



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

Parliament Matter  
Most Urgent

RBANo. 44/2015

No. 2015/ ACII/46/3

New Delhi, dated 7.7.2015

FA&CAOs  
All Zonal Railways/PUs

**Sub: List of points raised by Sh. Bhartruhari Mehtab, MP- Chairperson of Railway Convention Committee during Oral Evidence held on 5.6.2015 regarding Scrap disposal system in Indian Railways.**

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Kindly refer to Para 5.1 of C&AG's report No. 26 of 2014 (copy enclosed) also available on www.cag.gov.in. In this reference Sh. Bhartruhari Mehtab, Hon'ble MP & Chairperson of Railway Convention Committee, during Oral Evidence held on 5.6.2015 regarding Scrap disposal system in Indian Railways, has desired Railway's remarks on the following points :

1. How many stock verifications have actually taken place in scrap depots.
2. Internal control management is deficient. Give suggestions for improvement of the same.

Kindly arrange to examine the above items in consultation with COS and send details of stock verifications (both departmental and Accounts verification) in all the scrap depots along with deficiencies noticed and suggested improvement in the following formats. Kindly send your reply by **return Fax (011-23303672)** to enable Board (CRB) to furnish reply to the committee. A copy thereof may also be e-mailed at [jda@rb.railnet.gov.in](mailto:jda@rb.railnet.gov.in).


*Annexure 1*

Year	No of Scrap Depots	No. of stock verification due in scrap depot during the year		No. of Stock verifications during done during the year		Shortfall if any.	Reasons
		Departmental	Accounts	Departmental	Accounts		
2010-11							
2011-12							
2012-13							

*Annexure 2*

Year	No of Scrap Depots	Deficiencies noticed in internal control management	Suggested Improvements
2010-11			
2011-12			
2012-13			

Encl: As above.

  
(B.N. Mohapatra) 7/7  
Adviser Accounts  
Railway Board

Copy to: COS/ All Zonal Railways and PUs

offering of scrap materials to Stores Department for disposal and rejection by auctioning authority as the quoted price was less than the Reserve Price. Results of audit check as discussed in Paras 5.1.2.2., 5.1.2.3, 5.1.2.4.3 also showed that there were delays at various stages from identification to collection and disposal of scrap.

- In Production Units, achievement over and above targets ranged from 42.46 per cent to 62.02 per cent in DLW, Varanasi during the period of review.

As the targets for sale of scrap were fixed only in terms of value and not quantity and the price of sale of scrap varied in different Zones, fixation of targets and assessing achievement vis-à-vis these targets did not provide a uniform basis of comparison. However, higher achievement over and above targets indicated that fixation of targets on the basis of expected generation was not realistic.

### 5.1.2.2 Identification of Scrap

Para 2401 of IRSC defines scrap as material of different kinds no longer useful for the purpose for which it was originally procured. It should be distinguished from other stores and component parts which can be utilised after repair or renovation. Occasionally scrap may consist of second-hand or even new material which the Railways cannot consume themselves. These stores may be in a state of excellent repair and command a fair price in the market not associated with scrap. Therefore, proper identification of scrap available from different sources is necessary.

**5.1.2.2.1** Scrap is generated during Complete Track Renewal (CTR), Thorough Rail Renewal (TRR) or Gauge Conversion (GC) works. During preparation of estimate of CTR/TRR and GC work, the projected released materials should tally with the actual release of materials after completion of the work. Para 320 (4) of Permanent Way Manual provides that identification of scrap of Permanent Way material should be done during foot survey and actual observations recorded jointly by PWI<sup>226</sup> and ISA<sup>227</sup>/Stock Verifier. Over-aged and under-aged rolling stock is condemned on age-cum-condition basis. Rolling stock is identified as scrap after it is condemned by competent authority i.e. Chief Mechanical Engineer/Chief Electrical Engineer or Railway Board as the case may be.

Audit reviewed records of 32 CTR works, 33 TRR work and 13 Gauge Conversion works completed during the period 2010-13 over all the Zones (*Annexure III*) to compare the estimated scrap arisings with the scarp actually generated. It was observed that

- The scrap released varied substantially against the expected generation in all the Zones.
- Only in 13 works (18 per cent) out of 78, the actual released material matched with the projected figures.
- In the remaining 65 works there was either an excess or shortage of actual released material as compared to estimated released material.

<sup>226</sup> Permanent Way Inspector presently designated as Section Engineer (P Way)

<sup>227</sup> Inspector of Store Accounts



- In 40 works there were shortfalls against the estimated quantities of rails.
  - In 23 works there were excesses against the quantities projected.
  - In two cases, the account for released material was yet to be given by the contractor.
- In CTR works, a maximum shortage of 984 MT was noticed in SER<sup>228</sup> and a maximum excess of 898.63 MT was noticed in SECR<sup>229</sup>.
  - In TRR works, a maximum shortage of 1977 MT was found in SWR<sup>230</sup> and maximum excess of 572.526 MT was found in ER<sup>231</sup>.
  - In GC works, a maximum shortage of 2304.006 MT was found in SR<sup>232</sup> and a maximum excess of 1742.081 MT in SECR<sup>233</sup>.
  - Incorrect estimation of the scope of work to be done and incorrect estimation of type of released material were the two main reasons which resulted in incorrect estimation of released material in 25 (32 per cent) of the 78 works reviewed in audit.

A few interesting cases of excess/shortfall in actual vis-à-vis estimated released material noticed are discussed below:

- In SCR, in respect of GC work of Dharmavaram-Pakala section the actual release of scrap from the work was more than the projected scrap by 1082.33 MT valuing ` 1.80 crore. Audit observed that quantity of 52 kg and 90 R rails<sup>234</sup> were not taken into account while estimating the scrap of the GC work.
- In SR, in case of TRR-P<sup>235</sup> for 6.042 KMs between 'Chennai-Arakkonam', it was estimated that 52 kg rails would be released i.e. rails for which weight of 1 meter of rail is 52 kg. Instead, 60 kg rails were released i.e. rails for which weight of 1 meter of rail is 60 kg. This indicated non-compliance of general procedure of estimation.
- In SER, when the Gauge Conversion work of Rupsa-Bangripasi (90 kms) was taken up, the train movement was suspended in 2001 in Bhanjpur-Bangripasi (34 kms) narrow gauge section. The work was started after six years (April 2007) and completed during 2009-10. It was observed that as against estimated released rails of 68000 meters, only 52786.29 meters of rails were released as seen from the records of Construction Department. Joint Inspection of railway lines between Bhanjpur-Bangripasi (34 kms) by PWI and Inspector of Stores Accounts/stock verifier revealed that another 10016.97 meter rails were stolen before the lines were dismantled by the contractor. Though theft

<sup>228</sup> Km 243.22-252.60(UP) Km 245.22- 254.16(DN) between Salgajhari-Adityapurand Km 260/4-

<sup>260</sup> 18 Dn Main line in Gamharia Yard

<sup>229</sup> Est. No. 16/R/09(Revenue 89/R/10)

<sup>230</sup> Mysore Division –TRR(S) of existing 90 R for length of 24.35 Km

<sup>231</sup> TRR(P) on UP/CCR line between DDI-RCD

<sup>232</sup> GC between VM-KPD-161 KM

<sup>233</sup> Est. No. Pt-I- 01/G-BTC/GC/99(Rev. G-BTC/GCE-2010)

<sup>234</sup> 52 kgs rails mean weight of 1 m rails is 52 kgs, 90R rails mean weight of 1 m rail is 90 pounds

<sup>235</sup> Thorough Rail Renewal (Primary) abbreviated as TRR(P) where only new materials are used

report was lodged with RPF, Balasore in 2008, it was not accepted by RPF on the ground that the missing rails were found to be very old and it could not be ascertained as to when the rails went missing. Thus, delay in finalizing a contractor for completion of Gauge Conversion work after suspension of train movement, led to theft and non accountal of 15213.71 meter (359.65 MT) rails amounting to probable loss of ` 0.94 crore<sup>236</sup>.

- During inspection by audit in SER (August 2013) old and unusable stock of new (2851 nos bearing plate) and second hand (1134.26 meter of 90R rail) material were lying at Section Engineer (Permanent way), Sini office in Chakradharpur Division since 2000 and 2009 respectively. These were yet to be identified for disposal.

**5.1.2.2.2** Para of 2219 of the IRSC classifies store items as “Dead Surplus” only if, (i) they have not been issued for a period of 24 months and are also not likely to be utilized on any Railway within the next two years, and, (ii) have been duly inspected and declared Surplus by a Survey Committee. Such items of stores may be surveyed, reclassified and promptly disposed off. The position of non-moving items over of 36 months<sup>237</sup> as of 31 March 2013 over 40 Scrap Yards/ Stores Depot of Indian Railways was reviewed. It was observed that 3714 surplus store items valuing ` 37.98 crore had not moved over 36 months from the depot.

- Out of 3714 surplus items, for 3005 items valuing `27.24 crore, no Survey Committee had been formed (March 2013).
- Only in case of 709 items, the Survey Committee formed with members from user department, stores department and account department had declared only 60 items, valuing `0.48 crore as scrap. In respect of 70 items (NR-60, NER-2 and SER-8) the cases were under process with the Survey Committee. In respect of 67 items, the Survey Committee had done verification, but alternative uses of these items were being explored before declaring them as scarp. In remaining 512 items the Survey Committees were yet to take a decision.
- In Railway Coach Factory (RCF), Kapurthala (September 2013) it was seen that surplus stores valuing `23 crore were generated either due to change in design, specification or due to change in the Production Programme till date (March 2013). These stores items had not been surveyed by a Survey Committee during the last three years.

Wide variations in actual release of rails as compared to estimated projections indicated that the estimates were not prepared as per the field/track conditions and by following the laid down procedure of foot survey. Release of less scrap than that estimated indicates a high risk of theft/pilferage and resulting in the loss of revenue. Also there were delays in survey of surplus stores and non declaration of

<sup>236</sup> @ ` 26,000/-per MT

<sup>237</sup> Allowing another 12 months time for completion of survey



non moving items. These were indicative of deficiencies in the system of identification of scrap from various track works and in stores depots.

### 5.1.2.3 Collection of scrap by Stores Department

Store items and condemned rolling stock identified as scrap are collected from store depots and sent to scrap yards for further disposal. Permanent Way scrap is kept in convenient places i.e. rails are kept beside the railway lines and switches, fastenings kept in PWI store. Para 1601 and 1539 of IRSC stipulates that stores identified as scrap may be sent to designated Stores Depot through Advice Notes for final disposal. Care should be taken to reconcile the quantities returned through Advice Notes at the depot.

Audit examination of Advice Notes at 39 depots revealed that:

- In 18 Depots<sup>238</sup> 206.311 MT and 1567 Nos. of store items were received with shortages valuing ` 0.68 crore.
- In five<sup>239</sup> Zones, shortages occurred due to wrong weight assessment by the consignor and non-availability/in-adequate availability of weighing facilities at the consignor end. Where weighing facilities were not available, the weight was being arrived at on the basis of visual inspection and approximation. This increased the risk of pilferage/theft of the material on the way to the Store Depot.
- In SER, one Store Depot informed that due to non-availability of weighing machine at Workshop, the scrap material was being sent with a blank Advice Note, which is filled at the Depot, where weighing facility is available. In SR, at one<sup>240</sup> Store Depot, quantity of returned store was not filled in on the Advice Notes by the senders. Non-weighment of scarp material on way to Store Dept thus increased the risk of pilferage/theft.
- Railway Board (January 2010 and November 2012) advised Zonal Railways/Production Units to use modern technological tools such as digital cameras/ CCTV to improve efficiency in scrap disposal system and to convey message of watchful eye as a deterrent to manipulations. Review of position of such security measures in nine Zones<sup>241</sup> and three PUs<sup>242</sup> revealed that digital cameras were provided only in four Zonal Railways (SCR, SR, ER and MR) and CCTVs were provided in only in one Zonal Railway (CR) and in one production unit (ICF/ Chennai) till the time of audit (August 2013).

It was also observed that no timelines were prescribed for various stages of management of scrap of rolling stock viz. condemnation, intimation, preparation of lots and disposal. The average time taken from condemnation by the user

<sup>238</sup> In WR(DHD, SBI, MX,PRTN), in CR(HBHR, Manmad), in SCR(Lallaguda), in SECR(GSD/Raipur), in SR(GSD/PER), in NR(SSB.AMV), in ECR(SPJ), in ER (Belur, Jamalpur) in NER(GKP), In ECoR(MCS/BBS), in SER(Scrap Yard/KGP, R-Yard/KGP)

<sup>239</sup> SER, ER, SCR, SWR, and WR

<sup>240</sup> GSD/ PER

<sup>241</sup> NCR, SR, ER, SCR, CR, ECR, SWR, SECR and MR

<sup>242</sup> CLW, DLW and ICF

Departments<sup>243</sup> to intimation to Stores Department was 66 days and 96 days from the date of intimation to Stores Department to sale of lot. However, the maximum time taken was 1232 days in CR (in one case of wagons), 5891 days in SR (in one case of coaches) and 1447 days in WCR (in one case of locos).

Absence of weighment facilities at senders' locations was a weak link, which enhanced risk of theft/pilferage of stores on the way to scrap depots. There were also delays in sending intimations of condemned rolling stock by the user departments to the Stores Department. Further, non disposal of unserviceable released items not only led to blockage of revenue, but also financial loss due to deterioration and reduction in value of scrap.

#### **5.1.2.4 Disposal of Scrap**

After identification and collection of scrap, lots for similar items are formed in the Scrap Yard and reserve price fixed by the COS for all items and auction for lots are arranged. Lots of Rails are arranged on 'as is where is' basis and fastenings of Permanent Way materials are kept in Section Engineer (Way) premises where lots are formed for auction. Rolling stock is also formed into lots in Scrap Yards. After auction the reclaimable fittings of rolling stock such as wheel sets, axle boxes, springs etc. are separated by cutting of the rolling stock.

##### **5.1.2.4.1 Sale of Lots**

As per provisions of IRSC the Railway Administration should ensure that there is no variation in the quantities of lots as indicated in the Register of lots and quantity mentioned in the Auction Catalogue before conducting auction and effecting deliveries.

Review in audit revealed that out of 87520 lots across 13 Zones<sup>244</sup> and five Production Units<sup>245</sup> sold during the 2010-13, in 303 lots, scrap weighing 2849.69 MT and 690 items valuing `6.75 crore was found short at the time of delivery.

The Railway Administration attributed the shortages to visual measurement of lots (SER), deliveries found short at Scrap Depot, measurement of weight on assumption or average basis (NER, WCR), theft (SECR), measurement of weight on approximate basis due to non-availability of weighing facilities with the stock holders (WR) and mixing of different materials and inadequate source segregation at the shop level (ICF). The above replies confirm failure of Railway Administration in ensuring a robust internal control system to prevent pilferage/theft and consequent loss to Indian Railways.

##### **5.1.2.4.2 Lots sold below Reserve Price**

Para 2411 (2) of IRSC provides that Reserved Prices should be fixed by the COS or Depot Officer on the basis of bids obtained at past auctions and any other information available. The basis for fixation of Reserve Price is the rate obtained for the particular item in previous auction, prevailing market rate, physical

<sup>243</sup> Mechanical and Electrical departments

<sup>244</sup> SER, CR, NER, NWR, SECR, SWR, WCR, WR, SR, NCR, NR, ECR, Metro Rail

<sup>245</sup> ICF, RWF, CLW, DLW and DMW