Overview

This Audit Report contains the audit findings of significant nature detected during audit in Ministry of Railways (Railway Board) of the Union Government and its field offices for the year ended 31 March 2014. The Audit Report is divided into two volumes viz., Volume I and Volume II. Volume I of the Report comprises five chapters containing audit findings related to three departments viz., Traffic – Commercial and Operation; Electrical – Signalling and Telecommunication units; Mechanical – Zonal Headquarters/ Workshops/ Production Units, and Public Sector Undertakings of Indian Railways including the chapter on 'Introduction. Volume II of the Report contains audit findings related to Engineering department of Indian Railways.

Chapter 1, Volume I of the Audit Report gives a brief introduction of the audited entities; recoveries made by Ministry/ Department at the instance of Audit; remedial actions taken in response to audit observations made in earlier Reports; summarized position of Action Taken Notes. Chapters 2 to 5 present detailed findings/observations under the relevant department title.

Some of the important findings included in the Volume I are given below:

Para 2.1 - Review on 'Management of Private Sidings in Indian Railways'

Sidings are constructed to eliminate handling of goods at the stations as well as local haulage between the place of production/ consumption and Railway station. As on 31-03-2014, out of the total number of 1211 sidings, 835 are private sidings and the remaining are assisted sidings, departmental sidings and defence sidings. A detailed study of the 293 private sidings out of 835 in the Indian Railways has been conducted in audit.

Audit observed that the proposals of the private parties for setting up sidings were approved with delays subsequently leading to delays in construction and commissioning of new sidings. In respect of 25 sidings (out of 55), the delays in approval ranged between 45 days and 1500 days over and above the prescribed time limit of 120 days. Delays in approval led to delays in construction of private sidings resulting in loss of revenue to the Railways as the traffic projected by the parties intending to set up sidings could not be tapped by Railways.

Further, 32 newly constructed sidings (out of 55) failed to achieve their traffic projection (shortfall ranging between 10 to 75 per cent) resulting in loss revenue to Railways. Despite clear codal provision, Railway Board did not initiate any action to undertake the annual review the earnings of such sidings.

No siding agreements existed in respect of 16 sidings owners till 31st March 2014. Despite a directive from Railway Board (July 2005) and fresh agreements were not executed in the revised format in 53 sidings in 13 Zonal Railways. Further, information like effective date of agreement, preliminary survey expenditure, payment to be realised for land licence fee, maintenance and other charges from siding etc were not recorded in the siding agreement at appropriate places in respect of the 178 sidings (out of 293) in 13 Zonal Railways**.** Railway dues amounting to ₹ 304.13 crores remained outstanding for recovery from the siding owners on account of Siding charges, land license fee, maintenance charges, shunting charges, damage & deficiency charges and demurrage charges etc.

An amount of ₹ 59.70 crore was outstanding since March 2012 on account of land license fee, dismantling charges in respect of eight closed sidings in two Zonal Railways. Besides, an amount of ₹ 45.47 crore was outstanding on account of recoverable dues from the siding owners against 19 out of 76 private sidings which were not in operations for the period more than 10 years.

79 private sidings are yet to have a weighbridge in their premises despite Railway Board's instructions to this effect in 2004. Of these, in 48 sidings, there was neither weighbridge at the siding premises nor at any en route station. In the remaining 31 sidings weighment arrangement existed at *en route* stations at the distance ranging between 3 to 390 kilometres from the siding premises enhancing the risk of overloading and damage to track.

Para 2.2 - Review on 'Liberalised Active Retirement Scheme for Guaranteed Employment for safety Staff (LARSGESS)'

The 'Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS)' was notified by Ministry of Railways (Railway Board) on 2 January 2004. The scheme provided for employment of a ward of an employee belonging to a specified category, subject to conditions laid down, in lieu of the employee seeking voluntary retirement. The scheme was conceived following demands by the Trade Union representatives of Indian Railway employees. Initially, the Scheme covered only two safety categories of staff viz. Drivers (excluding shunters) and Gangmen. Subsequently, numbers of amendments have been made by Ministry of Railways (Railway Board) during the period 2005 to 2014 by relaxing the prescribed norms for recruitment and also including other categories of staff under this Scheme. These amendments had the effect of diluting the eligibility criteria for recruitment and reducing the qualifying service period of the existing employee. Ministry of Railways had permitted recruitment of candidates under LARSGESS who did not even possess the minimum educational qualification of 10^{th} pass or equivalent as required for other categories of staff. **As such, recruitments under LARSGESS were made in violation of the conditions viz., (a) eligibility condition is to be the same as prescribed for direct recruitment, and (b) suitability of wards was to be assessed in the same manner as was being done in the case of direct recruitment, prescribed by Indian Railways itself. In the 10,086 test checked appointments out of total appointments of 24,848 during January 2011 to March 2014, 7,860 (80 per cent) appointments were made by diluting one of more of these conditions.**

LARGESS was implemented without consultation with Department of Personnel and Training (DoPT) and also without approval of Cabinet of the Union of India.

Para 2.3 - Fake Indian Currency Notes received through station earnings on Indian Railways

In Indian Railways, there are 8666 booking locations, where cash transactions take place through ticket bookings/ refunds, parcel booking etc. Audit reviewed the issues relating to receipt of Fake Indian Currency Notes (FICNs) through these locations and procedure adopted by Railway authorities for dealing with the FICNs. In Indian Railways, there are 40 Cash Offices nominated by Zonal Railways, where stations earnings are deposited. Audit reviewed the records of five stations under each of 40 Cash Offices. In addition Audit also reviewed 85 stations, remitting station earnings directly to banks, over 17 Zonal Railways.

Audit noticed that total debits of ₹92.33 lakh were raised as on July 2014 by banks/ cash offices on these selected stations for remitting Fake Indian Currency Notes (FICNs). Though major portion (78.60 per cent) of the debits was made good by the concerned booking staff, the procedure adopted by the railway authorities for dealing with the FICNs was not as per the procedure laid down in Cash and Pay Manuals of the Railways. FICNs detected by banks/ cash offices were being returned to the concerned booking staff, which was in violation of provisions laid down in Cash and Pay Manuals of Zonal Railways. This also led to possibility of recirculation of FICNs in open market. In case of three Railways (CR, ER, WR), concerned station authorities intimated to Audit that the FICNs were destroyed by the station staff, whereas these should be handed over to the Chief Commercial Superintendent of the Division for impounding.

The issue of installation of Currency Authenticator Machines at booking locations was reviewed by Audit and noticed that out of 196 selected booking locations over 14 Zonal Railways, such machines were installed only in 58 locations. Audit further revealed that despite installation of the machines, FICNs of ₹9.26 lakh were received through these booking locations.

Para 2.4 - Loss of revenue due to faulty agreement between Western Railway and Project Railway

Agreement for revenue sharing between the Western Railway and Kutch Railway Company Limited (KRCL) on the Gandhidham-Samkhiyali - Palanpur stretch was disproportionately framed in favour of KRCL, depriving the Western Railway of revenue to the extent of ₹ 300.21 crore in the period July 2006 to March 2014. Other port lines like Pipava Railway Corporation Limited and Bharuch Dahaj Railway Company Limited provide for equitable sharing on 50:50 basis. Railway Board also did not respond to the anomaly pointed by Western Railway in this regard in July 2012.

Para 2.5 - Rationalization order issued by Railway Board containing contradictory provisions led to loss of revenue amounting to ₹ 98.68 crore

Audit noticed that traffic booked from cement sidings on Jabalpur Division of WCR were being charged freight via shortest route. While issuing the rationalization order (August 2012), Railway Board failed to exercise due diligence by not rationalizing the actual carried route. Due to contradictory conditions in the rationalization order regarding utilization of a particular route for movement of goods trains, freight was being charged via shortest route instead of actual carried longer route. The rationalization order has been amended (February 2014) only after being pointed out by Audit in August 2013. Failure of rationalization of actual longer route resulted in loss of revenue of ₹ 88.22 crore for the period from 20, August 2012 to 12 February 2014 besides loss of ₹10.46 crore due to less loading of wagons on the rationalized route as proposed by WCR.

Para 2.6 - Non-revision of agreement and consequent non-realization of revised wagon hire and haulage charges

SR Administration failed to incorporate clause providing for automatic revision of wagon hire charges periodically notified by Railway Board in the agreement with Chennai Port Trust (CPT). Despite the assurance given by Railway Board in their Action Taken Note on earlier Audit Para (2.4.3 of Report No.8 of 2003) to amend the agreement, SR Administration could not execute the revised agreement with the CPT. This resulted in short recovery of wagon hire charges (₹4.08 crore) up to March 2014, which may further increase till revision of agreement. Besides, Audit also noticed delay in claiming of haulage charges against CPT resulting in accumulation of dues amounting ₹7.91 crore upto July 2014.

Para 3.3 - Avoidable expenditure of ₹ 5.89 crore due to defective planning of works.

As a part of the ongoing DC-AC conversion works in Mumbai Suburban section, Central Railway Administration awarded three contracts in November 2007, April, 2008 and October, 2008 for provision of Diesel Generator (DG) sets, construction of DG set rooms with provision of power supply arrangements etc. for replacing the 2.2. KV DC system. However, GM, Central Railway subsequently decided (December, 2010) to retain the 2.2. KV DC power supply system for suburban area taking into account its advantages. The inadequate planning and belated decision to retain the 22KV/2.2 KV DC traction system three years after works were commenced and an expenditure of ₹ 8.83 crore had been incurred resulted in avoidable expenditure of ₹ 5.89 crore after taking into account the savings on transfer of surplus DG sets elsewhere.

Para 4.1 - Functioning of Research Designs and Standards Organization (RDSO) Lucknow

Research Designs and Standards Organisation (RDSO) is an organization under Ministry of Railways, responsible for development of new technology and upgradation of existing technology for Indian Railways. It is also involved in development of new vendors for procurement of safety and safety related items including upgradation and down gradation of the existing vendors. In IR, Zonal Railways/ Production units used to procure safety and safety related items through these approved vendors.

Audit reviewed the functioning of RDSO and concluded that it has been focusing less on its primary function of Research and Development (R&D) activities and more on subsidiary functions like Vendor Development & Inspection and Design activities despite repeated recommendations/ instructions of the Railway Board. Detailed scrutiny of records of 15 selected R&D projects, undertaken at RDSO, revealed that 11 projects were completed with the delay ranging from 10 to 82 months whereas two projects could not be completed till March 2014 even after expiry of six years of date of completion. Audit also noticed that RDSO did not have required in-house expertise to undertake R&D projects and had to remain dependent on outside experts to carry out its primary functions of R&D activities.

During review of vendor development activities of RDSO, it was revealed that despite having single vendors for 51 items related to electrical, mechanical and signaling items since 2008, RDSO had not taken action to develop new vendors for these items leaving the field open for the existing vendors and giving them monopoly.

Para 4.2 - Functioning of Rail Coach Factory (RCF), Kapurthala

Rail Coach Factory Kapurthala, a coach production unit of Indian Railways was set up in 1986. It is carrying out the responsibility of design, development and manufacturing of coaches. Initially the production capacity was 1000 Coaches per annum which was increased to 1500 coaches per annum in 2010.

Provisions for new coaching stock in the annual Rolling Stock Programme (RSP) which were to be made at least two years in advance were finalised by Railway Board with delays. Further, Railway Board made frequent changes in respect of the Production programme approved by it as seen in the years 2012-13 and 2013-14 which resulted in the stores/materials worth ₹ 31.93 crore remaining unutilised.

Store components valuing ₹ 21.53 crore were lying unutilised without issue for more than 36 months. These items were not declared as scrap or useable as Survey committee had not surveyed these items resulting in non-disposal of stores besides avoidable payment of dividend to General Revenue.

Delay in despatching as many as 286 finished coaches resulted in the investment of ₹ 414.40 crore remaining unfruitful besides an avoidable loss of earning capacity of ₹ 46.14 crore.

Shortage of manpower in the technical cadre was dealt with in casual manner by appointing excess Group 'D' staff by General manager and deploying them in place of technicians and supervisors for which higher technical qualifications are required and who are recruited by Railway Recruitment Board.

Para 4.3 - Non-availing of the benefit of CENVAT while paying Excise Duty on Rolling Stock

Central Board of Excise and Customs (CBEC) vide their Notification of 20th April 2011, imposed Excise duty (ED) on Rolling Stocks manufactured by Railway Production units for the use of Zonal Railways under one of the following two options - 1) ED @ 1%+ Cess 3% in case CENVAT is not availed, and 2) ED@5 % +Cess 3% in case CENVAT credit is availed. Railway Board in October 2011 and again in April 2012 instructed Production Units to pay ED under Option 1 without analysing whether such an option was beneficial to them. It was only in June 2012 that RB instructed them to carry out such an analysis. Audit had advised one of the production units i.e. Diesel Locomotive Works (DLW), Varanasi in August 2012 that if the Countervailing Duty paid on imported items was factored in computation, option 2 would be a far more beneficial option to that unit. However, it was only in April 2014/May 2014 that DLW sought permission of Railway Board to switch over to Option 2. Railway Board, in August 2014 asked all Production Units to be ready with all required documents to switch over to Option 2 with effect from 1st April 2015. During the period from 2011-12 to 2014-15(February 2015), at least three Production units viz, DLW, Rail Coach Factory, Kapurthala and Integral Coach Factory, Perambur have together made avoidable payment of ₹ 313.70 crore on Excise Duty due to imprudent decision by Railway Board and Production units to pay ED without availing benefit of CENVAT, resulting in drain on Railways revenues.

Para 4.4 - Defective honing and consequent reworking on cylinder liners

Cylinder liner plating shop (CLP shop) at Golden Rock Workshop (WS/GOC), Ponmalai in Southern Railway undertakes plating process for new cylinders and old cylinders reclaimed from diesel locomotives received from various zonal railways. Audit revealed that the workshop is undertaking the plating process with the honing machines which have outlived their codal lives. This resulted in defective honing of cylinder liners and additional expenditure of ₹7.70 crore on reworking on liners. Besides, the workshop was not able to supply the targeted quantity of liners which may cause non-availability or delay in availability of locos in train operation. Defective liners may also cause damage to the piston and affect the smooth and effective functioning of the piston which in turn impacts smooth operation of engines and ultimately locos.