NEW YEAR Greetings

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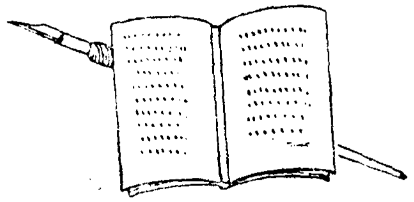

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Central Railway Magazine—*November 1955*
Northern Railway Magazine—*November 1955*
North Eastern Railway Magazine— *1955*
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Chartered Accountant—*November 1955*
Southrailnews—*November 1955*
Railcoach—*November 1955*
Indian Railway Gazette—*December 1955*
Accountants' Journal, New Zealand—*Nov. '55*
Australian Accountant—*October 1955*
Careers & Courses—*December 1955*
Wednesday Review—*W. E. 7-12-1955*
Railway Herald—*W. E. 5-12-1955*
Monthly Railway Statistics (Rly.Board) *April 55*
Educational Review—*November 1955*

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(A Monthly Journal devoted to Railway Accounts, Audit and Finance)

14, BALAKRISHNA ROAD, MADRAS-4.

Vol. II **DECEMBER 1955** **No. 9**

Routine Checks and Test Checks

Not unoften it is widely believed, not only in the Accounts Department but also elsewhere, that the checks made by the Accounts Officer or the Auditor are generally of a very routine nature which are either unnecessary or may be treated as unimportant trifles. Experienced Railway Accountants will, however, insist (and rightly) that such "routine" checks should be scrupulously made and that the failure to make such checks should be zealously guarded against. What at first sight may appear to be a very trifling item of check may involve a large amount of financial loss if such check is omitted to be made. For instance, every bill produced for payment is required to be marked "original". If the checking clerk in the Accounts Department overlooks this requirement, it is possible that more than one bill may be passed against the same item of claim against the railway. The paramount necessity and importance of routine checks, however trifling they may seem, are brought out in bold relief in a recent case known as "The Mangalore Treasury Defalcation Case" in which judgement, dismissing the criminal appeal preferred by the accused, was delivered by His Lordship Mr. Justice Somasundaram of the Madras High Court.

The case against the accused persons was that they conspired together and brought into existence false and forged documents like pension payment orders, general provident fund orders, and other miscellaneous orders, and used them to obtain large sums of money from the Imperial Bank (now State Bank) at Mangalore and the Mangalore Treasury and thus cheated the State of Madras to the extent of Rs. 3,25,000 and odd. It appears that pensions for fabulous sums had been drawn in the names of fictitious persons at the rate of Rs. 4,200 a month, which amount was subsequently raised to Rs. 5,200 a month, and then to Rs. 6,200, Rs. 7,200, Rs. 8,200, Rs. 11,200 and finally to Rs. 12,200. It must be obvious to anyone that the maximum pension is normally only Rs. 500 per month, increased to a certain extent in certain well-defined circumstances. It would appear that the fraud had been going on for a number of years, and we daresay that the routine checks (even apart from the question of any imagination on the part of any official) by the authorities at the different levels should have brought to light the fraud at an earlier stage before the loss assumed huge dimensions. The procedure in the Accountant General's Office in regard to the check of these payments has been dealt with in the Judgement. According to the procedure, a statement was prepared by the pension clerk for payments made from the first to the tenth of each month and this was sent along with the necessary vouchers to the Accountant General's Office of the State. There, the list was received by the Current section and distributed to the concerned sections, where they were audited and the schedules totalled. The list, as already stated, contained the payments made, but the totals were so inflated as to cover up the payments. The Judge pointed out that if any one in the concerned section had only compared the vouchers with the entries, in the list or totalled up the amounts, this fraud would easily have been discovered. But nothing appeared to have been done in the Office of the Accountant-General also

It was most extra-ordinary, His Lordship remarked, that the Accountant General's Office which scrutinised accounts so carefully and put up objections even for a few annas in excess or shortage, should take no notice of this inflation in totals. In addition, there was the audit of the Treasury biennially. Whoever was deputed to audit these accounts during these years, 1950-53, should have been able to discover this and it was extraordinary that this fraud was not discovered by such an auditor. His Lordship further remarked: "I am not prepared to say that the auditor has overlooked this. This seems to me that whoever was sent to Mangalore District Treasury to audit these accounts has been got at by the accused and he must have deliberately suppressed this fact from the notice of the Accountant General. A copy of the judgement will be forwarded to the Auditor General of the Union Government to take such action as he deems fit against the concerned sections and the auditor who was deputed to audit the accounts in the Mangalore Treasury in 1950-'53".

The importance of routine checks is no less in the case of Railway transactions than on the Civil Side, and the case cited above should be an eye-opener to Railway Accountants and Auditors to ensure that such checks including test-checks (which are not to be regarded as a formality) are ensured conscientiously in the interests of not only firm audit but also in the interests of the taxpayer.

Heavy Outstandings at Railway Stations

Instances have come to notice of heavy outstandings accumulating at stations not for months, but for years together, and sometimes to the tune of lakhs of rupees. This should call for immediate enquiry and action. It is obvious that, under the rules, timely action should have been taken in order to keep these outstandings not only within reasonable limits, but also absolutely current. In the case of audit debits particularly, when they are admitted debits, the Commercial Department which is responsible for all collections of earnings, should have seen to it that they were promptly made good by the Station staff, and when they found unreasonable delays, action for recovery or other methods of realisation should have been adopted by them. The Accounts Department also should have pointed out to the Commercial Department about the increase in volume of such outstandings without adequate and timely action. Similarly, in the case of freight outstandings, the rules are so clear that there should be no case of an outstanding To Pay consignment at a station for more than three months if the staff were vigilant and carried out the rules. The District Traffic Officer should also have seen to it either through the monthly outstanding list sent to him by the station or through the Traffic Inspector's periodical inspection of the station that necessary action had been taken by the Staff.

(Continued on page 278)

The Chief Offender

That "Finance" is looked upon as a thorn by the Executives not only on the Railways but also in other organisations is evident from an article on "Economic Operation of Domestic Air Services" by Wing Commander R. Vaughan Fowler (Retd.), appearing in "THE HINDU" some time ago. Commenting on the present financial control in regard to the operation of the nationalised Indian Airlines Corporation, the Wing Commander says:

"The chief offender is, of course, the Financial Controller, who does not regard exhorbitant and fabulous expenditure on his own department as out of the ordinary, whereas in the case of any commonsense expenditure on such things as spare parts, this immediately receives his scrutiny followed by blue pencil. As a result, whilst endeavouring to save money on the operation side, the Financial Controller lands the IAC in spares difficulties. There have been many occasions when frantic cables have had to be sent abroad for spares to be purchased immediately and sent out by air at freight costs sometimes 200 percent of the purchase price of the spares. This is an indication of how economy can be directed in wrong channels which, in fact lead to tremendous waste, to say nothing of lack of efficiency. Even safety can be endangered by such methods."

While, on the one hand, the Government of India and the Parliament on behalf of the tax-payers are insisting upon full financial control in regard to the activities of Government Undertakings in order to adequately protect the interests of the tax-payer, it is distressing to note on the other hand that those who are connected with, or interested in, only the Executive side, undisguisedly show their apathy towards financial control of any kind. In the instance of spare parts pointed out by the Wing Commander, certainly Finance is entitled to ask why the spare parts were not provided in time, and, when they had to be provided, full justification for these to show that they are essential and not excessive would have to be given. This is what any tax-payer would expect of the official who is entrusted on his behalf to protect the interests of the taxpayer; indeed any proprietary business would certainly like to be assured and satisfied that the amounts that he spends, before he spends it, is perfectly justified. It is for the Executive or Management, to satisfy Finance in each case that the expenditure proposed is essential and justified, and if such a justification is forthcoming one cannot imagine that any Finance Officer would desist from giving his concurrence to the proposal.

Expansion of Railways

Provision in the Second Five Year Plan

The Railway Minister, Mr. Lal Bahadur Shastri, while delivering the inaugural address at the 15th Annual general meeting of the Indian Chemical Manufacturers' Association, declared that the expansion of the Indian railway system "on a scale unprecedented in its history" was inevitable to keep pace with the heavy industrialisation programme envisaged under the Second Five Year Plan.

He expressed the hope that the Indian chemical industry would also get a fair share of the increased transport facilities which the Indian railways would provide as the Second Plan got under way.

Mr. Lal Bahadur Shastri said that the Second Five Year Plan was growing in size and the demands on the railways were also naturally on the increase. "Unless the heavy and increasing burden on the railways is fully realised and things are considered and viewed in a wider perspective", he said, "I am afraid we would be doing great injustice to the urgent problems of transport resulting in a bottleneck which might affect the development of other sectors". The Railway Minister went on: "I trust the absolute urgency of the problem would be fully borne in mind so that the Plan does not founder on the transport issue".

The Railway Minister stated further: "an efficient transport system is the essential prerequisite of all industrial development. On certain sections the railways are unable to meet all demands currently due to various causes like inadequate line capacity and shortages of rolling stock. It takes time to completely remove these causes of transport shortages, but we propose to tackle them as successfully as possible during the Second Five Year Plan period.

* * *

During the past year or so, the country had witnessed a marked parallel increase both in regard to railway transportation and the production of goods which we are asked to carry. During the first nine months of this year, for instance, there has been an increase in loadings to the extent of 9.7 per cent on the metre gauge and 7.4 per cent on the broad gauge."

FREIGHT STRUCTURE

Referring to various questions raised by the Association's President in his opening address, the Railway Minister expressed the hope that the Association would take full advantage of the enquiry being made by the Railway Freight Structure Enquiry Committee. The future scope and functions of the Railway Rates Tribunal was also being examined by this Committee to make it a more effective instrument.

As regards the diversion of traffic from rail to the road over short distances, the Minister said that there had to be a complete coordination between the different means of transport and simultaneously with the development of the railways, the country's road services must be encouraged to handle short distance traffic for which they are best suited.

The Railways, he said, were alive to the need for movement in bulk of various kinds of liquid chemicals and provision had been made in the 1955-56 Rolling Stock Programmes for the acquisition of specialised wagons.

The facilities for moving small consignments of medicines and drugs and parcels, the Minister said, called for improvement and the Railways had recently been asked to take energetic steps to improve things in this respect. Targets of movement have been fixed and the position is being watched both at individual railway headquarters and in the Railway Board' Office.

TO THE YONGER MEMBERS OF THE RAILWAY ACCOUNTANCY PROFESSION

The heights by great men reached and kept
Were not attained by sudden flight
But they while their companions slept
Were toiling upward in the night.

— *New York Certified Public Accountant.*

Planning & Progress

(The following extracts from an Article prepared by Sri C. G. Devayya, Production Engineer, I.C.F., in connection with the launching of the First Coach on 2nd Octr., 1955, by Sri Nehru, may furnish some valuable information to those interested in the subject of Production Planning & Control, though the details refer in particular to the I.C.F.).

Planning is the technique of foreseeing or picturing ahead every step in a long series of separate operations, each such operation to be of maximum efficiency and of so indicating each step that routine arrangements suffice to cause it happen in the right place and at the right time. The mental labour of production is reduced to a minimum by planning before the work is started, by defining what work shall be done, how the work shall be done, where the work shall be done and when the work shall be done.

At peak production in the factory, there will be nearly 900 various types of machines including welding sets in operation. Several of these are single purpose or special purpose machines capable of producing coach components at the very fast rate demanded by the heavy output programme chalked out for the factory.

The effective utilisation of these modern high speed machines calls for the provision of uptodate tools which are being produced in the machine tool world. Tool engineering is now a large field of specialisation in which there is a constant trend towards improved methods which have far-reaching effects on production. The Production Department has, therefore, ensured that the factory is equipped with the latest tools that are being manufactured to assist the industries to cope with the demands for high speed production in this era of mechanisation.

* * *

An efficient organisation for tool control will ensure the availability of the correct tools and their maintenance. Proper maintenance of inventories and tool records including their history in service will enable evolving tooling of jobs to an efficient degree.

The issue of tools in the various shops will be from suitably located tool cribs which enables the various tools to be stocked and issued in a systematic manner. The tool room will ensure that the tools are kept ready in advance so that when required by the operator, the right tools are immediately available at the tool cribs. Inefficient tooling and tool control are frequent causes of workshops not obtaining the maximum output from the installed capacity. The tool crib operation will provide for careful, accurate and rapid service. The double token system which will ensure quick issue without any paper work will also locate the tools already issued as well as the parties to whom issued.

As this factory has been built to produce one particular type of coach known as the integral coach in the first instance, there is a concentration on the manufacture of specific types of products as compared to the various types to be manufactured against customers' requirements in other commercial factories. In other words, long production runs are made possible which gives the maximum scope for the use of jigs and fixtures. Taking full advantage of this fact, in the pre-production planning, 670 jigs have been provided for at an approximate cost of Rs. 20 lakhs which will greatly assist in simplifying the manufacturing operations by eliminating individual attention that would otherwise be necessary to the marking and clamping of the work and guiding of tools with respect to each job. Of these jigs, four are large assembly jigs, for welding the various members together to be utilised in the assembly shop for the under-frame, roof construction, end construction and final body assembly where the shell is completed.

Steel items of various sections, thin steel sheets and plates, light alloy sheets, tubes and pipes, rubber profiles and parts, light alloy extrusions, castings and forgings, pipes and pipe connections, stainless steel screws and nuts, springs, paint and insulation material etc., are the various types of raw materials that are required for the coach.

When the coach is turned out of the factory in an unfurnished state together with the bogie, each coach will weigh 32 tons and for the 350 coaches it will be seen that about 11,200 tons of materials will have to be stocked in stores and handled through the manufacturing shops.

In addition to these 350 coaches which will be currently turned out during the year, the components for the future batch orders will have to be manufactured continuously and the amount of materials that will be stocked and handled is expected to be at least two to three times the above tonnage including the several items of other consumable items and indirect materials required for the manufacturing processes and the maintenance of plant. By scheduling carefully well in advance it will be ensured that the raw materials are made available for the commencement of production on each batch order.

Efficient handling and conveying arrangements are most essential for economical production. The transport of materials, so that they will be made available at the proper time and at the proper place in correct quantities, requires considerable organisation.

Very often the cost of production is almost directly proportional to the cost of handling materials. Handling has, therefore, been eliminated wherever possible and for the handling that is necessary, mechanical means have been provided for. Fork Lift trucks, Lister trucks with trailers, pallets, containers etc., cater for the movement of smaller parts between shops and good concrete roads provide for efficient inter-communication.* * * Wheels and axles in storage are handled by a 5-ton steam crane and a Neals 5-ton tractor crane is available for other miscellaneous purposes. For the handling of sheet metal between the various machines, ball transfer arrangement has been adopted.

In order to ensure easy transport and availability of the purchased and manufactured parts required on the assembly lines, each part or sub-assembly is nominated to be stocked in a conveniently located Finished Part Stores.

In preparing for production, a master list of parts has been drawn up after dividing the coach into various groups indicating the individual components required for the roof, side walls, end construction, under-frame, draw bar and buffing gear, vacuum brake and bogies separately.

The decision whether the part is to be manufactured or purchased and the number of coaches to be produced on each production order is decided taking into consideration the manufacturing capacity developed at each stage. The maximum efficiency in production is no doubt obtained by manufacturing the required quantity of the product, of the required quality, at the required time by the best and cheapest method. In several cases parts are stored as sub-assemblies for greater ease and efficiency in assembling.

A master operation plan is made out after an operation study indicating description of the part to be manufactured, the raw material required, the machine group to be utilised for each operation, special tools, jigs or fixtures to be used and setting and operating time for each operation.

For most of the jobs actual time study is carried out while the operation is in progress to ensure the accuracy of timings laid down. Special instruction sheets furnishing the particulars of tooling, speeds, feeds and depth of cuts are issued to shops so that the operator is in possession of the complete 'know-how' to produce the job. The gauging of the efficiency of the plant and the success of any incentive system of payment that may be introduced in the factory will greatly depend on the efficient planning and rate fixing for the various operations.

Time study is not made to force the last ounce of effort out of the workers, but its usefulness lies in the fact that by a scientific study reasonable timings are fixed and as a result very often it is possible to improve methods and also standardise equipment. Certain operations are eliminated or simplified or a better sequence of operations adopted.

Time observations are made over a long stretch of period and several such observations are made as there is a difference between what a man can do for short times and what he can maintain. This enables fixation of reasonable timings for the preparation of the master plan where taking all the above factors into consideration, the time for setting up and operation is recorded.

A Scheduling Section working in the Production Department is responsible for fitting of the specific jobs into a general time table so that in mass production each component may arrive at and enter into an assembly in due order and on time.

After the manufacturing processes have been finalised by the Planning Department, the Scheduling Section gets down to the detailed schedule wherein specific target dates are assigned for each job duly taking into consideration the raw material availability, the time required for the manufacture of the components, machinery capacity available and the latest date by which the coach component is required on the assembly lines. These assigned dates for each component are entered in the job cards and progress sheets so that the manufacturing and the Production Control Departments can watch and ensure that the programme is actually put into effect and the dates set for each operation are observed.

The function of the Progress or Expediting Section is to ensure that for each operation the raw materials are available in time and that the operations are commenced and completed as per the scheduled dates. All delays are pinpointed and necessary expediting action taken.

While the progress sheets enable the watching of the progress on individual operation, a Master Progress Board is maintained which at a glance indicates upto the minute information as the inventories and the progress of manufacture in relation to the planned programme. If bottlenecks or obstructions arise to impede the flow of production, it is for the Progress Department to take effective action and clear the way so that the production programme can be adhered to.

It has to be ensured that the machinery capacity is properly utilised and the loading on the various groups of machines is evenly balanced.

If at a particular stage for any reason, the load on a group of machines exceeds the capacity available, the machine loading section brings this fact to the attention of the Production Planning Department who in turn will plan the operations to be carried out on other types of machines where spare capacity may still be available.

At a glance from the board, the Production Department will be in a position to keep a track on machine loading and have upto the minute information regarding the capacity available in each machine group for the absorption of the future production orders.

From the detailed planning of manufacturing operations, the actual time that should be taken on the various jobs in the plant is known and this is compared with the actual time taken. Such losses are analysed under the various headings such as machine breakdowns, inefficiency of operator, inefficiency of tooling, defective materials etc. and the Planning Department investigates the reasons for such losses in machine hours and takes necessary action to prevent the future leakage of machinery capacity due to such reasons.

Planned production serves as a means of waste-elimination and cost-control. It is most essential that the coaches should be produced in the most economical manner and the aim is to bring the cost of production to as low a level as possible as compared to the cost of coaches that were being imported. To ensure this, strict vigilance will be maintained in the factory on the various items of expenditure.

It is intended to introduce an elaborate cost accounting system so that a maximum analysis of expenditure is possible whereby a check can be maintained on wasteful production and expenditure. The system of punched cards is likely to be adopted in the factory and with this end in view, the production documentation is so designed that the relevant data can be transferred on to the punched cards.

By a proper system of coding, the information required by the Production Engineer can be extracted accurately and quickly.

These are the various means whereby, when the factory sets about its task of producing 350 coaches each year, the inevitable operating friction will be reduced to a minimum and clear instructions issued to every man in the factory regarding the production methods so that high man and machine-hour productivity is ensured.

The Changing Role of The Internal Auditor.

BY R. E. PALMER, F. A. C. C. A.

An extract of the lecture on the above subject by Mr. R. E. Palmer, F. A. C. C. A., Chief Internal Auditor of Monsanto Chemicals Ltd., at the London Chapter of the Institute of Internal Auditors' luncheon meeting on 14th September, 1955, is given below and will be of interest to Railway Accountants. (Acknowledgment to the Accountants Journal, London).

* * *

It is something of a truism, of course, that the whole history of accountancy is one of continuous progress and development in methods and techniques. What is not always appreciated so readily is the greatly accelerated tempo of change that we have witnessed in this post-war decade. Before attempting to assess the effect this has had already and is likely to have in the future on the whole concept of internal auditing, it is as well perhaps, to isolate the major causes of this upheaval in industrial and commercial accounting. Two factors I suggest, are predominantly responsible:

First—the tremendous and still growing importance attached to the many facets of management accounting.

Second—The introduction and rapid extension of electronics in the accounting field.

The revolutionary effects these two factors are making in the modern accounting department need no elaboration from me—your own experience will suffice. What does perhaps need emphasizing is the widespread nature of their impact. The modern business organisation, whatever its nature, is a highly integrated and compact unit. Purcha-

sing, production distribution, servicing, research, planning and administration, are so closely coordinated and interdependent that the accounting and organizational requirements of the business, and the network of procedures and methods designed to meet those requirements affect the fabric and structure of the whole concern.

So much for the wider canvas; what we, as members of a particular branch of accounting, are primarily concerned with is this; has internal auditing been involved in this metamorphosis? Has our potential function been changed in any way, and if so, to what extent? Is the new situation one which can be met merely by a readjustment in detail of an internal audit programme? or has the current decade witnessed such a change in accounting and management requirement, that a complete re-orientation of our ideas, approach and technique is warranted? I suggest that the latter is indeed the case. I go further and suggest in all seriousness that unless we, ourselves, and the managements we serve, are wise enough to alter, radically, the whole conception of the function of internal auditing as it has been understood in the past, then the next twenty years will see its gradual absorption and extinction as an element of sound management control.

We may not find that idea particularly palatable; you may think that its validity is open to question. What I think will NOT be disputed is that the problem posed is deserving of some careful analysis and real serious thought and concern,

No one, presumably, will quarrel with the view that for many years, in this country at any rate, internal audit was regarded merely as an extension and elaboration of the statutory financial audit. In the relatively few undertakings that saw fit to introduce it, its function was confined largely to that of internal check, mostly historical, as a security measure against fraud an misappropriation and in collaboratin generally with the external auditors i the execution of their responsibilities t the shareholders and the changing pro visions of the Companies Acts.

That, I think, would be a fair descrip tion of the purpose and scope of interna auditing at its inception, and a wholl commendable and worth-while purpose too, when the primary aim and object o accounting was to provide executive and shareholders with accurate an informative statements of past operation in the form of profit and loss account and balance sheets. But times hav changed and the modern accountin department is no longer regarded as a unproductive and somewhat unfortunat necessity. The multifarious demands c management accounting with thei emphasis on current and future opera tions, calling for continuous flow c statistical data pertinent to every sectio and department of the organizatio have made the accountant in industr and commerce an indispensable link i the chain of management control.

If this is true of what we may call th constructive side of accounting, is it an less true that the whole conception c internal auditing, its function and i scope, must be similarly widened ? would certainly appear logical, but venture to doubt whether, in the majorit of organizations, managements ar accounting executives have bothered give much thought to it, or whether w as internal auditors have been sufficien ly alive to our responsibility for focussin attention on to it. And yet surel auditing as it has been understood in th past, and giving that term its orthodo and conventional meaning, is total inadequate to describe the function the internal auditor of today and tomo row. To it, if it is to serve manag ment fully within the orbit of changing context, must be added t function of diagnosis and appraisal, In a recent publication of The Association of Certified and Corporate Accountants entitled the Modern Approach to Internal Auditing, it was claimed that whilst implicit in the duties of an internal auditor, there would always be an irreducible minimum of conventional auditing with its close association with the statutory audit, that particular function, having regard to modern accounting techniques with their controls and systems of internal check, was assuming a rapidly reducing degree of importance. What should, and to some extent has begun to take its place, is the vital function of surveying and scrutinizing systems and methods and the operations of policy, not only in the various sections of the accounting department, but throughout the organisation. And the reason is logical enough.

The presentation to management of the mass of statistical information so necessary to effective management control is dependent ultimately on the active and intelligent cooperation of every department and unit of the concern, right down to the shop floor.

It is not difficult to see the weakness of this structure. The accountant cannot have any effective control over the accuracy, either of form or content, of the information reaching him from remote points; information which in turn is the bricks and mortar of the breakdowns and analyses, the charts and graphs, and statements and accounts he prepares. It is to remedy this weakness, and to provide that control, that internal audit may be used to greatest advantage. If so used, it becomes in itself an instrument of management control, a function which I suggest offers unlimited possibility for development in the future.

The other factor I mentioned earlier was the introduction of electronics into the field of accounting. That horrible word 'automation' currently in use is but descriptive of a highly efficient technique that has come to stay. Even so, he would be a singularly short-sighted individual, whether he be accountant, technician or executive, who failed to recognize that this latest innovation with its tremendous advantages in speed and accuracy, is not without its own weaknesses. Chief of these, surely, is the absence of human contact, the finger on the pulse so to speak, during its automatic processes. The meat, if I may put it crudely, goes in one end, the sausage complete with shiny skin comes out the other. What happens in the interim is neither discernible nor subject to any intimate human control. And that weakness not only gives rise to the possibility of initial errors being magnified by arithmetical or even geometrical progression; it reduces the points at which errors may be discovered except at such a late stage that corrective action becomes a major task and a potential source of breakdown in the tempo and smooth flow of completed work. None of us would dispute the many advantages automation has to offer. What is essential to keep in mind however, is the danger of assuming that because a machine is infallible, the mass of information it produces is also infallible. In point of fact, of course, it can be completely worthless for the very simple reason that the value of an end product is dependent on the quality of its raw materials no less than on the standard of workmanship. If the data with which the automaton is supplied, is deficient or inaccurate, the resultant information, however beautifully presented, is wholly false.

To auditors, above all people, this may appear to be stating the obvious. I emphasize it to spotlight the additional degree of importance that automation has placed on the accuracy of all original data from wherever it may emanate, and to pin-point the contribution that internal auditing in its wider concept can make in solving the newer problems that modern devices have created.

Electronics, and the even wider impact of management accounting in industry and accounting have materially altered the conditions and the sphere in which the internal auditor is called upon to operate. It is not unreasonable, therefore, to suppose that his functions and his methods must alter to accommodate the changing circumstances.

In what way then may internal auditing most effectively make its contribution as a service to the accountant and an aid to management? Unless that question is answered satisfactorily, the suggestion that its role is in any way open to change remains nebulous and unconvincing.

Basically, for details will naturally differ according to the nature of the business, its wider function involves a shift both in emphasis and location. *In emphasis* in that whilst it must retain a close association with the financial audit with all that that implies in terms of security and internal check, its duties must be extended to include investigation, survey and appraisal of methods and techniques and the efficiency and economy of operations in so far as they have any relation whatever to accountnig, clerical or administrative requirements. *In location*, in that its sphere of activities must be more and more directed to the sources of information and to the diagnosis and solution of relevant problems wherever they may occur, either on the initiative of the internal auditor himself or at the request of senior or departmental management. In short, its removal, metaphorically, from the ledger to the shop floor.

Thus, from the conception of internal audit as that of a financial inspectorate, there emerges the wider conception of it as an integral factor in service and management control.

And that, gentlemen, brings me to a question that bristles with difficulty. Are we, as internal auditors, properly equipped to assume such a function? Have we sufficient knowledge, the requisite qualifications, the desired outlook and approach and the critical faculty to undertake those responsibilities? Remembering always that those we have to convince are not ourselves, but business executives and our colleagues in the accounting profession. Such a question cannot of course be answered without stating what those desirable attributes involve in practice. Forgive me for cracking a chestnut in reminding you of the definition of a chemical engineer, as a man who talks chemistry to engineers, engineering to chemists, and if he is wise, politics to mixed company. Wholly slanderous of course, but indicative of the dangers to which we expose ourselves in this day and age in being anything other than a specialist! And yet that is the last thing an internal auditor can afford to be if he is to measure up to his potential function. Neither can he afford to be a 'jack of all trades and master of none!' And if that leaves him seated on the horns of a particularly nasty dilemma, the seat is not made any more comfortable by an analysis of what he *must* be. As an auditor he must be above reproach but that is not enough. In addition, he must be a diagnostician and cost and financial accountant. He must be possessed of organising ability (for how else can he detect organisational weakness?) initiative and perspicacity, tact and the correct approach, the capacity to command respect from every strata of the organisation and not least an intimate acquaintance with and understanding of the modus operandi of the whole concern, from production and distribution to services and administration, and the capacity for constructive criticism, discussion and report.

Whether this horrifying schedule of virtues is ever likely to be found in one person, I take leave to doubt: certainly if ever you meet such a paragon, for heaven's sake put a collar and chain on him for he must not be allowed to escape!

Not because of his worth, but because captivity is the only place for such an insufferable prig.

But in all seriousness it must be obvious that no internal auditor can be expected to attain the proficiency of the specialist expert in every conceivable branch of the organization in which he is engaged. What is essential, however if he is to be used in the exacting task of survey, investigation and appraisal, is that he must be a thoroughly competent accountant as well as an auditor and must possess as a minimum, a working knowledge of all the ramifications of the organisation, sufficient to assess problems of an accounting, clerical or administrative nature in whatever context they may occur.

Nothing less will suffice, for we have to recognize that whilst in some countries, notably in America, this wider conception of his function has long been accepted, industry in this country has yet to be wholly convinced. There are execeptions, of course and those exceptions are becoming more numerous, but in the majority of British concerns, the progress made in the technique of internal auditing still lags far behind that of other branches of accounting. Quite apart from the prejudice that exists against the implications of internal audit, a prejudice that most of us have to meet on occasions, even from accounting personnel who should know better, it is a fact that the British Industrialist is inherently conservative, suspicious of change and decidedly cautious in accepting innovations until they have proved themselves in practice. In the realm of accounting, it has tended to segregate specific functions into watertight compartments and to use the specialist in his own particular sphere.

Our problem is to convince managements and accounting executives that in internal audit they have a tool which, if properly fashioned, and intelligently used may become an instrument of liaison and co-ordination, diagnosis and appraisal, a service to the whole accounting structure and an aid to managemet control.

Conviction will not carry by mere statement. Only by proving our competence as opportunity occurs, and by seeking those opportunities by our own initiative can we rightly expect to persuade managements along those lines. And as a prerequisite, that means a determined effort to widen our field of knowledge and that of our staffs, on matters which in the past have necessitated merely a nodding acquaintance.

Inescapably, to my mind, two possibilities are emerging for the internal auditor. Either his gradual elimination because accounting methods and controls and internal checks and automatic devices will have superseded much that in the past was considered essential for him to undertake, or the expansion of his scope and function with the consequent elevation of his status, to meet the complexities and demands of modern management control. The former is one we must contemplate only if we are blind to the opportunities and the responsibilities that are open to us—but we ignore it at our peril. The latter I am sure, is one that the process of evolution in industrial and commercial accounting will inevitably bring to fruition but which will be materially hastened by our own efforts in equipping ourselves to meet the challenge of the future.

Perhaps, Sir, by way of conclusion, I may be allowed to summarise briefly those points which I hope may provide a basis for some general discussion.

Firstly—The whole context of internal auditing has, during the last decade, undergone a radical change, largely because of the growing emphasis on management accounting and the introduction of automation,

Secondly—The role of the internal auditor, as the complement of the statutory auditor has, in consequence, become outmoded and to meet the changed conditions must be expanded to include the survey and appraisal of organizational and accounting procedures, methods and techniques.

Thirdly—The effect of such expansion must be to widen his sphere of activity to include all units of the organization, it being recognized that the need for scrutiny is greatest where top-level control is remote.

Finally—That only by a complete re-orientation of approach and methods and the assimilation of greater technical and industrial knowledge on the part of the internal audit personnel will this wider conception of the function of internal audit become acceptable to business managements.

It may well be, indeed I conceive it to be almost inevitable, that within the next decade that which appears contentious now, will be regarded as commonplace.

'But we are dealing with today and opportunity knocks but once. Let us seize it by the forelock for it is shaven at the back.'

Introduction of Cost Accounting in Railway Workshop.

The following Questionnaire has been issued to all the Zonal Railways in India by the Officer on Special Duty (Workshops) for eliciting their views & collecting data for consideration of the above subject. We hope to be able to keep the readers of the journal in current touch of the subject as events progress.

QUESTIONNAIRE.

1. Do you have separate standing work orders for repairs to engines, boilers, tenders, passenger vehicles and wagons in your workshops? If so, what is their scope?

2. Do you maintain cost records of each engine repaired? If not, how do you ascertain, even approximately, how much expenditure is incurred on the repair of an individual engine?

3. What method is followed in booking the expenditure on stores manufactured in shops? Are there separate work orders for different articles manufactured or are there omnibus grouping work orders to which the cost of manufacture of different articles are collectively debited?

4. In the latter case when exact costs are not known, at what rates are the products priced when they are issued to Stores or other Departments?

5. Have you got a sound Production Organisation? If not, how do you ensure an efficient Cost Control?

6. Give a complete and detailed analysis of the latest Proforma-on-cost budget/budgets for the workshop/workshops in your Railway. Indicate what proportions of General Manager's pay, C. M. E.'s pay, F. A. & C. A. O.'s pay etc., have been taken into account in framing the budget. How is the expenditure on repairs and maintenance of buildings, plant and machinery ascertained? From what sources are their Capital costs collected? The object of this question is to see how far there is uniformity in the preparation of this budget in the various Railway Workshops.

7. As the items of Proforma oncost are charged direct to final heads of Revenue and do not pass through Workshop Manufacturing Suspense, there is no reconciliation between the Budget and the actuals. This is likely to make the estimate unreal and wide of the

mark. Do you advocate the passing of these charges through W. M. S. account like items of shop and general oncost? What will be the practical difficulties if such a course is adopted? How can they be overcome?

8. Do you agree that Proforma oncost should be added to the cost of articles manufactured in shops for the purpose of a correct appreciation of the actual cost of production with a view to off-loading articles which can be produced at cheaper rates by private firms? If your answer is in the negative, give full reasons.

9. What are the current rates for (i) shop (ii) general and (iii) Proforma oncosts in your shop/shops?

10. At what intervals are these oncost rates reviewed and revised? Have the rates remained constant or varied during the last three years? If they have been raised or lowered, the range of variations may be specified and the reasons given.

11. How much debit or credit balances have been written off to Abstracts B and C (detailed heads B 2128, B 2129, C 2127, C 2128, C 2137, C 2138, C 2326 C 2327) in the last three years in respect of

(a) overcharges and undercharges-oncost and (b) overcharges and under-charges-manufacture and repairs?

12. Do you use machines in work-shop Accounts Offices? If so, what types of machines are used and for what purposes are they utilised?

13. (a) If, in future, there is a separate work order for each engine repaired what extra staff will you require in shop and Accounts Offices?

(b) If a separate work order is issued for each requisition for manufacture placed on shops, what extra staff in shops and Accounts Offices will be needed?

14. After what interval from the completion of the job are you able to know how much it has cost you? Is it not too long a period? Can you shorten it? If so, by how much? If not, what are your difficulties? Have you any suggestions to overcome them?

15. Do you like the present arrangement for distribution of oncost on the basis of direct labour costs. If not, give your reasons. What improvements do you recommend?

16. Will the amount of depreciation on buildings and plant included in the Proforma oncost budget be considered adequate if the workshops are treated as a commercial organisation? Will the present rate of contribution to Depreciation Fund require revision if this item of overheads is assumed to be calculated for a privately owned factory? At what rate or rates is depreciation calculated now? What modifications, if any, do you advocate?

17. Is there any incentive scheme in vogue in your workshops? If so, please describe it fully. Is it working well? If not, what are its drawbacks? What is the attitude of labour to the incentive scheme?

18. What are the normal hours of work per day and work in the workshop/workshops in your Railway?

19. Is there any system in your work-shops to enable work orders which are outstanding for more than three months being brought to the notice of the management?

20. Is the salary of the Shop Foreman included in the Proforma oncost? If so, is it not incorrect and should it not be included in the shop oncost?

21. Do you record cost of labour employed on work orders labourerwise or work order wise? Do you agreet hat if the time sheets are labourer wise it greatly facilitates their reconciliation with muster rolls, although an extra operation is involved in summarising individual time sheets by work orders? If you switch over from work order wise to the labourerwise method, how many extra staff will be necessary and what extra expenditure will be involved?

22. Do you allocate the cost of labour to jobs on an hourly basis? If not, what other method do you follow? If you do, what difficulties do you experience in evaluating labour hour after taking into account overtime, idle time, dearness pay etc? Has equated labour hour rate been adopted in your workshops? If so, have you got separate rates for (i) highly skilled (ii) skilled (iii) semi-skilled and (iv) unskilled workmen? Specify the current rates in force in your work-shops.

23. What is the amount of overtime paid every month under (i) para 459-w and (ii) para 460-w? What is the amount paid as direct wages (i) with and, (ii) without allowances?

24. What arrangements have you made to send your staff to Chittarajan to learn the scientific methods of time and motion study, as recommended by Kapoor Committee?

25. Dearness allowance paid to labourers forms, at present, part of overheads. Is it not better to treat it as direct costs? Grain shop concession enjoyed by labourers are not evaluated and debited to Workshop Manufacture Suspense. Do you consider this satisfactory from the point of view of accurate costing?

26. What control do you exercise over your budget provision under Work-shop Manufacture Suspense Grant 16? Is the progress of expenditure against budget provision watched monthly? If not, at what intervals is it reviewed? Is expenditure linked with performance to ensure that the physical progress is commensurate with the amount spent?

27. State the manner in which the Production and the Accounts Offices collaborate with each other for ascer-taining manufacturing costs.

28. Before arriving at the unit cost of repairs of a locomotive, carriage or wagon, is the factor of "work in progress" at the beginning and close of the month, taken into account? If so, how is the analysis of the balance made in relation to the outturn for the month?

29. Are transfers of materials from one work order to another properly and promptly supported by vouchers and in case some components are taken out from an engine etc., just received in workshop to send out another engine etc otherwise complete but waiting for this material, is the adjustment voucher prepared promptly?

30. How many qualified Cost/Chartered Accountants are employed in your Railway? In what various capacities and grades are they working at present?

Compensation Claims

(Some suggestions By Ry. Corruption Enquiry Committee)

1. A post of Clims Prevention Officer in the Senior Scale should be created on each Railway.

2. In cases involving large amounts of claims the services of Government Pleaders of the States concerned may be utilised, both for tendering of legal opinion as well as for the conduct of the litigation.

3. Local traffic claims should be Settled within three months, and within six months for a claim relating to traffic moving on more than one Railway.

4. At Stations where large claims usually arise, when the assessment of damages made by the Railway officials is not acceptable to the consignee, suitable machinery for arbitration should be evolved.

5. Responsibility of the Railway for the goods handed over to them for carriage should partly be that of an insurer, at least in the case of goods accepted at Railway Risk, after a time interval to be prescribed,

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Subjects of Moment

Efficient Maintenance of Suspense Registers.

In 1953 the Railway Board issued the following order to prevent inflation of suspense balances.—

(a) introduction of control measures stipulating careful scrutiny at different levels of supervisory staff (including Gazetted Officers) of items proposed to be charged to suspense according to the importance of the items.

(b) intensification of review of Suspense Registers maintained in various branches by the Subordinate Supervisors and Branch Officers and examination by an independent Officer or subordinate to see that proper and effective action is taken to clear the items from the suspense head.

To appraise the Railway Board of the results, monthly Progress Reports should be sent in the Pro Forma (noted below) to reach the Railway Board on the 10th of each month. The Report should bring out progress made in the clearance of outstandings in the following Suspense Registers.

1. Miscellaneous Advance, Revenue
2. Miscellaneous Advance, Capital
3. Purchases
4. Stores-in-transit
5. London Invoices
6. London Stores
7. Reserve Bank Suspense

Particulars	Total		Relating to more than one year old	
	Items No.	Amount Rs.	Items No.	Amount Rs.
Opening Balance ..				
Accretion in current month ..				
Total ..				
Clearance during the current month ..				
Balance at the end of the month ..				
Yearwise distribution of the balance ..				
General remarks regarding important features ..				

In 1955, the Railway Board modified the above orders; by requiring the review to be sent every alternate month instead of monthly, *i.e.*, for the Accounts months of January, March, July and September in addition to the half yearly Review due in February and August.

They, however stated that since the suspense head "Reserve Bank Suspense" should be closed with the annual balance at the end of every Financial Year the two monthly progress reports need not cover the balances under this Head of Account.

It is essential that the money limits for review at the various stages should also be fixed and obviously this is left to the discretion of the individual Railway Administrations. On one Railway, these limits were fixed some years ago as under:

Officer	Period	Limit
Superintendent	Over one year old	Rs. 200/300
	Below one year	Rs. 500/1000
Gazetted Officer	Over one year old	Rs. 500 and over
	Below one year	Rs. 1000 and over

Obviously items of amounts less than Rs. 500 below one year and below Rs. 200 over one year old have to be watched by the Sub Head of the Section.

—*Ed., Railway Accountant.*

* * *

Outstanding under the Suspense Head "Reserve Bank Suspense"

Railway Board's letter No. 53-AC. II/2/3 dated 26th June 1953 to the F.A. & C.A.O's, Indian Rlys.

Large accumulations have been noticed to exist under the head "Reserve Bank Suspense" at the end of the year, although in terms of para 1445-A, ordinarily there should be no such balance. The appearance of such large amounts under the remittance head has resulted in these large amounts escaping the budgetary and parliamentary control. The urgent necessity for removing this state of affairs, has been brought to the notice of the Board, by the Director of Railway Audit.

In terms of para 1445-A there should be no balance at the end of the year under "Reserve Bank Suspense" which would mean that all items under "Reserve Bank Suspense" should be cleared. As cases of doubtful or unknown allocation are bound to exist, such items will have necessarily to be taken to a Suspense Account or Revenue, as the case may be—to clear the balance under "Reserve Bank Suspense". The Board, therefore, consider that the transactions in inwards monthly accounts (other than remittances and cheques received from the non-Railway Accounts Offices should be adjusted in terms of para 1443 (d)-A against the appropriate Service head or a suspense head (Miscellaneous Advances or Deposit Miscellaneous, Capital or Revenue) in the case of items for which full details are not available or which are not acceptable in internal check, by per contra credit or debit to "Reserve Bank Suspense", the latter being cleared in full on receipt of the memo of clearance from the Reserve Bank of India. The operation of a Suspense Head, as indicated above, will also be in consonance with the principle laid down in para 1427-A, *viz.*, that even if an item does not relate to a Railway, it should not be rejected but be referred to the Accounts Officer concerned for settlement etc. A note under para 1439-A to the effect that *all the items included in an account received from a non-Railway Accounts Officer should be accepted and adjusted in full by debit or credit to the "Reserve Bank Suspense" by per contra credit or debit to the Final Head, or in internal check to a Suspense head to be cleared subsequently*, is being inserted to make the position clear. The adoption of this procedure would ensure full clearance of the head "Reserve Bank Suspense" if prompt action is taken in fully adjusting the transactions of inward monthly accounts and the clearance memos received from the Reserve Bank in the clearance of such transactions.

While the above procedure will ensure that no balances are left under "Reserve Bank Suspense", it is imperative that the items which have been placed under Suspense are promptly taken up for clearance by adjustment to Final Heads. Towards this objective, it is considered that such transactions should be segregated and posted in a separate section of the Suspense Register. The Board desire that the above procedure should be followed with effect from 1st April 1953. The balances at the debit / credit of "Reserve Bank Suspense" on 31st March '53 should also be transferred to the proposed suspense head and at the same time, special steps should be taken to clear the outstanding balances as early as possible.

Board's letter No. 53-AC. II/2/3 dated the 24th Feb. '54.

Please refer to para 2 of the Railway Board's letter No. 53-AC. II/2/3 dated 26th June, 1953, in which it was stated that the transactions in inward monthly accounts should be adjusted either by charging items to final heads of account or to the Railway Suspense heads and that there should be no balance under the head "Reserve Bank Suspense" at the end of the year. In amplification of these instructions, the Board have decided that the monthly clearance by transfer to final heads or other Railway suspense heads from the head "Reserve Bank Suspense" would be to the full extent to which advices and vouchers are received from the Civil accounting units, while the transactions, if any, in respect of which advices and complete vouchers are not received in time, should be left in the "Reserve Bank Suspense" to be cleared in subsequent month's accounts on receipt of advices and vouchers. Delays in receipt of such advices and vouchers should, however, be promptly taken up with the defaulting accounting units. The amount lying under "Reserve Bank Suspense" for want of advices and vouchers which are not likely to be received upto the end of the year should be transferred to "Miscellaneous Advances" or "Deposits Miscellaneous" so as to clear the entire amount in "Reserve Bank Suspense" before the year's accounts are closed, and necessary budget provision under Railway Suspense heads made accordingly.

Steps are being taken to modify the note under para 1439-A inserted under this Office letter No. 53-AC, II/2/3, dated the 26th June 1953.

No. 53-AC II/2/3, dated 24th January 1955.

Please refer to the Board's letter No. AC /II/2/3 dated the 24th February 1954, in which it was laid down that the monthly clearance by transfer to final heads or other Railway Suspense heads, from the head "Reserve Bank Suspense" should be to the full extent to which advices and vouchers are received from the Civil Accounting units and the transactions, if any, in respect of which advices and complete vouchers are not received would be left in the "Reserve Bank Suspense" to be cleared in subsequent months' accounts on receipt of advices and vouchers. On further consideration, the Board have decided that the monthly clearance referred to above should be made to the extent to which vouchers received from the Civil accounting units can be admitted in internal check and debited to the final heads. The remaining vouchers that are incomplete or lacking in particulars, acceptance etc., plus the amounts for which no vouchers are received, should continue to remain under "Reserve Bank Suspense" during the course of the year. Before, however, the year's accounts are closed, all balances under "Reserve Bank Suspense" should be cleared by adjustment to the final head to the extent possible or to Miscellaneous Advance / Deposit Miscellaneous, Capital or Revenue, as the case may be.

* * *

Casual Leave for Injured Apprentices.

The Railway Board have decided that Apprentices injured on duty are entitled to Hospital leave—vide their letter No. E 53 LE (v) /1/3 dated the 19th November 1955 circulating copy of their letter dated the 2nd September 1954 to the General Manager, Central Railway.

* * *

Pay Scales of Electrification Staff on S. E. Rly.

The Railway Board have decided that all Class IV staff engaged on electrification or other construction projects *except those transferred from the open lines* should be treated as *casual labour* and they should be paid at daily rate basis on the rates fixed by the State Government for the particular area or local market rates, the pay not exceeding the minimum of the C.P.C. Scale for similar categories after being converted into daily rates being applied.

Travelling allowance may be paid in relation to extant rules where it becomes necessary to depute the staff on duty away from Headquarters.

(R.B's. letter E (S) 54 C.P.C./198 dated 7-10-1955 to the G.M., S.E. Rly.)

* * *

Officiating Pay.

At present, a railway servant who, while officiating on a higher post / posts, proceeds on leave on average pay/privilege leave, and in whose case the period of such leave is allowed to count for the purpose of increment etc., is granted officiating allowance only if there is an interval of 22 days before he again proceeds on leave on average pay. The Railway Board have since decided that, where it can be certified that, but for the second spell of leave, the Railway servant would have continued to officiate in the higher post / posts, officiating allowance should be granted in such cases.

* * *

Monthly Progress Reports of sanctioned works costing above Rs. 10 lakhs.

1. It has been decided by the Railway Board that monthly progress reports for sanctioned works costing above Rs 10 lakhs will cease to be submitted by the Railways from 1-4-55 and the Railways will only submit quarterly progress reports and the financial reviews as prescribed in para 1043 E for important open line works costing Rs. 20 lakhs and over and new constructions. Special reports on emergent works may be submitted at more frequent intervals.

2. It has also been decided that the quarterly progress report and the financial review should be combined into one and the revised report should show both the progress of works based on the physical progress as well as the progress of expenditure, actual and anticipated, for each of the works falling in the above class. This quarterly progress report should invariably give the overall percentage of the physical as well as the financial progress, the date of commencement of the work; and the form in which the progress report should be submitted is attached. If very little progress of a work has been made during the quarter for which the progress report has been submitted, reasons for the slow progress must be mentioned in the remarks column along with the steps that are being taken by the Railway Administration to expedite the same.

3. It was observed in the case of monthly reports that very little attention was being paid by some of the Railways in its submission, with the result that in a number of cases information supplied was incorrect and back references were necessary resulting in increased correspondence. It is expected that the abolition of the monthly progress report will considerably reduce the work on Railways and as such, greater attention should be possible in the submission of quarterly reports and it is hoped that these quarterly progress reports will be submitted punctually and correctly.

PRO FORMA

Quarterly Progress Report for Sanctioned Works Costing above Rs. 20 lakhs & New Constructions

S. No.	Name of Work		Sanction No. & Date	Estimated cost (in Thousands)	Financial Progress
	(a) Date of Commencement	(b) Probable Date of Completion			Heads of Account Sub-head
1.	2.		3.	4.	5.

Financial Progress					
Amount of Sanctioned Estimate	Approximate Expenditure to end of Quarter under review	Percentage progress of Expenditure	%age over all financial progress	Estimated additional Expenditure to complete	Total estimated outlay
6.	7.	8.	9.	10.	11.

Financial Progress		Physical Progress			Remarks
Difference between cols. 6 & 11		% age during the quarter	Total progress up to date	Over all % age progress	
Excess	Savings				
12.	13.	14.	15.	16.	17.

Note.—Expenditure under columns 5 to 7 and 10 to 13 should be in thousands of Rupees. *Vide* Ry. Board's letter No. 55/W/124/27 (1) of 10-10-1955.

(Continued from Page 260).

In the face of such clear safeguards, the fact that several stations have chosen to accumulate astoundingly heavy outstandings, calls for more than a comment and the responsibility of the Accounts Department in such accummulation must also come up for scrutiny as to the type of action taken in the discharge of its advisory capacity to safeguard the financial interests of the Railway.

Readers Forum

S. A. S. (Railways) Examination 1954.

An employee of the Railway Accounts Department has sent us for publication, a discouraging note on the results of the S. A. S. Railway Examination and their after-effects. We are extracting a few paras therefrom for the information of the Readers. We also hope that the authorities will possibly consider the points raised and effect such changes as may be found necessary and possible.

Ed., Rly. Accountant.

* * *

" Promotion beyond the Sub-head's rank on the basis of this examination should, therefore, be regulated in such a manner that such Clerks/Sub heads (who are considered as intelligent and hard workers and whose sincere and honest services are regarded essential for the smooth working of the Office) can find sufficient impetus to go ahead in their career with hopes and aspirations in spite of their temporary failures in the examination for some reason or the other ".

* * *

"I would, therefore, suggest the following:

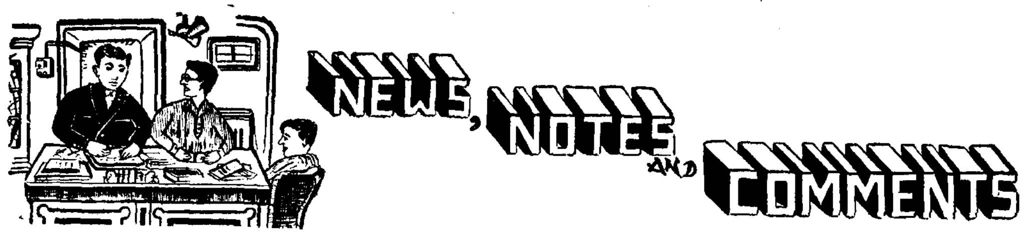
1) Proper guide and facilities in appearing for this most important examination are made avilable to each and every examinee; viz., Codes with all correction slips (including advance C. S.), relevant circulars and orders, question papers and authoritative answers to those and leave as applied for subject to a maximum of three months/90 days. (Best answers for each question in all the subjects may be published by the Board for sale).

2) Practical training in all branches of Railway Accounts during usual office hours (just like probationery I. R. A. S. Officer) say for 2 hours each day for 4/5 months should be given to each examinee.

3) A Board of Examiners should be formed under the chairmanship of F. C. (Railways) to conduct the examination at a uniform standard so that questions are not set and answer papers are not marked either too rigid or too lenient at the discretion of a particular examiner.

4) Before finally approving the List of successful candidates, due consideration should be made of the day to day work of those examinees who have secured 40% marks or above in all papers or have secured pass in all papers except in one or two and such examinees may also be declared as successful if they are considered as efficient in their daily office work.

5) Intelligent and hard working Clerks/Sub Heads who have lost 3 chances or more securing 40% marks in all papers at least in two chances or securing pass marks in all papers excepting in one or two at least for two chances, should also be eligible for selection in the rank of Accountant and Inspector along with the successful candidate in the S. A. S. (Railways) Examination each year. It is necessary so as to infuse a spirit of hard and better work in the staff in general who would feel in that case that efficient work shall pay ultimately one day or the other and that their future is not destined in the examination hall only but in office also. More so because they would see instances where in spite of failures in the S. A. S. (Railways) Examination, more than once, a number of Accounts staff when given scope in the Executive side have successfully proved their efficiency in various responsible capacities including Gazetted posts in Class I and Class II services."



Compulsory Hindi Tests of Railway Employees

It is obligatory for all Trainees seeking employment under the Railways to pass a simple test in Hindi before passing out of the Railway Training Schools. The Railway Board has in pursuance thereof sanctioned appointment of Hindi Instructors in Railway Training Schools, located in non-Hindi speaking areas.

New Constructions

(1)

Etah—Barhan Line

A new 38 mile broad gaugeline connecting Etah and Barhan in U.P. on the Northern Railway is to be constructed at a total cost exceeding Rs. 127 lakhs. This rail line will be laid via Jaleshwar Town. When ready, this new line is expected to help in the development of Etah as an Administrative and Commercial centre, providing the much needed transport facilities for its agricultural or other products.

(2)

Doubling of Railway Line

The B.G. Railway Line between Gardhrubeswar and Joychandipahar on the South Eastern Railway is to be doubled at an estimated cost of Rs. 11,35,000/-. This is one of the many facilities required in connection with the expansion programme of Messrs Tata Iron and Steel Co., Ltd., and the Indian Iron & Steel Co,, Ltd. This work is ancillary to the main line doubling works which are already in progress between Anara and Gardhrubeshwar and Joychandipahar and Burnpur.

(3)

Eighteen-Mile Rail Line in Orissa

The Railway Board have sanctioned the construction at an estimated cost of Rs. 131 lakhs of a new Broad Gauge Railway Line on the South Eastern Railway, in Orissa State, from Noamundi to Banspani, a length of about eighteen miles.

This line, when constructed, will open Joda hill ranges where large deposits of iron and manganese ore are known to exist and will serve a large number of mining interests in this area. This line will also be useful in connection with the expansion programme of the existing steel works at Jamshedpur & Burnpur.

Traffic Survey.

The Traffic Survey for a forty-four mile metre gauge line between Vellore and Kancheepuram on the Southern Railway has been approved by the Railway Board. A preliminary Engineering survey for this line had already been sanctioned. This rail link is expected to relieve congestion of traffic by road providing direct connection with Vellore, the Headquarters of North Arcot District.

* * *

Bhakra Project Works

In order to " remove all doubts " in the public mind about frequent allegations of corruption in the execution of the Bhakra Nangal Project works, the Government have decided to set up a high-powered Committee to scrutinise the accounts of various construction works in this project.

The proposed Committee would include certain Irrigation Engineers from other States in the Country. Government were determined to remove corruption and a number of Police Officials, under the supervision of Mr. C. D. Lal, Inspector General of Police, were already investigating cases of alleged corruption on this project. The Minister for Irrigation and Power of the Punjab Government also stated that Mr. L. S. Gupta, Chief Engineer and Secretary to the Punjab Government in the Irrigation Branch was already under suspension pending Departmental enquiry against him.

* * *

Inter-State Sales Tax

The Minister for Revenue and Civil Expenditure, Mr. M. C. Shaw told Mr. Choitram Gidwani in the Lok Sabha on the 23rd November that Government was considering the possibility of introducing during the next Budget Session of the Parliament necessary legislation for making Sales Tax on Inter-State Transactions a Union Subject.

* * *

Five Year Plan

The Fourth Annual Report of the Consultative Committee of the Colombo Plan for cooperative economic development in South and South-East Asia says that the need for strengthening the administrative machinery and increasing the supply of trained personnel is of paramount importance in the Second Five Year Plan.

* * *

Guranteed Transport Scheme on Railways

It has been proposed to introduce, with effect from 1st Apr. '56, a Guaranteed Transport Scheme for a small surcharge, under which transport offering under the Guarantee would have to be carried to the destination within a specified period; and if it was not fulfilled, twice the surcharge would be allowed as rebate on the freight.

For this purpose such goods should have special labels so as to avoid delays in movements.

The above announcement was made by Mr. K. B. Mathur, Railway Board, during the discussions of the Transport Advisory Council at New Delhi on the 30th November. He further stated, " Wagon capacity is being augmented at the rate of about 2000 wagons per month. Sectional capacity is also being increased by 20% and works have been completed in most sections already. The transport problem will, therefore, ease considerbly. Express goods train service had been charging nothing extra for moving freight, and the trading community should make full use of it. If this service was successful, the Railways can introduce the guarantee transport scheme referred to above ". He added "In view of various practical difficulties it was not possible or feasible for the Railways to undertake a freight structure so as to annihilate *geographical advantages* by giving rebates on textiles exported from Kanpur. If any such rebate was essential, it should be by some other method by the Government. I do not think any Railway anywhere else in the world has undertaken such a sort of thing ".

* * *

Electronic Brain

The Soviet Academy of Sciences at Moscow is using an Electronic Brain that can do 8000 arithmetical operations a second. The machiue had calculated in a few days orbits of 700 minor planets—work which would have taken a large staff many months. Servicing was done by three men.

* * *

Decimal Coinage

It was announced in the Lok Sabha on the 28th November 1955 that Government would shortly decide when the decimal system of coinage should be introduced in India. It may however be anticipated that the new coinage would be put into circulation sometime in 1957. The existing coins and the new coins would be in circulation for about three years thereafter, adequate conversion facilities being provided to the public during this period, Tentatively it has been decided to retain the term 'Paisa' for the current paisa and "Naya Paisa" for the new paisa under the decimal system when both coins would be in circulation.

Coins of the following denominations would be struck at the Mint for use from the date the new coinage comes into force:

The Rupee or 100 Naye Paise The half-rupee or 50 Naya Paise The quarter rupee— or 25 Naye Paise	in nickel
10 Naye Paise 5 Naye Paise 2 Naye Paise	in cupro nickel
1 Naya Paisa	in bronze

* * *

Australian Gift to India

Australia has gifted to India, under the Colombo Plan, a Hospital ship (100 tons) costing between 40 and 50 thousands pounds (Australian) for use in the Andamans and Nicobar Islands. The vessel has been named "Indaustral" in commemmoration of the friendship between the two countries. The vessel would be used as a mobile medical dispensary with an operation theatre.

* * * *

Cooperative week on Railways

The Cooperative Stores movement on the Railways started as early as 1890 and there are at present 105 cooperative societies, on the 7 zonal Railways and the different Railway Administrations have been giving all possible encouragement to foster the growth of the cooperative movement amongst Railwaymen.

The cooperative week, observed with the week ending Nov. 11, 1955, along with the rest of the country, was utilised for launching an intensive drive through the Railway Welfare and cooperative staff to popularise the concept of cooperation.

In inaugurating this week, the Railway Minister, Shri Lal Bahadur Shastri, issued the following message:

"We are committed to establishing a socialistic pattern of society for our people and there could be no better means to achieve this cherished goal than cooperation; but a great deal of effort will have to be put in by the people themselves. It is therefore, the duty of all concerned to contribute their mite towards the success of the movement... ....From time immemmorial, we in India have been following a cooperative path in our domestic economy, more especially in the villages. The joint family system and the ancient form of governance through village panchayats are a sufficient proof of this. With the right approach, it should be easy for our people to assi ilate cooperative principles and I hope that the steps which are being taken at all levels to educate the people in the principle and practice of cooperation will open new vistas of prosperity."

* * * *

Annual Convention of Indian Railwaymen

The first Annual Convention of the integrated Federation of Indian Railwaymen was held at Vijayawada on the 20th and 21st November, under the Presidentship of Mr. S. R. Vaswada. A resolution was adopted requesting the Ministry of Railways to immediately appoint a Pay Commission with a view to drawing up revised and increased pay scales. The resolution demanded complete merger of the D.A. with pay so as to remove all existing anomalies and simplification of pay scales and to introduce an optional scheme of pension for Railway employees. The Convention urged the appointment of the pay Commission as essential to avoid any conflict between Railway employers and employees and to ensure successful implementation of the Second Five Year Plan.

* * *

Classes of Indian Railways

Mr. G. Pande, Chairman of the Railway Board disclosed at Patna on the 23rd November 55 that the ultimate aim of the Government of India wss to retain only the Ist and IIIrd classes on Indian Railways.

* * *

Railway across Chinese Desert

Engineers are studying how to lay a Railway across the Tengri Desert, North-West China, where sand lies 20 feet deep. The projected Railway would link Outer Mongolia with New China.

* * *

Target for goods Traffic on Railways.

To fulfil the target for goods traffic laid down by the Railway Board, a three-point drive on all the seven Zonal Railways in India is under way. The last few months have witnessed an increase in the amount of goods produced and the Railway Administration had to carry these goods to the different parts of the country. Since such pressure continues to rise, the Railway Board has asked all Railways to aim at carrying an additional 10 to 20% traffic during the busy season from November 55 to March 56.

The three-point programme aims at procurement of more goods wagons and locomotives, provision of additional facilities to improve Railway or terminal points and section capacities and more intensive utilisation of existing wagons and locomotives.

400 locomotives and 31,000 goods wagons are expected to be added to the stock during 1955—56. In the past year 450 locos and 15,000 wagons had already been added and were in service.

Doubling of Railway lines and provision of additional crossing stations have been provided for during the year at a number of places. Measures have been taken to get the maximum output from the existing wagons on the line. Detention to wagons at terminal points, junctions and marshalling yards is being minimised and repairs to damaged wagons are being carried out not only in Workshops but also at traffic lines. The time allowed for loading and unloading has been reduced. Number of working hours in goods sheds and certain other places has been increased and a special watch is being kept on the regularity of goods trains.

On the main traffic routes in the country, a number of *Express* Goods trains running to fixed schedules like passenger trains have been introduced and their working is being carefully watched.

With a view to discourage booking of uneconomical small consignments, a surcharge of 6¼% in the frieght of consignments upto 20 maunds was imposed with effect from the beginning of this financial year.

From preliminary reports received, it is noticed that the Railways are already clearing outstanding registrations of wagons and that the carriage of 20% traffic is being vigorously carried out.

* * *

Transport of food grains

In an interview with the Pressmen on the 30th November 1955 at Vijayawada, Mr. G. A. Khandelwala, Director of Movements, Railway Board, stated that from December onwards an additional supply of 90 wagons daily would be made available for movement of food grains for the Vijayawada Traffic district. He also stated that out of 12,000 BG wagons on Indian Railways, 4000 were permanently alloted for movement of coal and the balance of 8000 were moving other commodities.

He stated further that 6 lakh tons of food grains were moved on the Vijayawada district by the use of 22411 BG wagons and 13236 MG wagons from November 1954 to October 1955. He also stated that the bottleneck at Vijayawada station would be very soon removed after completion of the Rs. eighty eight lakhs project which was under full swing.

* * *

Rail services in India

Since the beginning of 1953, in an effort to provide additional passenger service and fight overcrowding, nearly 500 new trains have been introduced on the Indian Railway system. Further runs of over 300 existing trains have, during this period, been extended to cover a greater territory.

At present 4700 passenger trains are running daily in India, nearly a third of these being suburban trains.

* * *

Relationship of Railway rates and fares to corresponding rates of rates and fares of Air Transport

As a preliminary to study the general problem of fares and freight rates to be charged on the Air services operated by the Indian Airlines Corporation and to draw up for the consideration of the Government, a set of principles on the basis of which such fares and freight rates should be determined, the Air Transport Council, on a reference by the Government of India, has issued a questionnaire to elicit public opinion on the problems involved in this study. The questionnaire elicits public opinion on the relative importance of commercial and social objectives in the determination of fares and freights rates. The questionnaire also invites suggestions for the upper limit of fares per passenger mile; the place of the cost of operation as a guiding factor in fixing the upper limit; usefulness of uniformity of rates on all routes; extent to which fares should be related to the individual cost of each route or service; the reasonableness of having different routes for services providing different standards of passenger comfort or operating at different speeds etc.

The questionnaire invites opinion on what relationship should prevail between air fares and rail fares and what type of fares should be instituted in order to promote traffic such as in the initial stages of developement of a route or a service.

The Public are also asked whether there should be any special seasonal fares and whether there should be concessional fares for special classes of travellers such as students or journeys to festivals, hill stations, etc.

The questionnaire also asks what considerations should govern the fixing of air freight rate in the light of the fact that freight rates of surface transport are very much lower. Suggestions are also invited whether there should be upper andlower limitsfor airfreight rates, on the feasibility of having varying air freight rate for different types and sizes of cargo and for different seasons, and on the usefulness of bulk-discount rate for consolidation of small consignments into a single consignment of larger weight.

Replies are to be sent in by 15th January 1956 at the latest.

* * *

Allocation Rules.

In view of the changes in the rules of allocation from 1-4-55, consequent on the recommendations of the Railway Convention Committee Report, several advance correction slips have been issued by the Railway Board to Chapter IX of the General Code. One important feature is that while, among others, the cost of replacement works relating to passenger amenities is to be allocated to Depreciation Reserve Fund (instead of Development Fund as hitherto) it is also stipulated that, at the same time, the original cost of the amount (which is replaced) if at debit of capital, should be written back from Capital to Development Fund

(Passenger Amenities). We are not able to appreciate the necessity for the write-back from Capital to Development Fund in such cases; as it leads to the inference that the original asset should have been provided by Development Fund and not Capital years ago, when that fund was not in existence; and it would not have been perhaps the intention of the Railway Separation Convention Committee that Development Fund should today pay out of its funds, the cost of assets which were provided years ago out of Capital and which are removed now.

Another feature is that from the list of works of passenger amenities are excluded works of extension of goods sheds, parcels offices, platforms attached to them etc,. as they are generally required for operating purposes to meet the needs of traffic and cannot be said to be eventually Passenger Amenities Works. This in our view is a step in the right direction and in consonance with the declared object of the Development Fund.

* * *

Financial Advice to Executive.

The paramount importance that is attached by the Government of India to the necessity for the Executive paying special attention to the financial aspect of the projects etc. will be evident from the following extract from the Radio Broadcast talk given by Shri Govind Ballabh Pant, Union Minister for the Home Affairs, on 18th August 1955.

"......Another very important factor to bear in mind by public servants is with regard to proper use of public funds. Tax-payer's money is hard earned money and Government are Trustees of the public funds to ensure that every single pie of it is properly spent and utilized for the fullest benefit of the citizens. Sometimes those who have to spend this money seem to overlook the supreme duty that full worth has to be extracted out of the money spent.

It is apt to be forgotten that this money is more sacred than their own and no part of it has to be spent in any wasteful manner. A proper climate of economy has to be produced. Economy never means sacrifice of efficiency or of the objectives. Welfare State ideal will require the expenditure of huge sums on schemes of public weal, benefit or advantage. These sums must be spent but they must be well spent with care and prudence so that while on the one hand waste is eliminated, on the other the purpose underlying the expenditure is completely achieved.

Speed and efficiency of work will have to be combined with the equally important consideration that there is no misuse of Government funds either by way of defalcations or embezzlements or by careless spending without forethought of results. These may require careful scrutiny of all rules and regulations so as not to impede the course of constructive work but at the same time to safe-gaurd the sacrosanct nature of the Trust and to be answerable to the representative bodies which are masters of us all."

* * *

Promotions in Class II Service.

The Railway Board have recently decided that an Officiating Class II Officer declining confirmation in that class when his turn comes for such confirmation, should be reverted to class III.

(The above decision has apparently been based on the assumption that the Officiating employee cannot have the best of both the Senior (Gazetted Service) and non-gazetted service. We, however, think this assumption is NOT correct, in view of the overlapping scales of pay in Class III and Class II Services. Take for instance the case of a Senior Accountant on Rs. 420/- officiating as Asst. Accounts Officer on Rs. 425/-, and confirmed as A. A. O. Unforunately, if he dies the special contribution to P. F. would be only Rs. 5,100/- (12 months' pay at Rs. 425/-), while if he had not been confirmed in Class II Service, his widow would get as special Contribution to P. F. Rs. 6,300/- (i.e., 15 months' pay at Rs. 420/-.) Even allowing for the small increase in pay, the loss would still be of magnitude. The confirmation in this case would result in a loss of Rs. 2100/- to the employee's family. A promotion should never result in the employee suffering a financial loss in the net results. The proper course for the Government in such cases would be to remove the anomaly by legislating that the special contribution to P. F. should not be less than what the Officer would have got, had he continued to be a subordinate. Ed. R. A.).

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Dinner Party.

A pleasant Dinner party was got up by the Travelling Inspectors of Accounts of the Southern Railway, on 3-12-55, to meet Shri J. J. Batliwala, who recently retired as F. A. & C. A. O. of the Railway. Those present included Sri M. R. Swaminathan, the present F. A. & C. A. O., Sri M. V. Rao, Dy. Financial Adviser, Sri G. F. Penn Anthony, Dy. C.A.O. (General).

* * *

Forecast of Accounting Developments.

In a paper read by Mr. A. C. B. Pickford, Chief Commercial Manager, Western Region, British Railways, before a meeting of Bristol Section Lecture and Debating Society in October last, the possibilities of compulsory allocation of traffic between road and rail within the next fifty years was mooted by him. Regarding Railway Accounting in the future, Mr. Pickford said:

......"Accounting will be concentrated at a few highly mechanised points. Invoices will be teleprinted to the destination station. Passenger tickets may be issued from a form of slot machine fitted with automatic recording apparatus. The use of machines for tickets issues is already spreading rapidly and a new machine the "Multiprinter", which automatically prints, issues and records statistical information for 1250 selections of tickets is to be placed on trial in the Western Region in the near future. Mr. Pickford thinks that the calculation of freight charges based on the principles of emphasis on "loadability" may eventually be a matter for an automatic computer operated by a clerk at a goods station......"

* * *

Disposal of Audit Objections.

In order to expedite the disposal of old outstanding Audit objections arising out of Inspection Reports, Test Audit Notes, etc., of Statutory Audit, a team of special officers, an Assistant Accounts Officer and an Asst. Personnel Officer, have been appointed on the Southern Railway and it is expected that the team will visit the Departmental Offices at the different places and settle finally by discussion objections outstanding to end of 1953-54. The personnel of the team is as under:

Sri K. Rangiah, Asst. Accounts Officer

" S. Dharmalingam, Asst. Personnel Officer.

The readers of the "Railway Accountant" may in this connection, refer to our Article on this subject on pages 208 & 209 of October 1955 issue.

* * *

Auditor General

In the course of a discussion in the Lok Sabha on the Constitution (5th Amendent Bill 1955) one of the important subjects related to the acceptance of Office by an Auditor General after retirement. The explanation given therefor is as under:

"Articles 148 (4) and 319 render respectively the Comptroller and Auditor General and the Chairman and members of Public Service Commissions ineligible for further office either under the Government of India or under the Government of any State. Since these two Articles do not contain an explanation on the lines of Articles 102 (2) and 191 (2), the inference is that the prohibition extends to the office of a Minister for the Union or for a state. It is considered that there should be no bar to the Comptroller and Auditor General or a Member of a Public Service Commission having a political career after retirement and becoming a Minister. It is accordingly proposed to insert explanations in Articles 148 (4) and 319 on the same lines as those contained in Articles 102 (2) and 191 (2).

* * *

Third Steel Plant

Sri T. T. Krishnamachari, Union Minister for Iron and Steel, stated that the 3rd Steel Plant would be located at Durgapur, West Bengal; but it was proposed to develop Bokaro in the Damodar Valley Corporation area as the probable site for another Steel Plant in the future.

He also stated that the scheme for increasing the capacity of the Mysore Iron and Steel Works from 30 thousand tons to 100 thousand tons a year was also under consideration.

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Port Towns.

The Government of India have declared Jamshedpur and Burnpur as "Port Towns" for the supply of iron and steel from these places to the other parts of the country, thus making steel and iron cheaper by about 10 rupees per maund to consumers in Bihar.

Hitherto, Railways were charging freight booked from Jamshedpur and Burnpur to Bihar and certain other areas surrounding these two towns from Calcutta.

The other Port Towns are Bombay and Madras.

* * * *

Financial Control.

With the anticipated increase in the tempo of Railway Expenditure, particularly on constructions, modernisation schemes and new projects, the need for adequate financial control cannot be too strongly emphasised. Such financial control should also be concurrent and not *ex post facto* if it should be efficient and wasteful expenditure and other irregularities are to be avoided. Public criticism will also, by such a course of action be minimised. Side by side with financial control, quality audit of technical character should be introduced and there can be no doubt that expenditure on such measures of control will pay huge dividends, if past experience in the execution of large schemes is any guide. Quite recently, Mr. Lehri Singh, Minister for Irrigation and Power of the Punjab State Government stated that the Government proposed setting up a high power Committee to scrutinise the accounts of various construction works under the Bhakra-Nangal project. It may be remembered in this connection that Mr. L. S. Gupta, Chief Engineer and Secretary to the Punjab Government, Irrigation Branch, was suspended recently pending a departmental inquiry against him.

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Chittaranjan's 300th Locomotive Produced

Chittaranjan's 300th locomotive rolled off the assembly lines and ran a successful trial on 30th November.

In February this year, Chittaranjan Locomotive Works completed the 200th locomotive, and the event was marked by President, Dr. Rajendra Prasad, inaugurating the 200th engine.

The Chittaranjan Locomotive Works were originally planned to turn out 120 locomotives per year. This target has already been exceeded. The output has increased rapidly from six locomotives per month in the early part of 1954 to ten per month from January to June 1955. Thereafter, a monthly production of eleven locomotives has been maintained.

The Railway Board have accepted in principle to raise the annual target of production to 200 locomotives per year

Railways in Parliament

RAJYA SABHA :

Integration of Railways.

While answering a series of supplementaries on divisionalising zones, the Railway Minister stated. "It has been decided to *divisionalise* Railway zones where the workload is heavy. An Officer will be kept in complete charge of one whole division so that better combination of work can be achieved at divisional level. I am opposed to the divisioning of existing zones under the present circumstances as, in my opinion, it would involve quite a deal of disturbance of work affecting the implementation of the Second Five Year Plan".

* * *

Corruption on Railways.

The Railway Minister told the Rajya Sabha on the 23rd Nov. that consulations were going on between the Railway Ministry and the Home Ministry about the setting up of an Anti—Corruption Section for the Railways, as a result of the Corruption Enquiry Committee's report that Corruption was wide—spread on the Railways. The Dy. Minister had previously stated that the Government had decided that there should be an Anti-Corruption Officer in the Senior Scale on each Railway under the Administrative Control of the Chief Security Officer and that he should have under him a Deputy Superintendent of Police with the necessary organisation to undertake investigation into cases.

* * *

Railway Stores (Unlawful possession) Bill.

The above Bill as passed by the Rajya Sabha and as reported by the Select Committee was placed before the Rajya Sabha for consideration, on the 1st Dec. by the Dy. Rly. Minister, Mr. O. V. Alagesan. It seeks to punish the possession unlawfully of Railway Stores anywhere in India. There was vehement discussion on the Bill as presented to the Lok Sabha and replying to the Debate, the Dy. Minister said.

"A question has been raised whether the measure is a cover for the inefficiency of the administration. We have recently made security forces more effective and I am glad to inform the House that it had already produced results and the number of thefts was slowly coming down. I hope that we shall be able to control thefts etc., if not altogether eliminate them."

Referring to Mr. Vittal Rao's contention that the Bill would create a bad precedent and the State Governments, who were fast nationalising road transport, might come forward with similar measures, Mr. Alagesan said that he would be very glad if the State Governments came forward with such measures to protect public property.

To the view put forward by Pt. Thakurdas Bhargava that Railway Servants should be awarded higher punishment than others, the Dy. Minister said that the Courts would have the good sense to give higher punishment to Railway servants who indulged in theft of Railway property.

The Bill was thereafter passed by the House, rejecting all the amendments.

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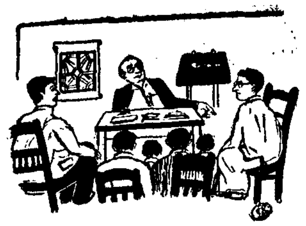
LOK SABHA :

Chittaranjan Loco Factory.

The Dy. Railway Minister told Mr. M. S. Gurupadaswamy on the 1st December that the cost of locomotives produced at Chittarajan had already begun to come down. During the current year the estimated cost of locomotive was 4.81 lakhs excluding interest charges while estimated landed cost of similar type imported locomotive was 5.25 to 5.50 lakhs rupees. A few years ago the cost of locomotive made in India far exceeded the cost of imported locomotives.

The Production in the Chittarajan factory had already exceeded the target of 120 in this year and plans to increase the target to 300 a year had been asked for. As production increased, overhead charges were bound to be reduced, resulting in lower cost of production.



STUDENTS' CORNER

The following extracts from the *Report of the Railway Corruption Enquiry Committee* 1953-55 afford very useful study :

Eradication of Corruption in Government Engineering Services.

110- A a matter of interest we quote below some of the corrupt practices described by the sub-committee of the three Chief Engineers of the State Governments on 'Eradication of corruption' in Government Engineering Services.

(a) Some contractors pay some percentage of bills to supervising officers to connive at their bad work.

(b) Sometimes, no direct payment is made by contractors, but they make supplies in kind such as house-hold furniture, supplies on tour, costly presents at the time of marriages etc.,

(c) The ways of putting pressure on the contractors to offer bribes are : delays in giving work orders, measuring the work done and settling claims. The Accounts staff can delay checking and passing of bills.

(d) The Officers can favour the contractors by overmeasurements or more favourable classification of excavation and overmeasurement of leads. They can also favour the contractors by relaxation of specification and sometimes by over-issues of stock articles. There is great scope for corrupt practices in borrow-pits measurements.

(e) Some corrupt practices are possible in the purchase of stores and machinery.

(f) Sometimes wrong and insufficiently detailed estimates are submitted. The surveys even sometimes are wrong. The specifications are sometimes kept deliberately vague.

(g) The salvage value of stores, tools and plants are sometimes undervalued and are sold to favourite parties.

(h) Corrupt practices are possible regarding the payment of arrears of muster rolls and acquittance rolls.

(i) Another corrupt practice is to keep accounts of completed work open for no apparent reason.

(j) Some corrupt practices are possible concerning the use of Government vehicles.

(k) The same applies to pilferages from the Stores specially of items such as petrol, oil etc.,

The above mentioned corrupt practices which are in the Engineering Department on the Civil side are also practised with slight variations to suit conditions on the Railways.

* * *

Some suggestions regarding Anti-Corruption organisation.

188. The various Administrations, in their replies to the questionnaire or during the course of their evidence, have frankly admitted that corruption is widespread amongst the Railway staff. The huge mass of evidence that we have collected from the various Chambers of Commerce, Merchant's Associations, Passengers' Associations, social and political workers and individuals, also leads us to the same conclusion. Against this background, the figures of the cases of corrupt practices investigated by the Anti-Corruption Organisations, of the various Railways indicate that the activities of these

Organisations are neither extensive nor intensive. They are, therefore, such as would not be effective in eradicating corruption. These Organisations should be strengthened on the following lines, so that they can really become effective:

(i) The existing Anti - Corruption Organisations should be separated from the Security Organisations of the Railways and should be placed under the executive charge of an officer of Senior Administrative Rank on each Railway. This officer should be obtained on loan from a Government department other than the Railways. He should be assisted by an Anti-corruption Officer in the Senior Scale. This officer of the Senior Administrative Rank may be designated as the Chief Investigating Officer. He should maintain close co-ordination with the Chief Security Officer and the General Manager. He should be responsible for the work of this organization to the Railway Board direct. All the staff of the Anti-Corruption Organizations particularly the Anti-Corruption Officers and the Inspectors should be hand-picked men with integrity, initiative and drive. An Anti-Corruption Officer should be appointed on the Central Railway also where this post was abolished.

(ii) Only one Railway, viz, the Eastern Railway, has got detectives attached to the Anti-Corruption Organisation. We are of the opinion that the Anti-Corruption Organization should not depend merely on complaints received for investigating cases. It should, on its own initiative, probe into the working of the various departments and unearth cases involving bribery and corruption and frauds. In order that this may be done, it is necessary to have a detective force under this Organization. The strength of the detective force (as also other staff of the Anti-Corruption Organization) will depend upon the amount of work involved on different Railways. The strength of Inspectors should be augmented wherever necessary, the rough index being that there should be at least one Inspector for one Division or two Districts.

(iii) Suitable definite targets should be laid down for judging the efficiency of the Anti-Corruption Organization. Similarly, suitable time limits should be fixed for finalising the cases.

(iv) Any cases which appear *prima facie* fit for prosecution should be promptly handed over to the Special Police establishment for necessary action.

(v) A close liaison should be maintained by the Chief Investigating Officer with the Superintendent of Police of the Special Police Establishment Branch. Periodical meetings should be convened by the former, when all cases taken up by the Anti-Corruption Organization should be discussed with the Superintendent of Police, Special Police Establishment. Those cases which the Superintendent of Police, Special Police Establishment,desires to take over should normally be handed over to him for further action.

(vi) Quarterly reports should be submitted by the Chief Investigating Officer to the Railway Board, with a copy to the General Manager concerned giving a review of the work done by the Anti-Corruption Organization, including a brief history of the case investigated and the action taken. This quarterly report should be submitted within a specified period from the close of the quarter.

(vii) The Railway Board should convene periodical meetings of the Chief Investigating Officers to discuss the working of the Anti-Corruption Organization on the Railways. The exchange of information regarding the cases unearthed and the *modus operandi* adopted by the corrupt staff etc., should prove useful to all concerned. A representative of Inspector General, Special Police Establishment, may also be invited to attend these meetings.

(viii) It will be the direct responsibility of the Chief Investigating Officer to ensure that the staff posted in the Anti-Corruption Orgnaization are given suitable technical training in handling the work assigned to them.

(ix) Wide publicity should be given to the existence of the Anti-Corruption Orgnaization on the Railways by suitable notices to be inserted in the public timetable and Railway gazettes and by posters. Names and designations of the Railway staff punished in the Anti-Corruption cases should also be given wide publicity, indicating the nature of offence committed.

189. While discussing the modes of corruption on the Railways we have suggested certain measures to minimise the evil. However so far as existing rules are concerned, we have very few suggestions to make. We feel that generally the defect is not so much with rules but with the attitude both of the Administration and the public towards this question. With that attitude, the best of rules can be circumvented by human ingenuity. We will, therefore, confine ourselves to recommending certain broad measures which, if followed in the proper spirit, will create an atmosphere congenial for honest and efficient discharge of duty by the Railway employees. For convenience, we have grouped the broad measures we suggest and recommend as 'Preventive' and 'Punitive'.

These may be further sub-divided :—

Preventive :

(a) Supervision.

(b) Review of departmental instructions.

(c) Avoiding delays in correspondence.

(d) Periodical transfers,

(e) Enforcement of rules 8 to 13 of the Railway Servant's Conduct Rules (Appendix XI of State Railway Establishment Code Volume I.)

(f) Appreciation of meritorious work.

(g) Personnel welfare.

(h) Increased facilities for the users of the Railways.

(i) Publicity.

(j) Psychological approach.

Punitive :

(a) Improving the tone of Government Railway Police, Watch and Ward and Anti-Corruption Organisations.

(b) Simplication of enquiry procedure.

(c) Summary powers.

(d) Confiscation of property.

(e) Delegation of powers for disciplinary action.

(f) Publicity for punishments.

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Unsatisfactory working of the Railway Stores Department.

259. The Railway Stores Enquiry Committee brought to light many unsatisfactory features of the working of the Stores Departments of the Railways. Some of these were :—

(i) The supplies of stores were sometimes of a very inferior quality and the inspection of supplies was either non-existent or highly negligent.

(ii) The Stores balances of Railways had been abnormally high and had been the subject of adverse comment by the Public Accounts Committee. The period represented by stocks on hand, based on consumption figures in certain cases, ranged from seven years to 867 * years. The Railway Stores Enquiry Committee felt that large scale direct purchases that the Railways had resorted to during the previous two years (prior to the submission of their report), under plea of emergency, may not always have covered judicious purchases.

We might, however, point out here that the tendency to make excessive purchases on the part of the Railways has been due to abnormal delays in meeting

* As per printed report, but a highly unintelligible figure—Ed. R. A.

their requirements by the Ministry of Works, Housing and Supply. This defect, we are confident, will be remedied when the recommendations of the Stores Purchase Committee are implemented.

(iii) Ordinary standard of 'Neat house keeping' which would be expected in a normal Stores Depot was not being observed.

In this connection, during the course of our tours, one Controller of Stores informed us that, out of different depots under him, only one was specifically and properly planned and arranged; but regarding the other depots, the accommodation that was made available in the various workshops had to be utilised as best as possible. His considered opinion was that such arrangements could not be considered as 100 per cent safe or secure.

(iv) The Railway Stores Enquiry Committee made a very serious endeavour to arrive even at an approximate estimate of the total quantity of stocks of stores of different types held at any given time on any one Railway. With the chaotic condition of records, that endeavour proved futile. They were convinced that, if a proper and thorough stock-taking was undertaken, it would reveal alarming figures running into many crores of rupees. According to them, a large part of such stores was being "lost sight of".

We would only add that such a state of affairs facilitates thefts and pilferages from the stores depots which we were informed have been taking place systematically.

(v) The Railway Stores Enquiry Committee rightly felt that there was considerable scope for leakages because of the very unsatisfactory stores keeping at several depots, very extensive direct purchases made by Controllers of Stores under the emergency powers of the General Managers, the enormous and incredible quantities of stocks of certain items of stores unavoidably resulting in serious deterioration and obsolescence with the artificially created necessity of forced disposal.

260. The important ones amongst the possible modes of corruption in the Stores Department are given below:

(1) Tenders may be submitted after coming to know the rates offered by other tenderers. We were told that the rule that tender should be kept secret and should not be communicated to rival firms is sometimes not observed. In order to minimise the chances of corruption arising out of this practice, we suggested that the following recommendation of the Stores Purchase Committee should be put into effect immediately on the Railway also:

"Late Tenders," i. e., those received after the specified time of opening, should not be considered.

Delayed tenders, i. e., those received before the time of opening, but after the due date and time for receipt of tenders, may be considered in exceptional circumstances only.

(ii) Tenders may be issued to certain firms excluding other firms from quoting and competing. This may alsob e managed by inviting tenders from favourite firms along with other firms known to be unable to supply the materials. This may be remedied by observing proper procedure at the registration stage, separately classifying some firms of good standing for each class of materials.

(iii) Tenders of certain favourite parties are sometimes accepted even though they may not be the lowest. While it may not be possible to avoid this altogether, stricter observance of the rule that specific reasons should be recorded when the lowest tender is not accepted and a provision that in such cases the sanction of the next higher authority should be obtained will reduce the incidence of malpractices.

(iv) There is laxity in inspection of materials purchased, mainly due to collusion. This can be remedied to some extent by insisting that materials approved after inspection must be subjected to random check by higher authorities. Inspectors should also be shifted periodically from one place to another and the stores they have to deal with should also be changed as far as possible. Representatives of the consuming departments should be associated at the time of inspections to a greater degree than now. At present it is a frequent complaint of the consuming departments that the matterial supplied is often very inferior. This is often discovered when the material is distributed for use or only after it is begun to be used, with the result that no rejection is possible, as the suppliers would have already received payments.

(v) To avoid complaints of unfair rejections, it should also be provided that, when supplies are rejected, the reasons for rejection, that is which particular aspect of the specifiication is not complied with, should be recorded and conveyed to the contractor.

(vi) Receipts are sometimes given for larger quantities than actually supplied. It is also possible that, when fresh purchases are made, the material does not actually come to the Stores Depot but receipts are issued and material already in the stores shown as newly purchased. This can be controlled by stricter physical verification of stock both at the time of purchase as well as at suitable intervals.

(vii) Sometimes leakages occur in the Stores Department or in the consuming department or by collusion between both. In the last case, the consuming department may pass requisitions showing that materials have been received by them from Stores, whereas actually no transaction has taken place. This and pilferage from the consuming department are more serious as materials once issued to the consuming department are not subjected to such strict accounting control as in the Stores Department. Some control can be exercised on the utilisation of material issued to the consuming department as under:—

(a) *Materials issued for repairs and maintenance*:—(1) Consumable stores: Periodical review should be made of consumption in relation to performance. Any substantial variation in this should be taken as indicative of malpractices or carelessness or both.

(2) Non-consumable stores: materials returned as unserviceable should be tallied with fresh issues within reasonable limits.

(b) *Materials issued for capital works*:—In the case of capital works, the items which can be counted by numbers should be checked by counting and compared with issues.

Where the material can be measured only by weighment and cannot be weighed after having been used up, it can be checked with some accuracy by getting it assessed. Where such material used on the work is a mixture of more than one item, sampling should be made to ensure that materials have been mixed in correct proportion.

To deal with the leakages in the stores department, i.e., from Stores Depots etc., we will have to rely on stricter verification of stock as suggested in item (vi) above and on the efficiency of the Railway Security Force.

* * * *

Thefts on Railways.

The following have been cited in the Railway Corruption Enquiry Report as methods adopted by dishonest Railway subordinates to commit thefts or to facilitate their commission.

1. A telegram is falsely issued declaring that a wagon has a defective seal. The wagon is then detained at a roadside station on the pretext of checking, but actually contents are pilfered, a report being made of a running theft prior to arrival at that station.

2. A wagon loaded with valuable commodities is intentionally and falsely declared as "sick". The wagon is then stabled for repairs at a lonely and isolated place where it is pilfered.

3. A wagon is short-loaded and seals and rivets are intentionally placed defectively so that subsequent discovery of shortage may be attributed to theft.

4. A consignment is intentionally misdespatched. Usually, seals and rivets are subsequently removed to make this into a running train theft.

5. Shunting of wagons containing valuable goods is deliberately carried out at isolated places of the yard to facilitate the removal of goods by gangs operating in connivance with the Railway Staff.

6. A loaded wagon is detained for a considerable period in a yard to allow it to be pilfered.

7. Chalk marks are deliberately left on the wagons containing valuable goods to be broken into during the Journey.

8. A train is stopped at a pre-arranged place by the Engine driver, without or with the connivance of the guard on the pretext of vacuum or other mechanical defect, giving opportunity to criminals to remove valuable property.

9. A train is deliberately stopped outside the distant signal to allow criminals to break open the wagons.

10. Unconnected goods are left lying in sheds for long periods without any enquiries to facilitate their removal.

Personnel

Sri G. F. Penn Anthony, I.R.A.S, who was temporarily lent to the I.A. & A.S., has, on reversion from I.A. & A.S., been appointed as Dy. Chief Accounts Officer, Southern Railway, Madras.

Sri T. N. Kuriakose, has been posted as Senior Accounts Officer, Finance, Southern Railway.

Sri P. K. Sarker, former F.A. & C.A.O., Eastern Railway, has been appointed as Officer on Special Duty, Railway Board, for review of workshop accounting procedures etc., on Railways with particular reference to the introduction of costing system.

Sri S. Gupta is now Additional Deputy Auditor—General (Railway Audit). Formerly the post was styled as Director of Railway Audit.

A new post has been created on the Southern Railway for a *Deputy Chief Operating Superintendent* to deal with Coaching and Planning Work. Mr. T. S. Parthasarathy, Senior Officer (Planning) has been appointed to this new post, with effect from the 1st December, 1955.

Sri B. Sanjeeviah, Senior Accountant, R.A.O's Office, Mysore, has been promoted to officiate as Asst. Accounts Officer in connection with W.I.P. Railway Accounts.

On reversion to the Central Railway Shri K. V. Kasturirangan, Joint Director, Finance, Expenditure, Railway Board, relinquished charge of his duties on the afternoon of the 15th October, 1955 and proceeded on leave on average pay for 60 days with effect from the 16th October, 1955.

On transfer from the Central Railway, Shri K. S. A. Padmanabhan, Deputy Financial Adviser and Chief Accounts Officer, Secunderabad, has been appointed to officiate as Joint Director, Finance (Expenditure), Railway Board with effect from the afternoon of the 15th October, 1955.

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General Rules and Procedure: No. 93 A & B: Questions set in past years together with guide to answer them for 13 papers are available and will be found very helpful as they deal with all aspects of Railway Accounting. No. 93 is also being reprinted and issued by 25th December 1955.

Questions set in **Optional Subjects** in previous years have also been collected subject by subject and published separately for enabling a proper study of the subject. There are no answers to these, nor any Guide to solve them.

Book Keeping: Questions set in the last examination in March 1955 together with the answers have been published.

Precis & Draft: and General Rules & Procedure: Questions set for 1955 Examination are also published with answers.

Note: The last three papers are included in *one volume* and released as no. 500 costing Rs. 2-8-0 *plus* ordinary postage as. 3.

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