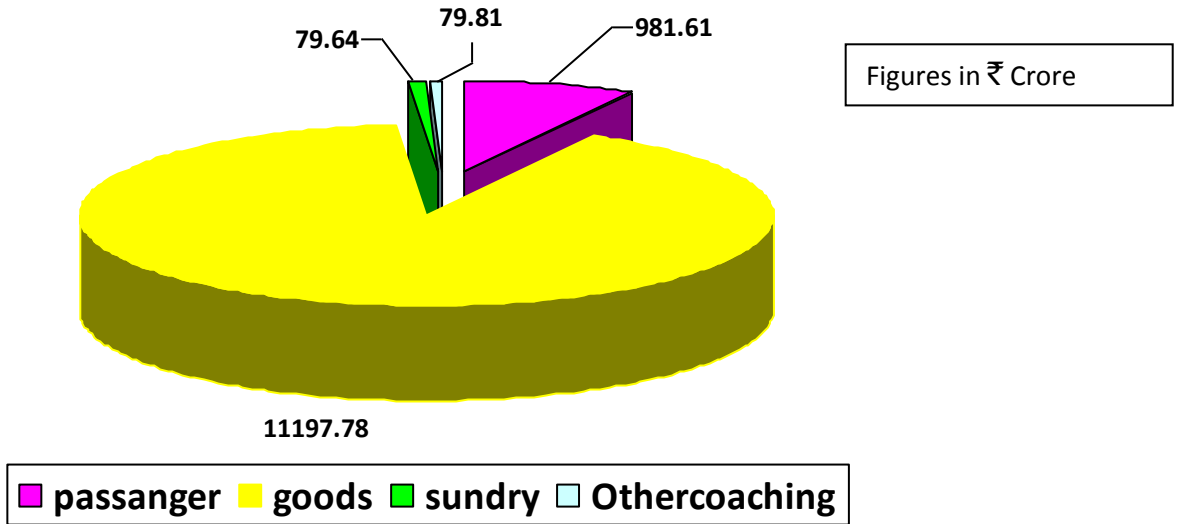
The detailed break-up of the traffic receipts of the Railways for the year 2013-14 along with the details of BE, RE and actual of previous year's receipts are shown below:

(₹ in crore)

Gross Traffic Receipts				
Traffic Earnings	Actual 2012-13	Budget Estimates 2013-14	Revised Estimates 2013-14	Actual 2013-14
Passenger	846.05	1058.71	1039.00	981.61
Goods	9461.01	11264.58	11106.39	11197.78
Sundry	137.07	112.00	112.00	79.64
Other coaching	68.45	75.00	82.00	79.81
Suspense	-20.46	3.00	3.00	-42.86
Total	10492.12	12513.29	12342.39	12295.98

There was over all increase in traffic earnings by ₹ 1803.86 Crore (17.19%) during the year 2013-14 as compared to previous year 2012-13

Gross Traffic Receipt 2013-14



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 years are as follows:

Passenger Earnings					
Year	Passenger earnings (₹ in crore)	Passenger originating (in millions)	Passenger carried (in millions)	Passenger Km	Average earning per passenger km
2012-13	846.05	88.58	103.92	16731.61	50.57
2013-14	981.60	88.83	104.96	1825.77	53.76

During the year 2013-14, passenger earnings went up by 16.02% over the previous year. The number of passenger carried by ECoR increased by 1.00% in 2013-14. The average earnings per passenger Km has, however, registered a marginal increase of ₹ 3.19 paise.

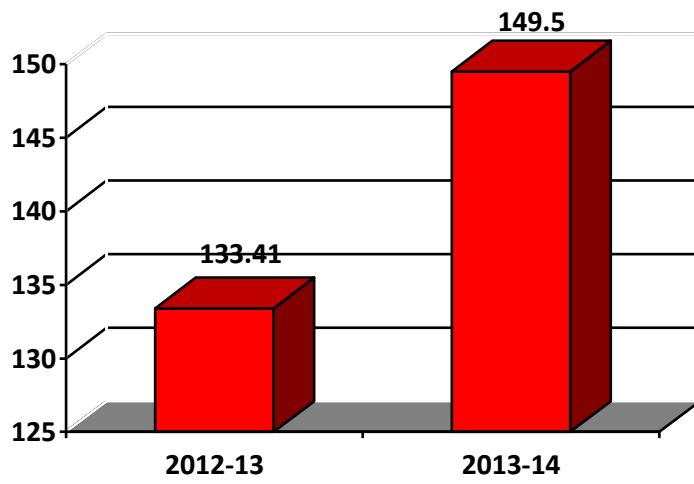
1.2.2 Goods Earnings

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

Goods Earnings					
Year	Freight Net Tonne originating (Revenue) (in million tonne)	Freight Net Tonne (in million tonne)	Freight Net Tonne Km (million)	Earnings from Goods Carried (₹ in lakh)	Average earnings per Tonne km
2012-13	133.41	181.30	58963	9345.26	158.49
2013-14	149.50	199.90	63467	11087.96	174.70

From the above, it can be seen that during the year 2013-14, Goods Earnings went up by 18.64% (₹ 1742.70 crore) over previous year. The volume of Goods carried increased from 133.41 MT in 2012-13 to 149.50 MT in 2013-14, there by increase of 12.06% over the previous year.

Loading profile in East Coast Railway



☞ In 2012-13 ECoR carried 133.41 MT freight

☞ In 2013-14 ECoR carried 149.50 MT freight

1.2.3 Unrealised Earnings

The parties against whom outstanding dues were in excess of ₹ 25 lakh as on 31st March 2014 were as follows.

Unrealised Earnings

(₹ in lakh)

Sl No.	Category	Name of the Party	Outstanding dues as on 31st March 2013	Outstanding dues as on 31st March 2014
1	Steel Plants	NINL Sukinda, RINL VSPS, Bhusan, Aryan Ispat Lapanga	138.03	66.95
2	Electricity Board	NTPC Kaniha, APSEB, TNEB, NTPC Shimadri	655.32	5928.30
3	Cement plant	Andhra Cement, ICL Bargarh	171.87	432.27

From the above table, it can be observed that there were outstanding dues of ₹ 6427.52 lakh as on 31.03.2014. while, dues in case of Steel Plants have decreased marginally, dues of Electricity Boards and Cement Plants have increased substantially leading to steep increase with overall outstanding dues. Railway should take adequate step to minimize Unrealized Earnings.

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 ₹ 39 lakh at the end of March 2013 to ₹ 35 lakh at the end of March 2014.

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 crore)

Details	2012-13	2013-14
Gross Earnings	10512.57	12338.84

Gross Working Expenses	4678.36	5964.24
Operating Ratio	44.50%	48.34%
Surplus	5590.56	5897.92

From the above it can be seen that Operating Ratio has increased by 3.84% as compared to previous year.

1.4.2 Capital-Output Ratio.

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

Period ending	Total Capital 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 2013	17637	69831	16732	1286	71117	24.80
Mar 2014	20337	74540	18258	1401	75941	26.78

The capital output ratio shows physical performance as compared to capital employed. The figure shows decrement in the performance in the year 2013-14 as compared to that of 2012-13.

1.4.3 Staff Productivity

Period ending	Number Staff (in thousand)	Total traffic (in million NTKM)	Traffic (per thousand employee) in NTKMs
Mar 2013	42.893	71117	1658.01
Mar 2014	44.969	75941	1688.74

The staff productivity slightly declined over the years.

1.5 Status of Railway Funds

The following funds were financed through revenue or surplus except Railway Safety Fund, which is funded from a share of the Diesel Cess. The status of these funds at the end of the year 2013-14 is as follows.

1.5.1 Depreciation Reserve Fund

(₹ in crore)

Year	Opening Balance	Accretion during the year	Withdrawal during the year	Balance
2012-13	529.14 [¥]	295.7	196.52	628.32
2013-14	639.49 [§]	331.94	159.82	811.61

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

1.5.3 Pension Fund

(₹ in crore)

Year	Opening Balance	Accretion during the year	Withdrawal during the year	Balance
Mar 2013	3003.28	802.56	456.37	3349.47
Mar 2014	3349.47	997.94	528.09	3819.31

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

[¥] TWFA amounting to ₹(+)⁵ 5.05 Crore

[§] TWFA amounting to ₹ (+) 11.17 Crore

Chapter 2 – Appropriation Accounts

This chapter outlines financial accountability and budgetary practices through audit of appropriation accounts. Railway budget is an instrument of parliamentary financial control and at the same time, an important management tool. Statutory audit seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and also whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. During the year 2013-14 the following irregularities were noticed:

Highlights

Finance Account

- ✚ The expenditure towards the Pension & Pensionary benefits of retired Railway Audit Department has been wrongly booked to Major Head 3002-Indian Railway Working Expenses-Commercial lines under Grant no.13 instead of Major Head 3001-Policy Formulation, Director, Research and other Misc. organization-Commercial lines amounting ₹ 37,97,681.

The Objection was accepted and rectified through correction slip to Accounts Current at the instance of Audit.

- ✚ The Defined Contribution to Pension Scheme (DCPS) for employees covered under NPS of Misc. Organizations of Indian Railway e.g.; Statutory Audit, RRB, RCT and Survey has been booked to Major Head 3002-Indian Railway Working Expenses-Commercial lines under Grant no.13 instead of Major Head 3001-Policy formulation, Director, Research and other Misc. organization-Commercial lines amounting ₹ 14,16,438.

The Objection was accepted and rectified through correction slip to Accounts Current at the instance of Audit.

- ✚ Corporation Tax was wrongly booked to Major Head-0021-Taxes on Income other the Corporation Tax instead of Major Head -0020-Corporation Tax

The objection was accepted and reference has been made to Railway Board by Accounts Department for clarification.

- ✚ An amount of ₹ 1.61 crore was wrongly booked to Misc. Advance Revenue/Claims (expenditure head) for passing the bills towards Goods Refund cases instead of deducting from the Railway Earnings Head.

The Objection was accepted and rectified through correction slip to Accounts Current at the instance of Audit.

- ❖ Wrong accountal of sale proceeds of old newspaper, old furniture and condemned computer hardware & peripherals of Audit Department.

The objection was accepted and reference has been made to Railway Board by Accounts Department for clarification.

Misclassification and Mistake in Accounting: Annexure-‘J’

1. Sale value of scrap wrongly credited to Grant No.5-Repair and Maintenance of Motive Power as reduction in expenditure instead of DRF of ₹ 2,45,95,497
2. Twice crediting of the sale value of scrap wrongly to Revenue Grant No.5 of ₹15,69,740
3. Expenditure on Provision of 25 numbers of Touch Screen at Various important stations of Vishakhapatnam Division wrongly booked to DRF instead of DF of ₹ 6,92,523.
4. Cost of replacement of steel channel sleeper on Bridge No.293 between DJX-KHPL station under AEN/BLGR wrongly booked to Grant No.04 instead of Grant No 16 under DRF of ₹ 10,24,756.
5. Wrong accountal of sale proceeds of old newspaper, old furniture and condemned computer hardware & peripherals of Railway Audit Office in "Deposit Miscellaneous" instead of Major Head 0070-Other Administrative Services -60-Other Receipt-800-Other services of ₹ 6,850.
6. Tax deducted from Contractors' bill against the works executed by Companies wrongly credited to Major Head-0021-Taxes on income other than Corporation Tax instead of Major Head -0020-Corporation Tax of ₹ 41,47,074.
7. Wrong treatment of Capital invested against Unremunerative Branch Lines and irregular inclusion of capital invested towards Talcher-Sambalpur New lines after Moratorium period resulted in excess claim of Subsidy of ₹ 1,08,55,508.
8. Amount collected on account of commercial utilizations of various Welfare Buildings (Clubs, Institutes and Community Halls) of East Coast Railway kept outside the Govt. Accounts instead of crediting the same to Abstract-‘Z’-Sundry Earnings of ₹ 41,10,477.

9. Non-clearance of debits kept under Suspense Head-MAR/Claims received from other Zonal Railways towards claims cases settled at their end (both Goods and Coaching) to the final heads resulted in accumulation of Balances of ₹ 6,18,40,577.

10. Exhibition of Loss in Annexure "H" against Demand No.16 without taking write-off sanction of ₹ 12,71,556.

Out of 10 objections, six cases (Sl. No. 1, 2, 3, 7, 9 & 10) were accepted and reflected in Annexure-J for the year 2013-14. Remaining four cases were dropped after getting assurance from Finance Department.

2.1 Summary of Appropriation Accounts

Appropriation Accounts for the sum expended during the year ended 31 March 2014 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	4769.51	161.54	5187.86	5334.23	(+) 146.37
Charged	0	61.3	61.3	61.38	(+) 0.08
Total Revenue	4769.51	222.84	5249.16	5395.61	(+) 146.45
Capital Expenditure(₹ in Crore)					
Voted	2011.85	0	2122.41	2031.06	(-) 91.35
Charged	6.36	0	2.78	2.60	(-) 0.18
Total Capital	2018.21	0	2125.19	2033.66	(-)93.53
Grand Total	6787.22	222.84	7374.35	7429.27	(+) 54.92

It is evident from the above table that the revenue expenditure has exceeded total final grant by 2.78%. Actual capital expenditure is less than the total final grant.

2.2 Financial accountability and Budget management:-

Excess and Saving (Revenue grant wise)(in '000 of ₹)					
Revenue Grant no.	Original Grant	Supplementary Grant	Total (OG+SG)	Expenditure	Excess(+)/ Saving(-)
Genl Admn&Suptd. (3)	1709300	0	1709300	1732479	(+) 23179
Repair and Maintenance (P.Way)(4)	4284550	233	4284783	4689846	(+) 405063
Repair and Maintenance (Motive Power)(5)	1573905	0	1573905	1794241	(+) 220336
Repair and Maintenance (Carriage and Wagon)(6)	3495153	0	3495153	3944262	(+) 449109

Repair and Maintenance (Plant & Equipment) (7)	2108097	0	2108097	2183091	(+) 74994
Operating Expenses (Rollingstock & Equipments) (8)	3370505	139123	3509628	4029382	(+) 519754
Operating Expenses (Traffic)(9)	8864875	0	8864875	10483926	(+) 1619051
Operating Expenses (Fuel)(10)	14046412	1721533	15767945	16379325	(+) 611380
Staff welfare fund(11)	1701518	0	1701518	1748410	(+) 46892
Misc. Working Expenses(12)	1772346	0	1772346	1353824	(-) 418522
P.F/Pension and other Retirement benefits(13)	4768486	367195	5135681	5617353	(+) 481672

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

2.3 Defects in Budgeting

Large differences between original budget grant and actual expenditure are considered as defects in budgeting. Verification of Revenue as well as Capital Grants in relation to expenditure pattern showed defects in budgeting on Railway Grant no.4, 5,6,8,9 and 13 amounting saving of ₹ 1.75 crore and Excess expenditure of ₹ 297.41 crore.

2.4 Control over Suspense Accounts

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

Control over Suspense (in ₹)		
Sl.No.	Suspense Head	Balance outstanding as of March 2014
1	Cheque Bills	(+) 911008512
2	Remittance into Bank	(-) 1065802119
3	PAO Suspense	0
4	Public Sector Bank	(+) 1144930.64

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 1992-93.

Excess over Estimates: Status in respects of 37 numbers of cases of excess over estimates pertaining to the period from April 1990 to March 2014 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 Wrong allocation of Expenditure of ₹ 9,98,764 spent towards the developmental works.

During the review of minor works programme of the Waltair Division, it is noticed that a contract was awarded for improvement and renovation of Railway Hospital of Waltair Division. It is evident from the scope of the work that the work is not a creation of new assets but the development of existing asset. Therefore, the expenditure pertaining to this work should have been charged to Development fund. But review of Minor Works programme 2012-13 revealed that capital fund is to be charged as far as this work is concerned. Thus, an amount of ₹ 9,98,764 has been spent against the work for the financial year 2012-13 and charged to revenue fund in contravention to the provisions of Financial Code Vol-I & II which forbids development of an existing assets from either the Capital fund or Revenue Fund. The development work of Railway hospital should have been charged to Development fund instead of Capital Fund. Therefore entire amount passed in respect of this work as mentioned above needs to be re-appropriated with the sanction of competent authority to appropriate fund and also reflected in Annexure –J for the year 2012-13.

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

2.6.2 Tax deducted at source from companies is misclassified as Income tax instead of Corporation Tax.

In terms of list of Major and Minor Heads of Accounts prescribed by CGA, the TDS from the companies are to be classified under the Major Head-0020-Corporation Tax.

On a check of the accounts and records relating to TDS against contractors bills under ECoR, it was observed that the amounts deducted at source from Companies are credited to Major Head-0021-Taxes on Income other than Corporation Tax.

On the basis of data in respect of TDS for contractual payment during 2013-14 available in the IPAS module, it is found that Corporation Tax of ₹ 23,72,771 (Headquarter portion) has been wrongly credited to Major Head-0021-Taxes on Income other than Corporation Tax.

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

2.6.3 Wrong Accountal of Application Fees received by Railway Claims Tribunal/BBS.

In terms of RCT rules 1989, every application for claim seeking relief in respect of matters, other than claim of compensation for death or injuries to passengers shall be accompanied by fees as prescribed. It is the responsibility of the Authority to deposit the same to proper accounting Head.

During the check of records of RCT/BBS, it was noticed that an amount of ₹ 5,34,037 collected as application fees had been credited to 1002-Indian Railway-Commercial Lines Revenue Receipts (Z-93065299) during the year 2013-14.

The fee received to process the claim cases at RCT's end does not constitute a regular source of earnings of IR. In other words, such receipts as are not directly generated as a result of normal working of railway rather fall under the category of 'Miscellaneous Receipts'. Therefore, the application fee received from claimants should have been classified under the Major head-1001-Indian Railways Miscellaneous Receipts instead of Major Head-1002-Indian Railways Commercial Lines Revenue receipts.

The incorrect accounting led to Misclassification between Major Head-1001 and Major head-1002 to the extent of ₹ 5,34,037 during the year 2013-14.

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

2.6.4 Misclassification of Government Contribution towards New Pension Scheme.

The matching contribution of central government towards Defined Contribution Pension Scheme (DCPS) in respect of employees covered under New Pension Scheme (NPS) is debited to Grant no.13-Provident Fund, Pension and other-Retirement Benefits(13-890-08) under Major Head-3002 and Grant no.16 under major head 5002 so far as Indian railways is concerned. However, on a

test check it is noticed that the matching contribution in respect of Misc. Organization, i.e., (i) Statutory Audit/BBS (ii) Railway Recruitment Board/BBS and Railway Claims Tribunal/BBS are also debited to this major head.

Government contribution towards DCPS for aforesaid departments should be debited to Grant no. 2-Miscellaneous under Major head-3001-Indian Railway-Policy Formation, Direction, Research and other miscellaneous organization because the expenditure incurred towards these organizations are kept out the railway working expenses and treated as Miscellaneous expenditure of IR.

Thus, debiting of government contribution to Major head-3002 instead of major head-3001 leads to misclassification in accounts.

An amount of ₹ 9,27,899 has so far been wrongly debited to Major Head-3002 during the year 2013-14 in East Coast Railway. This resulted in overstatement of working expenses of this railway.

However, it is also noticed that no such provision has been made under the head DCPS in the Demands for Grants against Demand no. 2 (department wise) at any stage by ECoR. Thus, it transpires from above that the Railway Administration neither has arranged for budget allotment nor processed for allocating the expenditure under proper Head.

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

2.6.5 Improper Allocation of Corporation Tax.

In terms of list of Major and Minor Heads of Accounts of Union and States issued by Ministry of Finance, Department of Expenditure, Controller General of Accounts, income tax on companies are to be credited to Major Head-0020-Corporation Tax and Minor Head-101-Income Tax on Companies.

Check of accounts and records of Sr.AFA, RE, Bhubaneswar revealed that ₹ 98,666 had been recovered as Tax Deducted at Source (TDS) during the year 2013-14 from four companies through their five contractor bills for execution of various works awarded to them. The TDS recovered from them was wrongly credited to Major head-0021, i.e., allocation meant for 'Taxes on Income other than Corporation Tax'. Similar wrong allocation was also made during the year 2012-13 for ₹2,29,377.

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

2.6.6 Improper Allocation of Corporation Tax.

In terms of list of Major and Minor Heads of Accounts of union and states issued by Ministry of finance, Department of Expenditure, Controller General of Accounts, Income tax on companies are to be credited to Major Head-0020-Corporation Tax and Minor Head-101-Income tax on companies.

The check of accounts and records of Sr.AFA,CRW, Mancheswar revealed that ₹3,62,835 had been recovered as Tax Deducted at Source during the year 2013-14 (upto December 2013) from six companies through their 12 contractor bills for execution of various works awarded to them. The TDS recovered from them was wrongly credited to Major head-0021 i.e. allocation meant for 'Taxes on Income other than Corporation Tax. Similar wrong allocation was also made in the year 2012-13 for ₹12,188.

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

Chapter 3 – Traffic-Commercial and Operations

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

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

3.1 Theme Based Audit: -The theme based review conducted during the year 2013-14 and the results of the review pertaining to East Coast Railway were reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2013-14. Hence, these are not discussed in detail in this chapter. However following topics were taken up in theme based Audit.

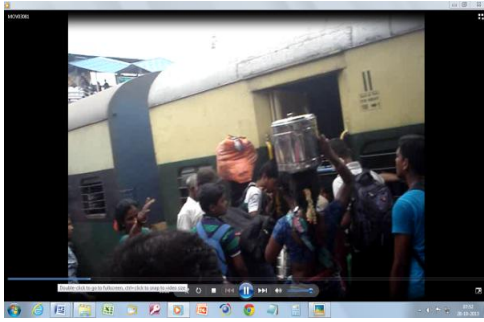
- i. Passenger Terminal Facilities
- ii. Management of Goods Trains in Indian Railway.
- iii. Revenue loss due to irregular grant of concessional tariff rate for booking of iron ore traffic

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

3.2.1 Non- provision of passenger amenities in PSA-CTC-PRDP passenger train.

Railway Board's orders prescribe that Mainline Electrical Multiple Unit (MEMU)/Diesel Electric Multiple Unit (DEMU) trains should not be used to run more than a distance of 160 km so that travelling public are not put to inconvenience in absence of toilet facilities in these coaches.

A MEMU passenger train (78502/78507) with several train numbers runs daily from Palasa to Paradeep via Cuttack covering a distance of 350 km. The train departs from Palasa at 04.25 hours and reaches Paradeep at 13.00 hours. A special study was taken up in audit by undertaking journey in the train from the originating station to destination to review the existence of the passenger facilities in the train and the hardship faced by passengers due to lack of facilities. Passengers and railway officials were interviewed during the course of the study. Video recording and photographs were taken as part of the exercise.



The passenger train runs with a daily average of about 1160 passengers. It covers the distance of 382 kms in about eight and half hours. However, train coaches lack basic amenities like toilet and water tap causing a lot of inconvenience to the passengers public especially female passengers.

The following observations were made by Audit during the course of the study:

- a. An examination of the coaches just before the scheduled start of the train showed that the coaches had not been cleaned and garbage was found strewn in the coaches.
- b. Lack of toilet and water tap facility inside the coaches forced the passengers to risk their life and limb by leaning out of open doors to wash their mouth. This is a serious problem considering the early morning start of the train from Palasa.
- c. Passengers use the track and platforms to discharge their nature's call at the passenger halts in absence of toilets in the coaches. Photograph show defecation inside the coaches too.
- d. Interviews with passengers revealed that they faced a lot of inconvenience to discharge the nature's call. In particular, women passengers are put to more suffering.
- e. Ticket checking has not been introduced in the train so ticketless travelling in the train remains unchecked. The unauthorized passengers add to the inconvenience to the genuine passengers. Also, the Railway loses revenue.

The above issue was taken up through a Special letter and later converted to Draft para.

3.2.2 Para-1: Irregular extension of Rebate of ₹ 1.52 lakh.

In terms of East Coast Railway Commercial Circular No. 127(G)/2013, a rebate of 5% on Normal Tariff Rate shall be permissible on alumina traffic booked from NALCO's Exchange Yard at Damanjodi (NLOD) at train load rate to NALCO Siding at Budhapank only to the wagons listed in Annexure-I of the aforesaid circular.

On scrutiny of inward Railway Receipts under Chief Goods Supervisor/SCPM/Budhapank, it was noticed that a rebate of 5% was allowed on 48 wagons in respect of five rakes, which were not enlisted in the annexure. Irregular extension of rebate has, thus, resulted in loss of Railway Revenue of ₹1,52,190.

Para-2: Undercharges of Rs.2.15 lakh due to irregular extension of train load rate benefit.

In terms of East Coast Railway Commercial Circular No. 112(G)/2012, trainload rate benefit shall not be granted to mixed rakes comprising BOXN and BOXNHL wagons.

During check of outward Railway Receipts of NALCO siding BDPK, it was noticed that in contravention of the aforesaid circular, trainload rate benefit was allowed instead of wagon load rate to a rake comprising 51 BOXN and 7 BOXNHL wagons loaded with Aluminium Ingots resulting in undercharges of ₹ 2,15,168.

Para-3: Undercharges of ₹ 3.75 lakh due to irregular allowance of train load rate benefit.

In terms of Railway Board corrigendum No.35 to Rates Circular No.62 of 2009, standard rake size and minimum number of BTPN wagons to be loaded for availing train load rate benefit would be 50 and 49 respectively from 01-04-2013. Railway Board issued a further order No.2009/TT-II/3/pt. Dt.22/3/2013 wherein it notified four loading and 25 unloading sidings that were unfit to handle 50 BTPN wagons and exempted these sidings from the above condition till 30.9.2013.

During check of inward Railway Receipts, it was noticed that trainload rate benefit was allowed instead of wagon load rate to the rake comprising 48 BTPN wagons loaded with Furnace Oil (32 Wagons) and Light Diesel Oil (16 Wagons) booked from BRSG (Bharat Petroleum Corporation Siding, Trombay) to SCPM (Nalco Smelter Captive Power Plant Siding, Budhapank). Both these sidings did not figure in the list of exempted sidings of Railway Board order dt.22.03.2013. Hence, the allowance of train load rate is irregular and in contravention of the aforesaid circulars resulting in undercharges of ₹ 3,75,246.

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

3.2.3 Para I - Undue benefit of two-point rake resulting in loss of ₹ 19,636

As per Para no. 5.3 of East Coast Railway circular No. 177(G)/09 dated 18.11.2009, a list of combination of destination terminals is given for grant of trainload class rate under two point rake. The combination of Nergundi-Dhanmandal is not mentioned in the list.

However, during scrutiny of accounts and records of ACC siding at BRGA, it was noticed that, trainload class rate under two point rake has been extended to Nergundi-Dhanmandal in combination of destination terminals in violation of the said circular resulting in undercharge of ₹ 19,636.

Para –II Irregular grant of trainload rate resulting in loss of ₹ 1,91,771.

As per Annexure III of East Coast Railway circular No. 177(G)/09 dated 18.11.2009, in which tariff revisions of Railway Board circular No. 62 of 2009 were circulated the minimum number of wagons to be loaded for availing Trainload class rate in respect of BOXN/BOXNHS, BOXNHSM1, BOXNHA, BOXNCL, BOXNLW, BOXNM Wagons is 58. The rake will be charged at wagonload class rate, if the number of wagons loaded is less than the minimum.

Para 5.1 of East Coast Railway Commercial Circular No. 177(G)/09 dated 18.11.2009 reads as follows: - “In cases where even the minimum number of wagons qualifying for Block Rake cannot be supplied by the Railway against trainload indent due to operating or any other constraint arising out of unforeseen circumstances in a specific instance such as accident, blockade etc., the rail user(s) shall not be penalized. In such cases also, the benefit of trainload rate can be extended. However, detailed reasons for non-supply of all the indented number of wagons constituting a block rake should be recorded by the concerned Station Manager/ Yard Master, who in turn should get it confirmed in writing from at least a Gazetted Officer. The modalities for implementation of this instruction will be worked out jointly by Operating, Commercial and accounts Department of the Railway depending on local conditions. “

However, during scrutiny of accounts and records at ACC Siding, Bargarh, it was noticed that the party has indented for 59 BOXN wagons for a rake. Accordingly, the Railway Administration had supplied 59 wagons. But, 3 wagons were rejected by the party. There was no order from Commercial Control for extending the benefit of train load class rate as the number of loaded wagons were less than the minimum number of 58 wagons (for BOXN) for granting trainload class rate. Finally, 56 no. of wagons were loaded and freight had been charged on Train

load class Rate instead of wagon load class rate resulting in Irregular grant of trainload class rate of ₹ 1, 91,771.

Above two issue was taken up through an IR Part I and the case was closed after recovery of ₹ 211407 at the instance of audit.

3.2.4 Para 1: Undercharges amounting to ₹ 1,02,033 due to non-charging of Wagon Load Class Rate.

Railway Board vide their Rates Circular No. 62 of 2009 has notified some stations for combination of two point destination terminals in which Cuttack and Dhanmandal Stations do not appear.

During inspection of records of Chief Goods Supervisor, Dhanmandal Station it was noticed that 20 BCN/BCNA/BCNAHS wagons for commodity “Muraite of Potash” (MOP) was received. The commodity was clubbed with the invoice for Cuttack terminal as for two point destination terminals. Freight was charged on train load class rate T/L 130 for 20 BCN/BCNA/BCNAHS wagons instead of Wagon Load Class Rate W/L 150 resulting in undercharges of freight amounting to ₹ 1,02,033.

Para 2: Non-accountal of Error Sheet amounting to ₹ 7,13,900.

During check of records under the Chief Goods Supervisor, Dhanmandal it was noticed that an Error Sheet of ₹ 8,59,069 was received on 14.12.2012. On receipt of the Error Sheet an amount of ₹ 51,000 and ₹ 94,169 were accounted in the Station Balance Sheet during the month of January 2013 which were cleared in due course either by special credit or recovery.

But Error Sheet of ₹ 7,13,900 on account of load adjustments charges has not been accounted for in the Station Balance Sheet. The Chief Goods Supervisor/DNM has informed to the Sr. DCM/KUR that the load adjustment and relevant records are available with SMR/DNM. Therefore, the Error Sheet of ₹ 7,13,900 neither accounted for in the balance Sheet by the CGS/DNM nor any instruction has been received by the Sr. DCM/KUR for its proper accountal.

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

3.2.5 Undercharge on account of moving traffic by Longer route but charging by shorter route.

In terms of Para 125(h) of IRCA Goods Tariff No. 41- Part-I (Vol-I) the goods will be chargeable by the specified route or any of the specified alternative routes over which such goods are actually carried, even if it is not the cheapest route.

During scrutiny of inward Railway Receipts under Station Superintendent, Ghantikhal Nidhipur (GHNH), it was noticed that 28 Steam Coal rakes were booked from CBSP siding/PRDP to ASGN siding/GHNH between August 2012 to May 2013. For all the rakes, the charged route was via Cuttack-Barang with a distance of 113 km but on verification of movement of rake from Train Signalling Register, it was seen that all the rakes were actually moved via Cuttack-Nergundi-Radhakishorepur covering a distance of 128 km resulting in undercharge of ₹ 37,72,951.

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

3.2.6 Loss of revenue of ₹ 6.85 lakh due to irregular grant of train load rate.

Under Annexure IV of Para 5.3 of Railway Board's Rate circular No. 62 of 2009, the combination of Kesinga-Titilagarh was permitted for two point Rakes combination but later withdrawn as per corrigendum No.-1 dated 22.01.2010 to the above rate circular.

During the inspection of accounts and records of CGS/KSNG, it was found that the Kesinga station was combined with other stations for grant of train load rate benefit under two point rake combination instead of wagon load rate resulting in short realization of freight of ₹ 6, 84,778

The above issue was taken up through a part-I inspection Report and closed after recovery of ₹ 6, 84,778 at the instance of audit.

3.2.7 Short-realization of Service Tax amounting to ₹ 11,22,235.

In terms of item 4 (ix) of Railway Board's Rate Circular no. 29 of 2012, the amount released as demurrage or by any other name whatsoever called for the provision of service beyond the period originally contracted or in any other manner relatable to the provision of service is included as part of the taxable service.

Accordingly, the Railway should collect the Service Tax @ 3.708% from the customer on the amount levied as Demurrage Charges and remit the same to Govt. of India.

During inspection of accounts & records of the Chief Goods Supervisor, Nalco/Budhapank, it was noticed that though the Demurrage charges were collected but the Service

Tax @ 3.708% was not collected from the Parties resulting in short-realization of Service Tax amounting to ₹ 11,22,235.

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

3.2.8 Loss of Railway revenue of ₹ 13,41,842 due to non-notification of revised siding distance.

In terms of SE Rly's Advertisement no. TRC/LRA no. 46/1828 dt. 16.08.1988 siding of Nalco Smelter/ Captive power Plant Budhapank was given as Budhapank +1 km although the distance of the siding is Budhapank + 6.81 km. The distance table in Rates Branch System(RBS) shows that the siding distance from Budhapank to SCPM is 6.81 km w.e.f. 31.10.2013.

During inspection of accounts & records of Chief Goods Supervisor, Nalco Siding, Angul, it was noticed that finished goods were booked from SCPM to Paradeep Port, Kidderpore Dock and Vizag Port for distance of 183 km, 526 km and 548 km instead of 190 km, 533 km and 555 km respectively as per new siding distance affecting the base rate of Vizag port as new distance fell under the rate slab of 550-600 km. The base freight rate per tonne of Aluminum under class 180 for a distance of 556 km would be changed from ₹ 814.70 to ₹ 884.30 resulting in undercharge on account of non-notification by ECoR and non- implementation of revised siding distance of ₹13,41,842.

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

3.2.9 Para 1: Non collection of punitive charges at the destination station.

In terms of para 1426 of Indian Railway Commercial Manual Vol.II when consignments cannot be weighed at the forwarding station in the absence of a weighing machine or malfunction of weighing machine, the weighment should be done at the destination station.

Again para 1427 of Indian Railway Commercial Manual Vol.II states that the freight charges should be invoiced on the sender's declared weight. It will be duty of the destination station to weigh all such consignment and recover undercharges, if due, before delivery of goods.

During scrutiny of the overloading register of NINL siding, it was noticed that six iron ore rakes booked from Nayagarh to Nilachal Ispat Nigam Limited siding were weighed at NINLin motion Weigh Bridge. As NINL/ Sukinda Road is the destination station, punitive charges should have been collected by SKND Goods office but weighment copies were sent to the Nayagarh

Station for collection of punitive charges in violation of the above rules resulting in non collection of punitive charges amounting to ₹ 1,00,354.

Para 2: Loss of earning due to delayed allotment of rake for backloading.

On check of T-39 register of M/s NINL, Sukinda Road, it was noticed that in three cases although unloading was completed, allotment for backloading was given after a delay of 03 hours, 12 hours and 07 hours resulting in loss of wagon earnings of ₹ 5,39,934.

The above issue was taken up through an IR part-I and closed after recovery of ₹ 7,857 at the instance of audit.

3.2.10 Para 1: Non-realisation of detention charges of ₹ 7,65,000 on overloaded wagons that had undergone load adjustment.

In terms of East Coast Railway's Commercial Circular No. 84(G)/2012 dt. 27.08.2012 detention charges @ ₹ 5000 per wagon would be leviable if the rake comprising of overloaded wagons after wieghment is offered to the Railways for booking and detained for offloading/adjustment of consignment. Demurrage and other charges, if applicable, shall continue to be levied as per extant rules.

During scrutiny of records under CGS/Talcher, it was observed that though 153 wagons of coal in 36 rakes had undergone load adjustment enroute after their weighment the detention charges for Load adjustment of overloaded wagons were not collected resulting in undercharge of ₹ 7,65,000.

Para 2: Irregular waiver of demurrage charges

During scrutiny of demurrage charges under CGS/TLHR, it was noticed from Asst. Operating Manager, Khurda Road's letter no. DM/MCL/TLHR/DC/CA/2014 dt. 20.01.2014 on credit advice that demurrage of ₹ 20,15,750 accrued on M/s. Mahanadi Coal Fields ltd./Talcher was withdrawn through credit advice out of total accrual of ₹ 30,83,150. Credit advice for ₹ 20,15,750 was given by Asst. Operating Manager, KUR to take the credit in the balance sheet. On a check of 17 cases pertaining to the period from February 2013 to September 2013 in the Demurrage Register along with forwarding notes and guards memos it was observed in four cases that the demurrage withdrawn on the plea of wrong billing was not in order. The demurrage bills were prepared on the basis of difference in time between placement and loading thereof after deduction of free loading time of five hours.

In the above four cases the detention time in hours shown in the demurrage bills were tallied with the time shown in the guard foils which were jointly signed by the guards of the trains & the siding representatives. So there was no wrong billing in those four cases.

Hence, credit advice for the four cases amounting to ₹ 3,66,900 was irregular and resulted in loss of Railway Revenue.

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

3.2.11 Para 1: Non-levy of Engine Hour Cost of ₹ 22.53 lakh from M/s Paradeep Phosphate Ltd.

Terminal Incentive cum Engine on Load Scheme (TIELS) was executed on 18-12-2007 between Paradeep Phosphates Ltd (PPL) and the East Coast Railway Administration for loading/unloading of Open rakes vide Sr. DCM/Khurda Road's ltr No. G 192/Sdg/PPL/PRDP dated 02.01.2008. In terms of Clause 2.0 of the said agreement permissible free time for loading of open rakes is 3 hours. Clause 3.9 of the Agreement further stipulates that PPL may utilize the Railway locos for the duration of free time without paying engine hour cost. This implied that the party shall have to pay engine hour cost at the rate in force from time to time if Railway locos are utilized beyond free time.

Audit scrutiny of records under CGS/PPL revealed that 40 open rakes booked under TIELS along with Railway diesel engines were detained in the siding on party's account beyond free time of 3 hours. Railway Administration though collected demurrage charges for detention to rolling stocks beyond free time but did not levy engine hour cost for detention of Railway diesel engines beyond free time resulting in non-recovery of railway revenue of ₹ 22,53,260.

Para-2: Irregular waiver of huge amount of Demurrage Charges.

In terms of Para 1103 (C) of CCM/ECOR/BBS's Commercial Circular No. 106(G)/2012 dated 09.10.2012 first application for waiver of demurrage charges should be submitted to the concerned Station Master/Goods Supervisor within 10 days from the date upto which demurrage charges had accrued. The Station Master/Goods Supervisor will in turn forward the application to the Divisional Officer together with the factual position and his remarks within 3 days of the receipt of the application. Further, the power for waiver of demurrage charges mentioned in para 1103 (j) should be exercised judiciously by the officer concerned keeping in view the merits of each case. Moreover, waiver of demurrage charges should not be granted in a routine manner. Para 1103 (m) of the afore mentioned circular further stipulates that the causes for accrual of frequent demurrage

charges from a goods shed/siding should be analyzed periodically and remedial measures taken to reduce detention of rolling stock.

In terms of SI No. 7(b) of the Railway Board ltr No. TC-I/95/201/2 time and motion studies should invariably be conducted at the siding to determine the additional free time in order to avoid controversies and disputes.

During check of Demurrage Charge Register along with other relevant records, it was noticed that the waiver of demurrage charges ranged from 31% to 67% of accrual. Out of total demurrage charge of ₹ 1.36 crore accrued during the above period ₹ 56.80 lakh was waived and ₹ 79.20 lakh was realised. Overall percentage of demurrage charge waived thus stood at 42% of the demurrage accrued resulting in avoidable loss of ₹ 56.80 lakh.

Para-3: Non-collection of detention charges of ₹ 30,000.

In terms of East Coast Railway Commercial Circular No. 84(G)/2012 dated 27-08-2012 detention charges of ₹ 5000 per wagon shall be leviable if rake comprising overloaded wagons after weighment is offered to the Railways for booking and detained for off loading/ adjustment of the consignments.

During scrutiny of records under CGS/PPL siding/Paradeep, it was noticed that a BCN rake containing 42 BCN wagons were booked from PPL to Nishatpura (NSZ) and detected overloaded in 6 wagons at down line in-motion weighbridge at Paradeep. The overloaded wagons had undergone load adjustment at Cuttack Yard by PPL Authority but detention charges of ₹ 30,000 @ ₹ 5,000 per wagon was not collected resulting in Railway Revenue loss of ₹ 30,000.

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

3.2.12 Undercharges of freight amounting to ₹ 6,96,302 due to irregular extension of train load rate benefit instead of wagon load rate.

In terms of Corrigendum No. 31 to Rates Circular No.62 of 2009, loading of two point CONCORD rakes for steel traffic is permissible in any combination of BRN/BOST/BFNS at train load rate benefit w.e.f 30.06.2012. Further, in terms of Note below Annexure-III to the aforesaid Rates Circular the wagons such as BRN, BRNA, BRNAHS, and BFNS are construed as belonging to the same type of wagons.

During check of outward Railway Receipts maintained under Chief Goods Supervisor/Visakhapatnam Steel Plant, it was noticed that one two point rake consisting of only 43

numbers of BOST wagons was extended train load rate benefit even though it was not of a CONCORD rake resulting in undercharges of ₹ 3,53,060. In an another case rake consisting of 40 BRNAHS, BRNA, BRN and BFNS wagons was granted train load rate benefit, which was irregular as it did not form a CONCORD rake because BRNAHS/BFNS/ BRNAHS/BRN are considered as one type of wagons. This has resulted in undercharges of ₹ 3,43,242.

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

3.2.13 Irregular booking of commodity under two point combination system led to short realization of freight amounting to ₹ 11.65 lakh.

Railway Board vide their Rate Circular No.62 of 2009 issued guidelines on Freight Incentive Schemes. As per para 5.3 therein, two point rakes can be loaded at Train load Class rate in respect of some destination terminals of Indian Railway notified vide Annexure-IV of the above circular.

During check of records of CFVS siding/VSKP, it was noticed that the commodity fertilizer was booked from the CFVS/VZP Siding to stations/sidings (i) Cossimbazar-Krishnanagar city of Eastern Railway (ii) Dwarpudi-Tadepalliguram (iii) Karimnagar-Pedipallu & (iv) Padugopadu-Ongole of South Central Railway on Train Load rate instead of Wagon Load rate under two point combination system. But none of the combinations are in the list of two point combinations as notified in the Annexure IV nor did include in any corrigendum issued later resulting in undercharges amounting to ₹11,64,116.

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

3.2.14 Para 1: Short realization of freight from inward Iron Ore Traffic due to error in computation of NTR.

In terms of Para 1811 (a) of Indian Railway Commercial Manual Vol-II, receiving stations are held responsible for recovery of undercharges on goods traffic, both local and through, whether paid or to pay. Again under Clause C (ii) of the said para Railway administration may, before delivery of the consignment have the right to recalculate the receipt and other charges and collect any amount that may have been omitted to be charged.

During check of Inward Manual Railway Receipts available at Paradip Port Manual Siding (PPSM) short collection of freight was noticed against two RRs of Iron ore transported from Nayagarh station of ECoR to PPSM/PRDP resulting in short realization of ₹2,83,791.

Para 2: Under charges of freight amounting to ₹ 4,81,016 on Iron Ore traffic.

Para 3 of Sr. No. I of E.Co. Railways Commercial Circular No. 85 (G)/09 dated 02.6.09 reads “In certain cases the NTR for a particular distance becomes less than that for the lower distance. In order to ensure that the NTR per tonne over longer lead is not less than the NTR per tonne over shorter lead, NTR for each distance slab should not be less than the highest NTR in the lower slab”.

During check of inward Manual RRs of Goods office PPSM/PRDP, it was noticed that in the case of 21 RRs issued from GUMI to PPSM Normal Tariff Rate (NTR) over longer lead was less than highest NTR in the shorter lead.

In terms of ECoR Commercial Circular No. 114(G)/09 for transportation of iron ore for non domestic purpose from Gorumahisani (GUMI) to Paradeep Port Manual Siding (PPSM) having a distance of 578 km the NTR in the slab of 500-600 km is ₹ 1,116. As per commercial circular No. 85(G)/09 the NTR for 578 km should not be less than the NTR for 500 km which is the highest NTR in the lower distance slab 401-500 km, which is ₹ 1,123. Thus there was short computation of NTR in the longer lead than the highest NTR in the lower slab resulting in short realization of freight amounting to ₹ 4,81,016.

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

3.2.15 Para 1: Undercharge of freight of ₹ 1,27,368 due to grant of train load benefit rate instead of wagon load benefit.

In terms of Sl. No. 1 of Annexure-III to East Coast Railway's commercial Circular no. 177(G)/09 dated 18.11.2009 the minimum number of BOXN/BOXNHS wagons to be loaded for availing of train load benefit rate is 58.

During check of inward Railway Receipts maintained under CGS/PSPG/Singapur Road, it was noticed that a coal rake containing only 57 loaded wagons was granted train load rate benefit instead of wagon load resulting in undercharge of ₹ 1,27,368.

Para 2: Short realization of freight of ₹ 74,776 due to wrong computation.

In terms of para 5.3 (6) of East Coast Railway's commercial circular no. 177 (G)/09 dated 18.11.2009, in case of booking of two point rake, a supplementary charge @ 5% on base freight rate will be levied.

During scrutiny of inward Railway Receipts in the Office of the CGS/PSPG siding/SPRD, it was noticed that in two RRs the supplementary charge @ 5% was not realized resulting in an undercharge of ₹ 74,776.

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

3.2.16 Short realization of freight due to wrong calculation of chargeable weight.

As per Railway Board's circular No. 28 of 2011 and Rates Branch System path chart, the permissible carrying capacity of BOXN and their groups for loading of all type of coal in CC+8 routes is 68 tonne and the route from Kathwara Washery to VSPS is CC+8 route.

During inspection of accounts and records of CGS/ Visakhapatnam Steel Plant, it was noticed that two rakes were booked from Kathwara Washery to VSPS in CC+8 route with carrying capacity of wagons charged as 66 tonnes instead of 68 tonnes resulting in short realization of ₹ 2,39,666.

The above issue was taken up through an IR part-I and closed after recovery of ₹ 2,39,666 at the instance of audit.

3.2.17 Short realization of freight due to incorrect levy of distance based charge.

In terms of Commercial Circular No. 25 (G)/2010 dated 26.02.2010 the distance based charge was revised from Rs. 200/- to Rs. 500/- per tone w.e.f. 01.03.2010 on booking of Iron Ore traffic meant for other than domestic consumption for manufacture of steel and cement. Further commercial circular No. 85(G)/09 dated 02.6.2009 states that when NTR (Normal Tariff Rate) per tone over longer lead is less than the NTR per tone over shorter lead, NTR for each distance slab should not be less than the highest NTR in the lower slab.

During the check of outward invoices of Goods office, Bagbahra/ECOR, it was noticed that one iron ore rake was transported from Bagbahra to Visakhapatnam with a distance of 444 km for non domestic use. Freight was collected @ 145% of base freight rate plus ₹ 200 and 7% busy season surcharge which constituted NTR for ₹ 996.58. Development charge @ 2% on NTR and terminal charge @ ₹ 40 per tone was also charged. Since the NTR in the distance slab of 301-400 km was ₹ 1384.37 which was higher than the NTR in the distance slab of 401-500 km, the higher NTR in the lower slab was to be taken for computation. The above principle was not followed during computation of freight resulting in short realization of freight of ₹ 14,46,759.

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

Chapter 4 – Engineering - Open line

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

4.1 Theme Based Audit: -The theme based review conducted during the year 2013-14 and the results of the review pertaining to East Coast Railway were reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2013-14. Hence, these are not discussed in detail in this chapter. However following topics were taken up in theme based Audit.

a. Management of Scrap in IR

b. Works sanctioned and carried out under material modification in IR

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

4.2.1 Unauthorized occupation of Railway land by outsiders and loss of Revenue of ₹ 29.49 lakh.

Railway Board issued instructions to Zonal Railway from time to time to protect the land free from encroachment from outsiders and Railway employees. Railway Board have issued instructions that encroachment of Railway land by outsiders should be removed under public Premises (Eviction and unauthorized occupation) Act 1071 with least possible delay.

During scrutiny of records of Engineering Department at Kaluparaghat and Bhusandapur under SSE/P.Way/KAPG it was seen that 132 Engg. Plots (23 at KAPG, 109 at BSDP) had been encroached by outsiders for over decades and awaiting eviction till date.

As per Railway Board letter No. 83/W2/LM/18/87 dated 13.8.1998, the minimum license fee of Railway land is ₹ 1,000 per annum with retrospective effect from 01.04.1986. Further as per para 6.0 of Railway Board's letter No. 2005/LML/18/8 dated 10.01.2005, the minimum license fees @ ₹ 1,000 p.a. is applicable for the plot sizes up- to 100 Sqm. As per para 5.2 of letter ibid, the land value of the plot shall be increased by 10% to arrive at the rate for the next year and from 1.4.2004 onwards the land value shall be increased @ 7% every year over the previous year's value. As per para 7.1 therein as the notional land value will increase by 10% and 7% over the previous year land value, the license fees of the land will automatically go up by 10% and 7% over the previous year's license fees as the case may be. In accordance with these rules and intimation, the land license fee for encroached lands is assessed at ₹ 29.49 lakh from 1999 to 2013.

The matter was taken up through an IR Part-I and under subjudice.

4.2.2 Irregular payment of Transport Allowance.

In terms of R.B.E. No. 179/1997, Transport Allowance will not be admissible during absence from duty exceeding 30 days due to leave, training and tour etc.

On a review of Attendance Register/Muster Roll and salary Bill of Sr. DEN/Co-Ord/KUR along with some filed units, it was noticed that nine officials were on leave (RMC, CCL, SCL, Duty) for a period exceeding 30 days but were allowed Transport Allowance of ₹ 23,976, which is inadmissible.

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

4.2.3 Non-billing/realization of license fees of ₹ 12.13 lakh from M/s. Bhusan Steel Ltd./MRDL.

During inspection of record under Sr. DEN (Co-Ord)/KUR, it was seen from the siding agreement executed with M/s Bhusan steel Ltd/MRDL that, the party has occupied an area of 31.465 acre of Railway land at MDLL on license fee basis and the license fee is payable in advance. The advance license fee for the period 1.4.2006 to 31.3.2011 and from 1.4.2012 to 31.3.2017 was paid by the siding holder, whereas license fees for the year 1.4.2011 to 31.3.2012 amounting ₹ 12.13 lakh was not billed for /realized from the siding holder.

The matter was taken up through an IR Part-I and has been closed after recovery of ₹ 6,12,903 at the instance of audit.

4.2.4 Avoidable loss of ₹ 27.40 lakh on account of staff quarter lying vacant in Khurda Road Division.

Railway Administration provides accommodation to the Railway Employees to facilitate workings of the Railways and also to get some revenue by way of license fee for the Quarters. On allotment of quarters, Railway may save payment of House Rent Allowance (HRA) to those staff. Railway incurs a lot of expenditure on construction and maintenance of quarters. In the absence of allotment of quarters, Railway has to bear loss of revenue by way of license fee for these quarters and payment of HRA to the eligible staff awaiting allotment of quarters.

During check of records of Sr. DEN/Co-Ord/KUR, it was observed that as many as 129 quarters of type II, III and IV over 63 stations of Khurda Road Division were lying vacant as on 08.01.2014. Non allotment of these quarters has resulted in loss of ₹ 27.40 lakh per annum towards License fee and payment of HRA. Besides, 606 Type- I quarters were also lying vacant.

A test check of the demand for the quarters showed that total demand of 75 existed as on date in the divisional headquarters. Despite existence of demand for quarters, the vacant quarters had not been allotted to the applicants.

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

4.2.5 Para 1: Irregular Passing of CEA bill in respect of Third, fourth and fifth Child.

In terms of R.B.E No.100/2009, reimbursement of Children Education Allowance is admissible for the eldest two surviving children studying in School affiliated to Board of Education.

During check of Children Education Allowance bill maintained under various offices of engineering department at BALU & KAPG. It was seen that, in four cases the employees were granted CEA for their third, fourth and fifth child in contravention to the rules.

As CEA is admissible for the eldest two surviving children, the CEA passed amounting to ₹ 61,774 in respect of third/fourth/fifth child is inadmissible and recoverable from the staff concerned.

Para 2: Irregular acceptance of voucher of later years in respect of CEA Bill passed for the current year.

During check of Children Education Allowance bills in the office of the SSE/P.Way/KAPG, it was seen that Sri Chappa Narasimha Rao, Jr. Trolleyman has submitted Reimbursement of Children Education Allowance bill for the academic year 2012-13 for his two children for ₹ 85,505 But he has submitted the related vouchers for reimbursement pertaining to the academic year 2013-14.

A detail review of the case revealed that the staff has been paid hostel subsidy along with reimbursement of CEA for two children. As per RBE No. 135/2008 Hostel subsidy and CEA reimbursement cannot be availed concurrently. Hence, payment of Hostel subsidy of ₹ 47,000 is not admissible and recoverable from the staff concerned. Further an examination of vouchers submitted revealed unusual features and unreasonable rate. Vouchers submitted for uniform does not mention no. of sets and rate quoted seems to be unreasonable. Similarly vouchers submitted for shoes also seem to be unreasonable. The ceiling limit for CEA which is ₹ 15000 per annum has not been observed. Hence, extra payment in this respect comes to ₹ 8,505 which is recoverable from the employee concerned. After all the bill for the year 2012-13 is not admissible for academic year 2013-14, hence the total amount of ₹ 85,505 is recoverable from the staff concerned.

Staff responsibility shall be fixed for the irregular passing of the bills without enquiring into its genuineness and observing rules. The case needs proper investigation by the authority to find out genuineness of the claims and prevent fraudulent payment.

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

4.2.6 Improper computation of value of LAR by the tender committee led to discharge of tender and resulted in Extra expenditure of ₹ 21.26 lakh in retendering.

A work for “Replacement of Loose /Head lost rivets including under sleeper seats by the new rivets of size 1/8” (3mm) higher than the loose rivets under the jurisdiction of SSE(Br.) Titalagarh various bridges in Raipur-Theruvalli section and provision of man refuges on open web girder bridges on Br.77&343 up in Raipur-theruvalli section and Br. No. 7, 77, 87, 239, 247, 293, 331, 406 &438 in Jharsuguda-Titlagarh section of Sambalpur Division, was awarded to the successful tenderer at a contracted cost of ₹ 1,09,76,629 which was 103.73% higher than the departmental estimated value (₹ 53,87,888) and 4.49% higher than the updated estimated value (₹ 1,05,04,942).

Scrutiny of the above tender revealed that the same work was discharged earlier on 19.07.2012, i.e. barely 6 months back, on the recommendation of the tender committee (TC). The TC was of the opinion that the negotiated rates of the lone tenderer were on higher side (16.82%) in comparison to the average of updated last accepted rates.

However, audit scrutiny revealed that due to erroneous quoting of value of Last Accepted Rates, the average updated rates up to the date of opening of the subject tender was deflated. This has resulted in incorrect comparison with the negotiated rates and discharge of tender involving extra expenditure of ₹ 21.26 lakh in retendering. It is interesting to note that the same has been correctly computed in the fresh tender for comparison with the negotiated rate and to bring its reasonableness for acceptance.

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

4.2.7 Injudicious discharge of tender and extra expenditure of ₹ 1,92,061 for retendering with higher rate.

Open Tender was called for New works, addition and alteration to the existing structures, all ordinary repairs and maintenance works of miscellaneous nature and supplies each costing ₹ 2 lakh at Rail Awaas, Rail Kutir, New Mancheswar Colony and Railway Stadium under the

jurisdiction of SSE (Works) HQ/CSP/BBS for the year ending 30th June 2014. The lowest amount quoted for tender was ₹ 43,56,568.

The tender committee in their minutes on 26.06.2013 had mentioned that there was an anomaly in Sl. No. 04 of Rate Sheet of Tender Document concerning Schedule-D. The recommendation of the tender committee to discharge the tender was accepted by the Tender Accepting Authority on 26.06.2013. Accordingly, the tender was refloated on 26.06.2013.

In response to the fresh tender, only one tender was received with the contract value of ₹45,48,629, which was the highest in the aforesaid discharged tender. The tender committee in their minutes on 12.08.2013 recommended the tender with a contract value of ₹45,48,629. The said contract value was ₹1,92,061 more than the quoted value of lowest tenderer of the discharged tender (₹45,48,629 - ₹43,56,568).

Review of the Tender case in audit revealed that the recommendation of the TC was misleading and the tender was discharged injudiciously on flimsy ground giving undue benefits to the contractor.

It was noticed from the Evaluation Statement that Schedule D constitutes only 15% of the total tender value and L-1 had quoted his rate as 8.7% below the USSOR against schedule-D, L-2 quoted his rate as 9% below the USSOR against Schedule-D and L-3 quoted his rate as 04% above the USSOR against schedule D. A critical analysis of the rate quoted by tenderer revealed that none of the contractors were confused in quoting their rates against schedule-D. Further it is beyond any doubt to expect that L-1 and L-2 were confused to quote their rate as they had already quoted below the USSOR and there was no scope for the L-3 to quote any % below against Schedule-D as he has already quoted his rate as 4% above and not even at par of the rate.

As there was a clear mention in the Note-1 below the Rate Sheet that the tender(s) shall quote separate percentage above/below/at par under each of schedule it does not leave any confusion restricting the tenders to quote competitive rates. Moreover, the rates were really competitive as revealed from the fresh tender accepted.

Thus the deliberation of TC was misleading and discharge of tender was irregular, injudicious vitiating the tender process and intended to give undue favour to the contractor without safeguarding the interests of the Railway.

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

4.2.8 Non-recovery of defective materials used in railway lines compromising safety.

The Principal Chief Engineer (PCE), East Coast Railway, Bhubaneswar placed a purchase order on M/s Cemcon casting Pvt. Ltd., Delhi for manufacture and supply of 4,22,448 Elastic Rail Chips (ERC) Mark-III confirming to RDSO Drg. No. T-3701 and IRS specification T-31-1992 with latest amendments. Total value of the order was ₹ 2.13 crore. Out of the total quantity, 208061 were to be supplied to MYD/WAT.

As a measure to ensure quality of critical track items, samples of various track fittings are picked up from consignee end and tested in RDSO. In one such exercise, two sets of samples of ERC Mk-III pertaining to supply at MYD/WAT was picked up and tested by RDSO (April 2009) and both the samples were found not conforming to the norms of IRS specification no. IRS/T-31-1992. As per extant policy, production and inspection of the material by the firm was stopped with effect from 19.08.2009.

RDSO vide letter dated 19.02.2010 intimated PCE/ECOR/BBS to take suitable action against the firm. As per the conditions of the PO, payment for the entire material passed and supplied against the particular IC would not be made and a penalty equal to 10% of the cost of the material against the particular IC or ₹1 lakh whichever is less would be imposed. The PCE office calculated the amount of loss as ₹1525806 and advice the firm on 11.11.2010 to deposit the amount. The firm was delisted on 19.02.2010.

PCE office vide letter dt.28.12.2010/03.01.2011 intimated CE of all Zonal Railways to withhold ₹15,25,806 from the pending bills of the firm. The firm has gone for arbitration against the action of Railways. The CSTE, the sole Arbitrator on 29.01.2012 had ordered payment will not be released for defective material irrespective of the fact that material has been used or not. The firm is at liberty to take away the rejected material on recovery of the payment already made. As the claims of M/s CCPL are not excepted items so the lone arbitrator decided that it is not arbitrable. The executive wrote to the firm on 07.03.2012 for arranging payment within one month.

Dy CE/N Rly wrote to PCE/ECOR on 21.03.2012 that they had withheld the SD of the firm for 10 lakhs. The firm vide letter on 10.12.2012 intimated that ₹ 5,37,371 was recovered by North Eastern railway and requested for lifting the defective item. The Sr.DEN/CO/VSKP replied on 24.07.2012 that ERCs were received from 3 different suppliers and stacking is done at one location due to space constraint. During the period 10,85,000 ERCs were distributed to different consuming units (SSE). Out of the remaining stock available as on 19.02.2010 it is noticed that no material with such specification was available at the depot. The SSEs were requested to supply

details of rejected materials. During January 2009, 95000 ERCs were supplied to SSE (PW)/NWP. The SSE (PW)/NWP reply is yet to be received.

As such it is seen that ₹ 5,37,371 were kept at the Northern railway, North Eastern Railway. The East coast Railway has intimated the concerned Railway to adjust the amount in its favour, the particulars of adjustment is not available in the file. As per arbitration award, the department will have to return the defective materials to the firm, which is yet to be done.

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

4.2.9 Avoidable expenditure of ₹ 72.90 lakhs towards surcharge on extra water drawn from GVMC.

In April 1988 the Railway Administration entered into an agreement with the Greater Visakhapatnam Municipal Corporation (GVMC) for supply of 9 lakh imperial gallons of water per day for the period of five years, subject to alteration after the expiry of the period with mutual consent. Railway deposited ₹ 9.72 lakh towards security deposit (3 months charges for the quantity of water allotted) for observance of the terms and conditions as a bulk consumer. The present demand for water by Waltair Division/ECOR stands at 11 lakh gallons. There was no provision in the agreement executed by GVMC and Railway Administration for levy of surcharge for excess drawal of water beyond the stipulated demand of 9 lakh imperial gallons. The agreement only provided for guaranteed minimum demand of 60 per cent i.e. ₹ 5.4 lakh gallons per day. As per clause 9 of the agreement, filtered water was to be supplied at the rate of ₹ 20 per 1000 imperial gallons on the quantity drawn as recorded by meter. The rate was subsequently revised in Aug' 2011 and the present rate for the clear water stands at ₹ 36 per KL (i.e. ₹ 163.44 per 1000 gallons).

Validity of the aforementioned agreement ended in March 1993. A draft agreement duly signed by GVMC was sent for approval from Railway Administration in August 2000. But the same approval was not accorded by the Railway Administration at Vishakhapatnam. The new aspect in the proposed draft agreement was insertion of a new clause by GVMC that contemplated that a surcharge of 100% over the agreed rate will be levied for the excess quantity supplied in a month. GVMC argued that the same is a general clause according to the bye laws of water supply for all the bulk water supply agreement and hence can not be changed or deleted from the Agreement, but the Railways insisted upon removal of said clause. Consequently, the proposed fresh agreement was never executed by the two parties. GVMC, however, continued to supply water and was being paid therefore as per rates in force.

The Railway Divisional Authorities however, proposed the Zonal Hdqr for enhancement of agreement quantity as late as in July 2012 .No action whatsoever, could be seen to have taken in this regard by East Coast Railway Hdqr Office upto the end of September 2012. The payment of monthly surcharge as applicable from time to time still continued. A fresh agreement with revised quantity of water as per the requirement of WAT Division/ECOR has not been entered into till date.

An avoidable extra expenditure to the tune of ₹ 72.90 lakh relating to the period May 2011 to August 2012 has already been paid on account of consumption of water in excess of agreemental quantity.

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

Chapter 5 – Electrical Engineering

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

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

5.1.1 Avoidable expenditure of ₹ 16.45 lakhs towards payment of over drawal penalty, power factor penalty and delayed payment surcharge.

Electricity supplied to Railway by corporation/company of Odisha & Andhra Pradesh attracts over drawal penalty, Power factor penalty and Delay payment surcharge on the electricity consumption charges. Railway pays the electricity consumption charges to the concerned distributor companies which includes these charges and is extra cost to railway without any production/activities in railway working.

During check of records under Sr.DEE/KUR, it was noticed that during the period from July 2010 to October 2013, the electricity consumption charges paid by PURI and ANGUL stations included these charges. The electricity consumption at PURI station was recorded between 450 KVA to 1000 KVA against the contract demand of 450 KVA. Similarly, the consumption at ANGUL station was recorded between 210 KVA to 351 KVA against contract demand of 167 KVA. Excess drawal of demand over contract demand (CD) for various periods has led to payment of over drawal penalty of ₹ 4,17,900 and ₹ 5,14,180 in respect of Puri and Anugul respectively

It was also noticed that due to delay in payment of electricity bill to the electricity supplying departments, penalty of ₹ 2,03,055 for Puri and ₹ 3,852 for Angul Station were made which were avoidable.

Fall in power factor is another area led to extra payment of power factor penalty of ₹ 4,68,794 for Puri and ₹ 37,079 for Angul Station which were also infructuous expenditure to Railway.

The above matter was taken up through an IR part-I and has been closed after recovery of ₹ 2,03,055 at the instance of audit.

5.2.2 Para:-1 Irregular reimbursement of Tuition fees.

In terms of Railway Board's letter number E (W) 2008/ED-2/4 dated 10.06.2009, in case of employees having more than two children reimbursement of Children Education Allowance (CEA) is admissible for eldest two surviving children studying in schools affiliated to Board of Education, except when the number of children exceeds two due to second child birth resulting in multiple births.

During the inspection of Sr. DEE (G)/WAT, it was observed that, in case of 15 staff the Tuition fee were reimbursed for 3rd and 4th child in contravention to the aforementioned circular resulting in extra payment of ₹ 2,68,745.

Para 2: Non-recovery of Damage rent.

As per RBE No.8/90, a Railway employee on transfer from one station to another station is permitted to retain the Railway Quarters at the former station on payment of normal rent for two months. On request by the employee on educational or medical grounds, the period of retention of Railway accommodation may be extended for further period of six months on payment of special licence fee i.e. double the flat rate of licence fee. Further extension beyond aforesaid period may be granted on educational ground only to cover the current academic session on payment of special licence fee. All occupation beyond permitted period are to be treated as unauthorised on which damage rent at prescribed is recoverable.

During inspection of Sr. DEE (G)/WAT, it was noticed that four staffs were transferred to different places from WAT and posted under their respective units. In some cases they applied for retention of Railway Quarters at former station to competent authority and obtained sanction for retention at previous station on sick/scholastic ground. In some cases they have not applied for retention for Railway Quarters at previous station at all. Retention beyond permissible period is to be treated as unauthorised occupation and the damage rent should have been recovered from the employees after adjusting the actual rent recovered.

Non adherence to this procedure has resulted in non-recovery of damage rent of ₹ 2,71,571.

The above two cases were taken up through an IR Part-I and has been closed after recovery of ₹ 5,52,316 at the instance of audit.

5.2.3 Para 1: Irregular reimbursement of tuition fees.

In terms of Railway Board's letter number E(W)2008/ED-2/4 dated 10.06.2009, in case of employees having more than two children , reimbursement of Children Education Allowance is admissible for eldest two surviving children studying in schools affiliated to Board of Education, except when the number of children exceeds two due to second child birth resulting in multiple births.

During the inspection of accounts and records of Sr. DEE(TRS)/WAT alongwith the relevant salary bills at Sr.DPO/WAT, it was noticed that, in contravention to the rule, Tuition Fee/Children Education Allowance for the 3rd and 4th children was also allowed. This resulted in irregular payment of Children Education Allowance to the tune of ₹ 82,076.

Para- 2: Non-recovery of revised license fee.

During the Inspection of SR. DEE (TRS)/WAT, it was observed that in case of 17 officials revised rate of license fee was not recovered from them w.e.f. 01.07.2004 & 1.01.2009. Non-implementation of revised rates resulted in short recovery of license fee to ₹ 67, 775.

Para 3: Short recovery of electrical charges.

During inspection of accounts and records of SR. DEE (TRS)/WAT, it was noticed that the recovery against the electrical consumption bill statements were made on adhoc basis instead of actual meter reading in 25 cases and resulted in non/short recovery of electricity charges of ₹ 2,36,213.

The above matter was taken up through an IR Part-I and has been closed after recovery of ₹ 3,86,064 at the instance of audit.

Chapter 6 – Mechanical

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

6.1 Theme Based Audit:- -The theme based review conducted during the year 2013-14 and the results of the review pertaining to East Coast Railway were reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2013-14. Hence, these are not discussed in detail in this chapter. However following topics were taken up in theme based Audit

a. Performances of weighbridges

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

6.2.1 Para 1: Irregular payment of House Rent Allowance.

In terms of sub-rule (a) (i) of Para – 1706 of Indian Railway Establishment code vol-II, House Rent Allowance(HRA) shall not be granted to a Railway employee if spouse has been allotted accommodation at the same station by the Central Government/State Government, an autonomous public undertaking or semi-Government organization such as municipality, Port Trust etc. Whether he/she resides in that accommodation or he/she resides separately in accommodation rented by him/her. During inspection of accounts and records of Sr. DME(C&W)/WAT, it was noticed that an employee was drawing HRA even though he is residing in the accommodation allotted to his spouse. This leads irregular payment of HRA amounting ₹1,12,510 between Aug 2008 to May 2013.

Para 2: Irregular reimbursement of Tuition fees.

In terms of Railway Board's letter number E(W)2008/ED-2/4 dated 10.06.2009, in case of employees having more than two children, reimbursement of Children Education Allowance is admissible for eldest two surviving children studying in schools affiliated to Board of Education, except when the number of children exceeds two due to second child birth resulting in multiple births.

During the inspection of accounts and records of SR. DME(C&W)/WAT along with sub offices it was noticed that 31 staff had been reimbursed tuition fee/CEA for the 3rd and 4th children irregularly. The irregular payment of CEA worked out to ₹ 5,64,703 due to non-observing the Railway Board's orders.

The above two issue was taken up through a Part I Inspection Report and has been closed after recovery of ₹ 6,77,213 at the instance of audit.

6.2.2 Short recovery of electrical charges.

During check of records of Sr.DME (DLS)/WAT, it was observed that the recovery of electricity charges had not been recovered properly though the electrical consumption bill statements were received against the staff in occupation of Railway quarters. The recoveries were to be effected in their salary bill of following month of receipt of meter reading statement in six equal installments according to meter reading statement generated for this purpose. But in contravention to the extant practice, electricity charges were not recovered from some staff at all. In some cases electric charges were recovered on adhoc basis at less than the actual amount of bills raised against the staff. This has resulted in non/short recovery of ₹ 94,748 due to incorrect implementation of Electric Bills.

The issue was taken up through a Part I Inspection Report and has been closed after recovery of ₹ 94,748 at the instance of audit.

6.2.3 Irregular payment of Transport Allowance.

In terms of RBE No.202/2003, Transport Allowance will not be admissible during absence from duty for full calendar month due to leave, training and tour etc.

During check of records of Mechanical Department of KUR Division, it was observed that 11 officials were on leave for full calendar month from time to time but they had drawn the Transport Allowance during that period. This leads irregular payment of transport allowance amounting of ₹40,100 violating Railway Board guidelines.

The above issue was taken up through a Part I Inspection Report and has been closed after recovery of ₹ 40,100 at the instance of audit.

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 Theme Based Audit: -The theme based review conducted during the year 2013-14 and the results of the review pertaining to East Coast Railway were reported to HQ (O/o the C&AG) for inclusion in Audit Report for Indian Railway 2013-14. Hence, these are not discussed in detail in this chapter. However following topics were taken up in theme based Audit.

- a. **Manpower management in Indian Railway**
- b. **Working of RRB**
- c. **Safety related retirement scheme and liberised active retirement scheme for guaranteed employment for safety staff.**

7.2 Results of local audit and central audit.

7.2.1 Non-recovery of Motor Cycle Advance and interest thereon to the tune of ₹ 17,33,846.

Rule 1104 of Indian Railway Establishment Manual –Vol-I sub-rule 4 stipulates that simple interest at such rates as may be fixed by Government from time to time shall be charged on advances granted to railway servants for the specified items such as purchase of conveyance personal computer etc. Sub-para -10 enjoins that recovery of advance will commence with the first drawl of pay after the advance is drawn and the recovery of interest will commence from the month following that in which the whole of principal has been repaid. Rule 1106 stipulates that the quantum of advance that may be granted on the second or subsequent occasion for the purchase of a motor-cycle/scooter/moped shall be restricted to ₹ 24,000.

During inspection of office of the Sr. Divisional Finance Manager, Waltair, scrutiny of the Scooter Advance Register revealed some instances of non recovery of interest after the recovery of principal. A detailed study of the position of recovery of Motor Cycle Advance and interest thereon was conducted by audit through IPAS. The scrutiny revealed the followings:

1. Total No.of 753 cases of Scooter/Motor Cycle advances passed between year 2004-05 & 2010-11.
2. The principal amount in full was not recovered in case of 14 staff (₹ 1,58,237).

3. Interest on Scooter/Motercycle Advance was not recovered from 392 staff after recovery of the principal amount (₹ 15,75,609).
4. The quantum of advance that may be granted on the second or subsequent occasions for the purchase of a motorcycle/scooter/moped shall be restricted to ₹ 24,000 only, but instances where the employees were granted advances @ ₹ 30,000 on the second /subsequent occasion was noticed.

The failure of the Railway Administration to recover the principal amount in 14 cases and non recovery of interest on principal amount in respect of 392 cases of Motor Cycle Advance led to non-recovery of ₹17,33,846 from the employees. Drawal of 2nd time advance for Motorcycle/Scooter in excess of ₹ 24,000 has resulted in irregular payment of advance of ₹ 36,000.

Above issue was taken Special letter and final reply is still awaited from Railway Administration.

7.2.2 Irregular occupation of Railway Rest House accommodation by Railway Officers on transfer resulting in non recovery of appropriate rest house charges and irregular drawl of House Rent Allowance amounting to ₹1, 93,329.

1. In terms of item No. (N) of Railway Board Master Circular No. 2005/LMB/3/34/ dated 18-05-2006, the following conditions are to be adopted while allotting Officer Rest House to Officers for residential purpose.
2. In the case of permanent transfer, in the first instance, occupation of Rest House should be permitted for 10 days only.
 - a. Use of Rest House Accommodation for residential purposes beyond 10 days may be permitted only on submission, by the officer of a certificate from the competent authority to the effect that “ the officer has formally applied for allotment of pool accommodation and that the same is not available.” On allotment of a regular accommodation, the officer shall vacate the rest house within a week.
 - b. In case the officer declines to accept the pool accommodation offered to him, rent at “damage” rent shall be recovered from him from the date of such an offer of allotment.
3. Where an officer is permitted to occupy Rest House accommodation for residential purpose, in terms of Para (2) above, intimation to this effect must invariably be sent by the concerned officer as well as the Allotting Authority, to the FA & CAO and the Pay Bill unit to ensure that

(i) Due rent is recovered and

(ii) House Rent Allowance is not paid to the officer.

During inspection of Sr. Divisional Personnel Officer's Office in the month of February'13, it was revealed that eight officers occupied AC & Non- AC suites of Officers Rest House at Construction Rest House and Visakha Rail Vihar on transfer from BBS/KUR/SBP for a long period beyond the permissible limit of stay in contravention of aforesaid Railway Board circular leads to an amount of ₹1,93,329 recoverable from officers concerned. This is inclusive of amount of recoverable on account of irregular drawl of HRA and non payment of Rest House charges.

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

7.2.3 Para 1: Non-recovery of Damage rent.

As per RBE No.8/90, a Railway employee on transfer from one station to another station is permitted to retain the Railway Quarters at the former station on payment of normal rent for two months. On request by the employee on educational or medical grounds, the period of retention of Railway accommodation may be extended for further period of six months on payment of special licence fee, i.e., double the flat rate of licence fee. Further extension beyond aforesaid period may be granted on educational ground only to cover the current academic session on payment of special licence fee. All occupation beyond permitted period are to be treated as unauthorised on which damage rent at prescribed is recoverable.

During inspection records of Sr. DPO/WAT, it is noticed that Smt. G. Kamala Kumari/Sr.Clerk working under Sr.DME(C&W)/WAT was transferred and posted under CC/Loco/RGDA on 08-4-2010. She has applied for retention of Railway Qrs. at former station and obtained sanction for retention of quarters at previous station on scholastic ground upto 31-3-2011. She was transferred back from RGDA to VSKP and joined duty on 5-7-2012. The intervening period was treated as unauthorised occupation resulting in non-recovery of damage rent of ₹ 86,679.

Para 2: Wrong fixation of Pay.

During the inspection of accounts and records of Sr. DPO/WAT it is noticed that Smt. G. Kamala Kumari/Sr.Clerk working under Sr.DME(C&W) was granted Financial upgradation under MACPS in the next higher Grade Pay ₹ 2000 w.e.f. 01-9-08 and her pay has been erroneously fixed by granting her one increment plus the difference of Grade Pay ₹ 100. She was eventually promoted to the post of Sr. Clerk in scale Rs.5200-20200 with Grade Pay of ₹ 2800. As per terms and condition prescribed in RBE No101/2009, if she gets her regular promotion in the hierarchy of her cadre, which is to the Grade Pay of ₹ 2800, on regular promotion, she will be granted only the

difference of Grade Pay between ₹2000 and ₹ 2800. No additional increment will be granted at this stage. This has resulted in excess payment of Pay and DA due to taking into account of 3% increment on fixation of pay to the tune of ₹15,172.

Para 3: Short Recovery of Electrical Charges.

During inspection of accounts and records of Sr. DPO/WAT it is noticed that electric charges have been recovered at ad hoc rates @ ₹100 p.m instead of actual amount for which bills received incase of Smt. G. Kamala Kumari/Sr.Clerk. In scrutiny of Electric Bills for the last 6 spells along with salary bills it is observed that the recovery of Energy bills as per consumption were not recovered from the above mentioned staff after adjustment of the ad hoc amount that was recovered from the from the salary bill. This has resulted in non/short recovery of ₹ 31,692 due to incorrect recovery of Electricity Bills.

Para 4: Short Recovery of Electrical Charges.

Charges as per the tariff fixed by DISCOMs need to be recovered by Railway authorities as per the meter readings taken and pricing done for six monthly periods. During inspection of accounts and records of SR.DPO/WAT, it is noticed that the electrical consumption bill statements were received against the staff in occupation of Railway quarters and consumed electricity. The recoveries were to be effected in their salary bill in equal six installments according to meter reading statement generated for this purpose. In some cases electric charges recovered at adhoc basis. The sum recovered is seen much less than the actual amount of bills raised against. In scrutiny of Electric Bills along with salary bill units, it is observed that the recovery of difference amount has not been effected after adjusting the adhoc amount recovered from the salary bills of staff. This has resulted in non/short recovery of ₹ 3,64,947 due to incorrect implementation of Electric Bills.

The above four issues were taken up through an IR Part-I and closed after recovery of ₹4,98,490 at the instance of audit.

7.2.4 Abnormal delay in regularization of advance of ₹ 1.76 crore by RRC/BBS.

Railway recruitment Cell was created in Zonal Headquarters for handling the recruitment to Group 'D' staff in Railways vide Railway Board's letter no. E (NG)-II/96/RR-1/62 dated 18.07.2005. Para 9.5,9.6 and 9.7 to Annexure I of the aforesaid letter stated that fund required for conducting recruitment process will be given as advance and will be debited to "MISC. ADV. Revenue-RRC" initially. On receipt of vouchers/requisite declaration from Dy. Chief Personnel

Officer/Rectt of the amount lying in Suspense Head will be cleared by debiting to the appropriate head.

During the check of accounts and records of office of the CPO/BBS, it was noticed that an amount of ₹ 1.76 crore taken as advance for conducting the recruitment process are lying in suspense account since 2008-09 due to non-submission of requisite vouchers.

The Dy. CPO/Rectt. was requested to supply the Bank a/c statement for appraisal of audit, which was not made available. However, the Dy. CPO/Rectt stated that there is a balance of ₹ 87,45,104 as on 31.07.2013. Though, there is sufficient amount in the bank a/c it is seen that amount of ₹ 7,57,775 was drawn vide P.O. no. 106466 dt. 06.08.2013.

The above issue 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 Results of local audit and central audit.

8.1.1 Para 1: Non-recovery of Damage rent.

As per RBE No. 8/90, a Railway employee on transfer from one station to another station is permitted to retain the Railway Qr. at the former station of posting for two months on payment of normal rent or flat rate of licence fee. Extension for further period of six months on payment of special licence fee i.e. double the flat rate of licence fee, is permissible on request by the employee on educational or sickness account. Further extension beyond aforesaid period may be granted on educational ground only to cover the current academic session on payment of special licence fee. Occupation beyond permitted period is to be treated as unauthorised for which damage rent at prescribed rate is recoverable.

During inspection of SR. DSTE/WAT, it was noticed that Sri Ch. Appa Rao/OS/S&T/WAT working under Sr. DSTE/WAT, was transferred from VZM to VSKP on promotion as OS and posted under SSE/S/WAT. He applied to competent authority for retention of Railway Qrs. at former station and obtained sanction for retention for period from 03-12-2011 to 02-2-2012 on normal rent. Retention of quarters beyond permissible period is to be treated as unauthorised occupation. This has resulted in non-recovery of damage rent of ₹ 75,580 due to unauthorised occupation of Railway Quarters.

Para 2: Wrong fixation of pay.

In terms of RBE No.28/2010, pay fixation in respect to those Railway servants who were already in service on 1-1-2006 is concerned, the same is to be done as per the provisions of Rule-7 of RS(RP) Rules, 2008 and in accordance with the fitment tables annexed to the Ministry's letter No. PC-VI/2008/I/RSRP/1 dated 11-9-2008.

In the light of the foregoing para, it is clarified that in terms of RS(RP) Rules, 2008:- (a) no minimum pay in the pay band can be prescribed in the case of promotion of Railway servants from one grade to another except in the case of change in pay band.

During the inspection of accounts and records of Sr. DSTE/WAT and its sub-office SSE(Sig)/WAT it was noticed that:-

I. Smt. M. Lakshmi/Sr.Clerk and Sri MVSSR Sarma/Sr. Clerk working under Sr.DSTE/WAT, were promoted to the post of Sr. Clerks in scale of ₹ 5200-20200 with Grade Pay of ₹ 2800 on 16-11-09. The pay was fixed in the revised pay band in PB-1 ₹ 5200-20200 + GP 2800 at a minimum stage Rs. 11,170 to corresponding with pre-revised scale (S-8) ₹ 4500-125-7000.

II. Sri M. Srinivasa Rao/SM Gr-II was promoted to the post of SM Gr-II in scale ₹ 5200-20200 with Grade Pay of Rs. 2400 on 09-02-09. The pay was fixed in the revised pay band in PB-1 ₹ 5200-20200 + GP 2400 at a minimum stage ₹ 9840 corresponding to the pre-revised scale.

As per extant rule the pay in the pay band should be fixed by granting one increment plus GP as admissible. No minimum pay should be given in the pay band in the case of promotion of staff from one grade to another except in the case of change in pay band. Non-adherence to this rule has resulted in excess payment of Pay and Allowances of ₹ 1, 33,629.

Para 3: Irregular reimbursement of tuition fees.

In terms of Railway Board's letter number E(W)2008/ED-2/4 dated 10-6-2009, in case of employees having more than two children, reimbursement of Children Education Allowance is admissible for eldest two surviving children studying in schools affiliated to Board of Education, except when the number of children exceeds two due to second child birth resulting in multiple births.

During the inspection of Sr. DSTE/WAT, it was noticed that five staff had been reimbursed Tuition Fee/Children Education Allowance for the 3rd and 4th children irregularly resulting in over payment of ₹1,34,229.

Para 4: Non-Recovery of Penalty from the contractor as per Railway Board's Order to the tune of ₹ 8.27 Lakh due to Cable Cut.

In terms of the Railway Boards JPO No.2004/Sig/G/7,dt-16.12.2004, issued for executing the work in the vicinity of underground signaling, electrical and telecom cables, the working contractors used to be supplied with cable layout plans to avoid damages to Railway cables if any, while doing earthwork. In case of any damage caused to existing service cables of Railways, a flat penalty of ₹ 1 Lakh per incident is to be imposed on the working contractor.

During inspection of O/o Sr. DSTE/WAT, it was noticed that there were three incidents of OFC cut between PDT-SCMN on 23.09.2009, near bridge No.1649/A at Km 869/2A-4A on 19.02.10 and between SCMN-KTV on 04.04.10. All the above incidents took place while executing civil engineering works in connection with 4th Line works between SCMN-KTV & PDT-SCMN.

Due to above OFC cuts on different dates and position, Sr. DSTE/WAT informed Dy.CE/CON/VSKP to fix the responsibility on the concerned contractor, causing the damage to the OFC and arrange to recover an amount of ₹1 Lakh per each cut/damage as per extant rules. It is that no further correspondence has been made between Sr. DSTE/WAT with Dy.CE/CON/WAT regarding the recovery of penalty amount from the contractor. This has resulted in non recovery of penalty to the tune of ₹ 3 lakh from the contractors responsible for cable cut.

It is pertinent to mention that due to OFC out between PDT and SCMN on 23rd September 2009 at 16.50 Hrs, entire passenger Reservation system was defunct up to 21.45 resulting in huge loss to Commercial Branch of Railways. On the above Sr. DCM/WAT wrote a letter to Dy.CE/CON/VSKP on 18th February 2010 to impose penalty of ₹ 5.27 lakhs on the responsible contractor for paralyzing of PRS functioning at different location over Waltair division. No records in support of recovery of the aforementioned amount could be traced in the office of Sr.DSTE/WAT.

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

Chapter 9 – Security

Security Department is headed by the Chief Security Commissioner (CSC) at the Zonal level. This department is responsible for security of the properties and manpower of the Zonal Railway. Audit findings in respect of the working of this department are summarized below-

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

9.1.1 Irregular reimbursement of tuition fees.

In terms of Railway Board's letter number E(W)2008/ED-2/4 dated 10-6-2009, in case of employees having more than two children, reimbursement of Children Education Allowance is admissible for eldest two surviving children studying in schools affiliated to Board of Education, except when the number of children exceeds two due to second child birth resulting in multiple births.

During special review conducted on reimbursement of Children Education Allowance of SR. DSC/RPF/WAT, it was noticed that six staff had been reimbursed Tuition Fee/Children Education Allowance for the 3rd and 4th children irregularly resulting in excess payment of ₹ 1,20,594 due to non-observance of the Rly. Board's orders.

The above issue was taken up through an IR Part-I and has been closed after recovery of ₹ 1,20,594 at the instance of audit.

Chapter 10 – Construction

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

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

10.1.1 Undue benefits to the Contractors due to non-recovery of Building and other Construction Workers Welfare Cess amounting ₹ 4.37 crore in East Coast Railway and non- deposit with State Government.

The Govt of India, Ministry of Labour and Employment enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996 and the Building and Other Construction Workers Welfare Cess Act 1996 with a view to regulate the employment and conditions of services of the workers and to provide their safety, health and welfare measures.

In order to enforce the provisions of the Act the Govt of Odisha, Labour and Employment Department, formulated rules namely the Orissa Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules 2002 and published it in the Odisha Gazette vide Government Notification No. 9174-LE, dated 2nd August 2002. However, the Govt of Odisha published the Resolution in this respect in the Orissa Gazette vide No. 12653-LL-I-(iii)-25/07/LE dated, 15.12.2008 duly describing elaborately the provisions of the Act for necessary implementation.

With a view to implementing the above provisions of the Act in Railways, the Railway Board had issued instructions lately to all Zonal Railways vide their letter No. 2008/CE-I/CT/6 Dated- 9.7.2008 mentioning clearly that the Tender Notice/Tender Documents should include a new clause as designed:

According to the provisions of Para-7(a) of the Resolution dated 15.12.2008, the employer had to collect the Cess from the contractors, if done by outside agency, or the Chief executive of the department if the work is done departmentally, and remit such cess amount by way of A/C payee cheque to the concerned state Building and Other Construction Workers Welfare Board, office of the Labour Commissioner/Odisha.

Review of 117 tenders/contracts in all departments in Railway Construction Organisation at HQ/BBS alongwith records of Associated Accounts regarding payment of contractors bills up to October 2012 revealed that Railway Boards' instructions circulated vide letter dated 9.7.2008 to Zonal Railways to include a new clause was not incorporated in the tender documents keeping in

view of the Resolution of Govt of Odisha dated 15.12.2008 and recovery of cess @ 1% has not yet been effected. This has resulted in non-recovery of ₹3,47,76,402 from the contractors on the Agreemental value of the contracts awarded after 15.12.2008. As per payment already made to the contractor the amount comes to ₹1,68,74,807 while ₹1,79,01,595 is due on the balance amount of Agreemental value of the work pending for completion.

In this connection the position obtaining in all the three Divisions of this zone has been reviewed. It was noticed that 1 % welfare cess is being recovered in WAT and KUR from the contractors in respect of works undertaken in the jurisdiction of the state of Odisha. As there is no such Act prevailing in Chhattisgarh it is not recovered for the work executed in jurisdiction of that state under Sambalpur and Waltair Division. However, it is to note that though 1% welfare cess is being recovered in KUR and in WAT in respect of the work executed in geographical jurisdiction of Odisha Government, the same is not being recovered from works contracts of SBP Divisions for works within the state of Odisha. Thereby a short recovery of ₹ 88.66 lakh from 337 contractors pertaining to works under SBP division

In response to a preliminary Audit observation memo the Railway Administration (Construction) stated that due to non receipt of such notice from State Labour Commissioners BOCW recovery of cess was not implemented. However, it was added that henceforth in all contracts recovery of 1% cess as applicable is being ensured in Construction Organisation.

Non-observance of the order resulted in undue benefit to the contractors leading to short recovery of welfare cess to the extent of ₹ 88.66 lakh in SBP and ₹ 3.48 crore in CON/BBS. Thus, Railway caused considerable loss to the Government due to lack of co-ordination while implementing the Rules and Orders of the Govt. of India.

The above issue was taken up through a Special letter and closed after recovery.

10.1.2 Inadequate preliminary investigation of the bridge site of the Doubling line over BONAM river resulted in cost escalation and delay in execution of JSG-RGL doubling work.

Chapter-III of Indian Railway Bridge Manual stipulates the procedure of investigation and survey for construction of bridges. Para 302 of the manual prescribes eight important aspects to be covered for investigation of site which include Geo-technical investigation to get soil particulars and important details of close by bridges across the same river or stream.

The work for “construction of well foundation and RCC sub-structure on Br.No.7 (BONAM River) between Brundamal and Lapanga stations of SBP Division in connection with JSG-RGL doubling work” under Pink Book item No.8 of 2006-07 was awarded to M/s Rajlaxmi

Constructions Ltd., at a total value of ₹ 7.16 crore .During execution of pier No.5 of the bridge infringement of existing sheet piles provided earlier to protect the damaged pier of the adjacent abandoned bridge came to notice in March 2009 when overall physical progress of the sub-structure work was 55%. A Non Schedule work to clear sheet pile valuing ₹ 4,75,500 was executed. NS work being unfruitful, design of the bridge was changed to build two piers (Pier No.5A and Pier No.5B) in place of Pier No.5 with 3 spans (3 x 100ft) in place of 2 spans (2x 150ft) between pier No.4 and Pier No.6 leading to increase in agreement value of work to ₹ 9.08 crore. Delay of one year in finalizing the material modification work to clear sheet pile, then change in design and finalization of drawing of the bridge had adversely affected two other contracts interrelated with the bridge sub-structure work.

The superstructure work of the said bridge was awarded to M/s Rawatson Engineers (P) Ltd at a total cost of ₹ 14.27 crore with a completion period of 14 months from the date of acceptance i.e., 23.07.2009. In spite of the fact that substructure of pier no. 5 was stopped due to bridge infringement of existing sheet pile provided earlier. The work had to be extended further latest upto 30.11.2013 as the sub-structure was not ready. The progress of the super-structure work had been held up at 73% since 30.04.2012 for more than one year. Progress of substructure work is 92% and that of the superstructure work is 85% in February'2014.

Another related work for execution of the Doubling work (Earthwork, P.Way linking and other Misc. work) in the section was short closed without liability on either side on the request of the executing agency viz. M/s Sri Durga Condev (P) Ltd, owing to non-completion of the bridge over BONAM River. Retendering for the residual work has resulted in cost escalation of ₹ 3.68 crore.

The above issue was taken up through Special letter and closed as included in Performance Audit "New line ,Gauge conversion and Doubling"

Chapter 11 – Audit Effectiveness

11.1 Audit Planning

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

Based on such risk assessments, test audit of following units of ECoR was carried out during 2012-13 and 2013-14.

11.2 Executive Offices and Stations inspected during 2012-13 and 2013-14.

Unit	2012-13	2013-14
	No of Executive Offices/ Stations	No of Executive Offices/ Stations
Divisions	27	27
Work shops	5	5
Stores	3	3
Construction	23	25
Traffic	65	42
Others	10	11
Total units audited	133	113
Railway Electrification	7	4
Grand Total	140	117

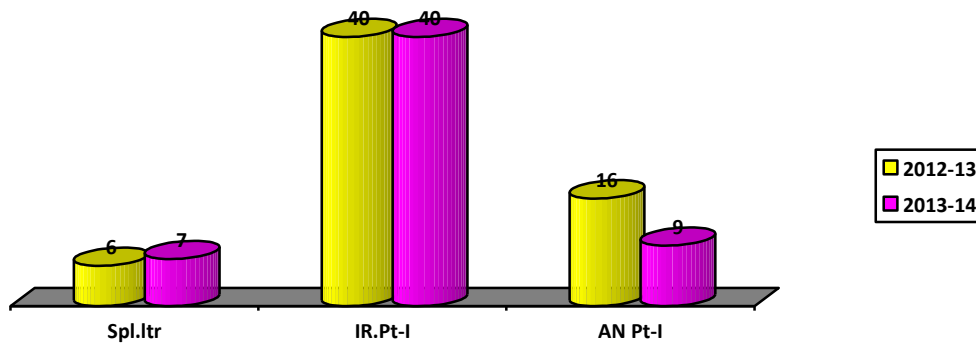
In addition, thematic studies and performance Audit having significances and sensitivity in relation to public policy and implementation as identified by O/o the C&AG were also undertaken.

11.3 Audit objections issued, settled and outstanding.

(a) Audit objections issued during 2012-13 & 2013-14.

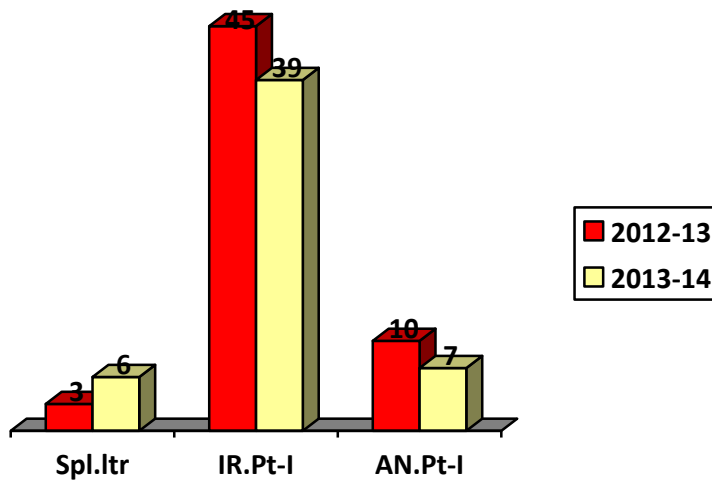
Year	Special letter	IR .Part-I	A.N Part-I
2012-13	6	40	16

2013-14	7	40	9
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(b) Audit objections settled during 2012-13 & 2013-14.

Year	Special letter	IR .Part-I	A.N Part-I
2012-13	3	45	10
2013-14	6	39	7



At the beginning of the year 2013-14, 143 IR part-I, AN Part-I and Special letter were pending. During the year, 56 audit objections were issued through special letters, audit notes and inspection reports and 52 audit objections were settled. At the end of the year, 147 audit objections were outstanding.

11.4 Unit wise Audit Objections issued and settled during 2013-14.

The position of unit wise Audit Objections issued and settled during 2013-14 are as follows.

Units	Category	No. of objections pending as on 01.04.2013		No. of objections issued during the year 2013-14		No. of objections settled during the year 2013-14		Closing balance as on 31.03.2014	
		Report	Para	Report	Para	Report	Para	Report	Para
OL/WAT	IR Pt-I	11	16	9	19	5	9	15	26
	AN Pt-I	4	4	1	1	2	2	3	3
	Spl.ltr	6	6	1	1	1	1	6	6
OL/KUR	IR Pt-I	19	22	7	8	5	6	21	24
	AN Pt-I	7	7	1	1	2	2	6	6
	Spl.ltr	1	1	0	0	0	0	1	1
OL/SBP	IR Pt-I	6	6	0	0	1	1	5	5
	AN Pt-I	2	2	1	1	0	0	3	3
	Spl.ltr	1	1	1	1	0	0	2	2
CON/WAT	IR Pt-I	2	2	0	0	1	1	1	1
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	1	1	0	0	0	0	1	1
CON/SBP	IR Pt-I	2	2	0	0	0	0	2	2
	AN Pt-I	0	0	0	0	0	0	0	0
	Spl.ltr	1	1	1	1	0	0	2	2
CON/BBS	IR Pt-I	3	5	0	0	0	0	3	5
	AN Pt-I	4	5	0	0	2	2	2	3
	Spl.ltr	1	1	0	0	0	0	1	1
WS/BBS	IR Pt-I	8	10	0	0	1	1	7	9
	AN Pt-I	0	0	2	2	0	0	2	2
	Spl.ltr	0	0	0	0	0	0	0	0
STORES	IR Pt-I	4	4	0	0	0	0	4	4
	AN Pt-I	3	3	0	0	0	0	3	3
	Spl.ltr	2	2	0	0	0	0	2	2
TRAFFIC	IR Pt-I	27	35	23	36	26	35	24	36
	AN Pt-I	0	0	0	0	0	0	0	0

	Spl.ltr	3	3	4	4	4	4	3	3
E&PF	IR Pt-I	9	23	1	1	0	1	10	23
	AN Pt-I	3	3	0	0	1	1	2	2
	Spl.ltr	1	1	0	0	0	0	1	1
EXPR	IR Pt-I	6	7	0	0	0	0	6	7
	AN Pt-I	3	3	1	1	0	0	4	4
	Spl.ltr	3	3	0	0	1	1	2	2
B&A	IR Pt-I	0	0	0	0	0	0	0	0
	AN Pt-I	0	0	3	3	0	0	3	3
	Spl.ltr	0	0	0	0	0	0	0	0
Total	IR Pt-I	97	132	40	64	39	54	98	142
	AN Pt-I	26	27	9	9	7	7	28	29
	Spl.ltr	20	20	7	7	6	6	21	21
TOTAL		143	179	56	80	52	67	147	192

11.5 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 ₹ 2.35 crore as detailed herein was recovered/accepted for recovery.

Sl.No.	Divisions/Units	Amount recovered/ accepted for recovery during 2013-14 (₹ in crore)	No. of cases above ₹ 50,000
1	OL/WAT	0.317	6
2	OL/KUR	0.138	3
3	OL/SBP	0.027	1
4	CON/BBS	0.008	1
5	CON/VSKP	0.017	1
8	WA/BBS	0.008	1
9	TA/BBS	1.832	4

Indian Railway is a vast organization. A separate Audit Report on the Railways is presented to the President and the Parliament annually. It may be appreciated that many important Audit objections pertaining to the Zone that require the attention of GM and PHOD

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 notice of the undersigned.

(A.N. Sarkar, IAAS)

Pr. Director of Audit