

Overview

This report contains the audit findings of significant nature which arose from the compliance audit in Ministry of Railways (Railway Board) of the Union Government and its field offices. The report contains 7 chapters. Chapter 1 explains the audit planning, auditee profile, response of Ministry to provisional paragraphs issued, recoveries at the instance of Audit and Audit impact. Chapter 2 to 7 present detailed findings/observations arising out of the compliance audit in the Ministry of Railways and its field offices.

Chapter 1 – Introduction - This chapter contains 10 paragraphs containing Auditee profile (**Para 1.2**), Audit Planning (**Para 1.4**), response of the Ministry/Department to the provisional paragraphs (**Para 1.6**), the number of objections issued as a result of audit of Railway accounts and records, objections settled after Railways have taken corrective action and those outstanding for want of action by Railways (**Para 1.7**), recoveries effected or agreed to be effected at the instance of audit (**Para 1.8**), Remedial actions (**Para 1.10**) and follow up action taken by Ministry of Railways (Railway Board) on the paragraphs contained in previous reports (**Para 1.10**)

Chapter 2 – Traffic – Commercial and Operations - This chapter includes major audit findings on the issues of revenue collection, performance of incentive schemes and movement of rolling stock, infrastructural deficiency in sidings/goods shed leading to detention of stock or loss of freight, Issues on initiatives of new/special schemes, new services as well as suburban services and non-adherence/non-implementation of rules contained in Traffic Code, Commercial Manuals and other rules/orders issued by Indian Railway Conference Association and Railway Board are also covered. A brief description of paragraphs included in these categories is given below:

- The chapter includes the theme study conducted on container operations in Indian Railways. The audit of container operations in Indian Railways was carried out with the main objective of obtaining an assurance that the charges recoverable by the Railways for use of its assets such as tracks, stations and rolling stock were fixed and recovered correctly. It was also examined whether the haulage charges recovered by Railways were adequate to meet the cost of operations incurred. The main audit findings are loss due to fixation of haulage rates less than the base class (**Para 2.1.8.1**), inconsistencies in fixation of haulage rates for CC commodities

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and impact on Railway revenue (**Para 2.1.8.2**), incorrect fixation of haulage rates (**Para 2.1.8.6**), non-recovery of haulage charges (**Paras 2.1.8.7 & 2.1.8.8**) etc.

- A thematic study on ‘Tatkal and Advance Reservation System in Indian Railways’ is also included in this chapter. Audit of functioning of the Tatkal and Advance reservation system revealed that genuine users, for which the scheme was intended, were not able to access the facility with ease as it was susceptible to manipulation. The main audit findings of this theme are irregularities in booking of tickets through PRS counters such as booking of tickets beyond business hours and booking of all Tatkal quota tickets within a few minutes of the opening of reservation, irregular booking by reservation clerks, connivance of railway agents and booking clerks that defeat the purpose of tatkal scheme, etc. (**Para 2.2.4.1**). Other audit findings in respect of irregular bookings through internet (**Para 2.2.4.2**), operation of special/new trains (**Para 2.2.4.4**), booking through authorized railway agents (**Para 2.2.4.5**) are also included in this theme.
- Besides the above themes, the chapter includes 19 paragraphs pointing out non-observance of rules, routing deficiencies, non-recovery of freight etc., which caused an overall loss to the tune of `272.02 crore. The irregularities in observing rules include non-implementation of rationalization orders (**Para 2.3**), non-implementation of the Scheme of Leasing of Parcel Cargo Express Trains (**Para 2.4**), loss due to incorrect computation of distance (**Para 2.11**), delay in implementing Railway Board’s orders (**Para 2.14**). The routing deficiencies such as loss due to non-rationalization of longer routes (**Paras 2.7, 2.12**).

Chapter 3 - Engineering – Open Line and Construction – The chapter focuses on issues of deficiencies in contract management, avoidable/wasteful expenditure incurred on constructions works such as new lines, doubling, gauge conversion, railway electrification etc. In addition, this chapter includes issues of non-adherence/non-implementation of rules contained in the Indian Railway Code for Engineering Department, General Conditions of Contracts and other rules/orders issued by Railway Board. A brief description of paragraphs included in these categories is given below:

- This chapter includes a thematic study conducted on ‘Construction of new lines on socio-economic development of areas’. Audit reviewed the progress of 50 new line projects sanctioned more than ten years ago to

evaluate their present status and reasons for their non-completion. The main audit findings of this theme are delay in execution of planning (**Para 3.1.4.1**), delay in preparation of detailed estimate and commencement of work (**Para 3.1.4.2**), delay in land acquisition (**Para 3.1.4.3**), irregular financial management of the projects (**Para 3.1.5**), delay in finalization of tenders and awarding contracts without completing preliminary works (**Paras 3.1.6.1 & 3.1.6.2**), improper contract management such as delay in completion of works within the stipulated period and incurrence of extra expenditure (**Para 3.1.7**).

- Besides, this chapter also includes 16 paragraphs where investments were made on projects or works were sanctioned and executed without adequate planning, as a result of which there was abnormal delay in their completion, facilities created were not put to use and the delay has resulted in incurrence of extra expenditure. Railways have incurred avoidable/unproductive/ infructuous expenditure of `242.92 crore on such instances. The chapter mainly consisting of paragraphs containing improper planning and execution of projects includes blockage of fund due to stoppage of work on a doubling project (**Para 3.2**), stoppage of works due to planning lapses in Northern Railway (**Para 3.3**), mis-handling of simple projects in North Western Railway (**Para 3.5**). The chapter also includes the loss due to irregular payment under price variation clause (**Para 3.4**). Improper contract management were also noticed such as delay in finalization of tender (**Para 3.6**), closure of ROB due to poor quality of construction (**Para 3.8**), wasteful expenditure on MG section (**Para 3.10**).

Chapter 4 – Mechanical – Zonal Headquarters/Workshops/Production

units - This chapter includes major audit findings dealing with issues of planning and procurement of rolling stock, maintenance and periodic overhauling, workshop modernization, issues of design/up-gradation of locos/coaches/ wagons. The above findings revealed that due to such issues/lapses, Railways sustained a loss of `228.82 crore. Issues regarding non-adherence/non-implementation of rules contained in Mechanical Code (Workshop), Track Manuals and other rules/orders issued by Railway Board are also covered. This chapter includes eight paragraphs indicating delay in maintenance of locomotives (**Para 4.1**), non-stocking of critical spares required for maintenance of rolling stock (**Para 4.2**), idling of diesel locos (**Para 4.3**), improper management of hazardous waste (**Para 4.7**).

Chapter 5 – Signal and Telecommunications – This chapter contains a paragraph regarding infructuous expenditure on mechanical signaling system in Bolpur-Ahmedpur section of Eastern Railway, which causes the loss of ` 1.11 crore to Railway (**Para 5.1**).

Chapter 6 – Stores - This chapter contains two paragraphs on deficiencies in assessment and procurement policies/decision of stores such as undue benefit to private firm for non-availing the benefit of excise duty and inability to exercise option clause (**Para 6.1**), injudicious exercise of option clause at the placing orders (**Para 6.2**)

Chapter 7 – Review of Public Sector Units of Indian Railways - This Chapter takes a look at the performance of RailTel Corporation of India Ltd., (a PSU) and Rail Vikas Nigam Ltd. (an SPV) under the Ministry of Railways.

- RVNL was established as a Special Purpose Vehicle with basic objectives to generate additional resources by leveraging market borrowings and quicken the pace for implementation of the projects. Audit observed that RVNL, even after seven years since its inception, continues to be largely dependent on the resources of the railways. The performance of RVNL on project execution and management was inefficient as they were plagued by delays and cost overruns (**Para 7.1**).
- Review of the arrangement of the Railways with RCIL with regard to transfer of assets and payments regarding revenue sharing and recovery of railway dues revealed inadequate internal control within the Railways in respect of transactions with RCIL. The Railways are totally dependent on RCIL in terms of keeping records relating to transactions with it and payments made were accepted without verifying the accuracy of Railway dues. Further lack of coordination between Railway Board and Zonal Railways in implementation of policy guidelines and poor maintenance of record led to inadequacy of data and failure in protecting Railways' financial interests (**Para 7.2**).