



भारत सरकार **Government of India**
रेल मंत्रालय **Ministry of Railways**
रेलवे बोर्ड (**Railway Board**)

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FA&CAO
All Zonal Railways and PUs

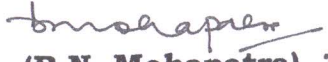
Sub:- Railway Convention Committee – List of points on 'Scrap disposal system in Indian Railways pointed out in C&AG's Report no. 26 of 2014 on Railways

C&AG in their 26th Report of 2014 have pointed out delays/non-verification of stock by Accounts stock verifiers, and non-clearance of debit /credit balances under sales suspense on Railways (extract of report is enclosed). Railway Convention Committee has expressed their concern on these issues.

It is requested to review the position on the Railway and streamline the systems to ensure that there is no shortfall in stock verification and delays in clearance of sales suspense. The head of offices concerned may check these aspects regularly through test checks/inspections.

A feedback on the factual status and corrective action may be sent for Board's information within a month.

Encl: As above.


(B.N. Mohapatra) 2/7
Advisor/Accounts
Railway Board

The demand of scrap rails by Wheel Manufacturing Plant (WMP)/Chapra and Rail Wheel Factory (RWF)/ Bangalore and supply of rails against the same by respective Zones is given below:

Table 5.2 - Demand vis-à-vis supply of scrap rails

Year	Demand of scrap rails(MT)	Supply by respective Railways(MT)	Difference(+/-)
2010-11	65191	21874.695	(-)66 per cent
2011-12	33413	16911.747	(-)49 per cent
2012-13	52309.725	62163.969	(+)19 per cent.

(Source: Individual requisitions)

It was seen that though sufficient quantity of rail scrap was generated to fulfill the demand of WMP/Chapra and RWF/Bangalore seven Zones²⁵¹ sold the scrap locally at a rate which was 2 per cent (SWR) to 26 per cent (ER) lower than the rate offered by the above Railway Manufacturing Plants. Thus, sale to private parties and non-supply of demanded rails to WMP/Chapra and RWF/Bangalore resulted in loss of `21.11 crore.

5.1.2.4.5 Lifting of Scrap

Railway Board prescribes (May 2012) that free delivery time shall be a maximum of 50 days from the date of auction. The time limit can be extended up to 65 days by COS/CMM. However, beyond 65 days, delivery can be given only after payment of ground rent. Audit reviewed the time taken from the date of auction to the date of lifting of scrap and observed that the minimum and maximum time taken from date of auction to the date of lifting of scrap rails were 1 day in NWR and 369 days in SCR respectively. Out of 1370 lots auctioned, in 143 cases material was lifted beyond the permissible time of 65 days. However, in only 10 cases ground rent was recovered and in 133 cases ground rent was not recovered.

The total unrecoverable amount was estimated as `3.52 crore.

5.1.2.5 Monitoring and Internal Control Mechanism

The existence of an effective Internal Control Mechanism system plays an important role in preventing and detecting irregularities/fraud in disposal of scrap.

5.1.2.5.1 Stock verification of scrap material at Scrap Depots

Para 3202 of IRSC Clause 4.4 provides for annual stock verification of all items that had no issue for 12 months and above, once in a year. The stores should be verified by Stock Verifiers of the Accounts Department as per scheduled programme. While reiterating these instructions (February 2010), Railway Board stated that the Central Vigilance Commission (CVC) has instructed that the Railways should ensure mandatory verification of stock held in stores annually. Review of records in 39 Store Depots (*Annexure IV*), where released materials/scrap are kept for auction revealed that:

²⁵¹ SER, ECR, ER, SCR, SWR, SR and NR

- In 17 Stores Depots over ten²⁵² Zones and two²⁵³ Production Units stock verification was conducted every year during the review period.
- In 17 Store Depots over ten²⁵⁴ Zones, no stock verification of scrap was carried out during the period of review.
- In NER (Gorakhpur Depot), CLW (CRJ) and RWF/YNK (GSD) stock verification was conducted in two of the three years under review. In NWR (BKN) and NFR (Sales Depot, NJP) stock verification was conducted only once during the review period.

The Railway Administration attributed the deficiencies in conducting stock-verification as per norms to unverifiable condition of material (mix material) (WCR), non-cooperation by the store unit (NWR, NFR, CLW) and improper information displayed in MMIS²⁵⁵ (NWR), absence of stock-verifier (SWR and CLW) and non-availability of weighing facilities (CLW).

Thus, despite CVC's recommendation for mandatory verification of stocks held in stores, the Railway Board failed to ensure that Zones were conducting stock verification of released/scrap materials as per laid down norms.

5.1.2.5.2 Non clearance of debit/ credit balances from Scrap Sales Suspense Account

Transactions which cannot be booked to final heads of account for any reason or due to non-availability of detailed particulars are booked under Suspense Head temporarily, till they can be adjusted to their final head of account when the detailed particulars are available. Huge outstanding in suspense head would indicate delays in settlement of transactions and inaccurate reflection of transactions in accounts. Till the time suspense balances are cleared, the debit would not be charged to the respective expenditure head and credit would not be charged to the final revenue head. Review of Scrap Sales Suspense Account as on 31st March 2013 revealed that:

- Debit balance of `688.71 crore were pending for over three years for want of relevant credit particulars in six Zones²⁵⁶ and two Production Units²⁵⁷. Debit suspense of `685.67 crore in SWR was the highest.
- Credit balance of `712.04 crore were outstanding for over three years for want of relevant sales issue notes in eight Zones²⁵⁸ and two Production Units²⁵⁹

²⁵² NWR (JU depot), WR (MX, DHD, SBI and PRTN depot), CR (Parel depot), SCR (Lallaguda depot), SR(GSD/PER and SSD/PTJ), NR (SSB, JUDW and AMV depot), SWR (Mysore depot), NER (Izatnagar depot), NFR (Sales depot Pandu, DBRT), SER (R-Yard and Scrap Yard)

²⁵³ DLW (Scrap Ward), ICF (Shell depot)

²⁵⁴ Metro Rail(Noapara depot), WCR (WRS-Kota and CRWS-Bhopal depot), CR (Matunga, Mannad and Hajibunder),SECR (GSD/Raipur), SR (GSD and SSD/GOC), SWR (Hubli depot), NCR (JHS and CNB depot), ECR(SPJ stores depot), ER (Belur, Jamalpur and Halisahar depot) and NFR (Sales depot NBQ)

²⁵⁵ Material Management Information System

²⁵⁶ NWR, WR, NR,SWR, NER and SER

²⁵⁷ RCF and DMW

²⁵⁸ NWR, WR, SECR, SR, NR,SWR, NER and SER

²⁵⁹ RCF and DMW

Credit suspense of `697 crore was the highest in SWR. In SR, a sum of ` 0.65 crore was outstanding for over three years (March 2013) due to pendency of court cases, one case was outstanding for more than 13 years.

Non-clearance of debit/credit balance under suspense head indicated inadequate follow-up by respective units and weak internal control mechanism.

5.1.2.5.3 Avoidable payment of Dividend

An asset created from Capital i.e. support from the Central Government carries a dividend payable by the railways to Central Government. The rate of such a dividend was 6 per cent, 5 per cent and 4 per cent during the years 2010-11, 2011-12 and 2012-13 respectively. When such an asset is disposed off after being declared as scrap, the original cost of the same is required to be written back to Capital, so that the total Capital at charge is reduced, thereby reducing the amount payable by railways towards dividend to GOI. Therefore, increase in dividend payable by railways has an impact on its profitability. In the event of condemnation of rolling stock funded from Capital, an estimate should be prepared writing down the original cost of such stock from Capital.

Examination of write back adjustments by audit revealed that:

- Write-back adjustment of 1110 coaches, 13236 wagons and 144 locos of seven Zones²⁶⁰ were made in the financial years subsequent to condemnation.
- In SCR, write-back adjustments were done on quarterly review basis. In SWR, write-back adjustments were made within one month to 12 months of condemnation of rolling stock.
- In eight Zones²⁶¹ no write-back adjustment of rolling stocks were made during 2010-13 in spite of condemnation of rolling stocks were made. In WR out of four Divisions, write-back adjustment of rolling stocks were made in only two.

Due to delay in write-back adjustment/non-adjustment of condemned rolling stock viz. 122 coaches, 650 wagons and 70 locos (574 coaches, 2973 wagons and 108 locos were condemned during 2012-13 for which write back adjustment was due in 2013-14 and the dividend has not been calculated) the Railway Administration had to pay avoidable dividend of `7.80 crore.

Thus, Internal control mechanism was deficient as all Zones were not complying with codal provisions regarding physical verification. Zones also failed to follow the norms regarding write back adjustment of rolling stock procured from capital and this led to payment of avoidable dividend of ` 7.80 core.

5.1.3 Conclusion

The planning and estimation of scrap generation was not realistic. Wide variations in release of rails as compared to estimated projections in selected works indicated

²⁶⁰ NWR, CR, ER, NER, SCR, SWR and SER

²⁶¹ WR, WCR, SECR, SR, NR, NCR, ECoR and ECR