

## Chapter 1: Introduction

### 1.1 Audit Report outline

This Audit Report comprises results of scrutiny of transactions relating to expenditure, receipts, assets and liabilities of the audited entities under the control of Ministry of Railways (Railway Board including Zonal Railways all over India). This includes an examination of the adequacy, legality, transparency, etc. of the relevant rules to maintain and operate effective control mechanism over public expenditure and safeguard against misuse, waste and loss.

The Audit Report for the year ending March 2015 contains six chapters of which this chapter is introductory in nature and also covers issues of cross-cutting nature. The other four chapters contain audit findings related to four departments viz., Traffic – Commercial and Operation; Electrical – Signalling and Telecommunication units; Mechanical – Zonal Hqrs/ Workshops/ Production Units and Engineering of IR. Chapter 6 of the Report containing Disaster Management in IR, focused on the adequacy and implementation of the Disaster Management Plan of IR.

This Report presents audit findings of significant materiality which are intended to aid the executive in instituting corrective actions to bring about improved performance and better financial management. The detailed findings of following five reviews, covering all Zonal Railways, are presented department-wise in Chapter 2 to 5 of this Report:

- (i) Up-gradation of passenger amenities at stations including modernization of stations in IR;
- (ii) Working of signalling production units on IR including their modernization;
- (iii) Manpower management in mechanical workshops of IR;
- (iv) Elimination of unmanned level crossings in IR; and
- (v) Procurement and utilization of stone ballast in IR.

In addition, detailed audit findings contained in 32 individual paragraphs covering respective Zones are presented department-wise in Chapters 2 to 5 of this Report.

### 1.2 Chapter outline

Paras 1.2 to 1.5 of this chapter (Chapter 1) outline the broad profile of the Ministry of Railways and its subordinate field offices, basis of selection of units and issues for audit investigation and the reporting procedure for

inclusion of audit observations in the Audit Report. Paras 1.7 to 1.11 cover response received from the Railway authorities to the Provisional paragraphs; a summary of the year-wise pendency of audit observations; and impact of audit in terms of recoveries effected and remedial actions taken.

### 1.3 Audited Entity

The IR is a multi-gauge, multi-traction system with a total route length of 66,030 kms (as on 31 March 2015). Presently, the IR, a premier transport organization of the country is one of the world's largest rail network under one management.

*Table 1.1*

	<b>Broad Gauge (1676 mm)</b>	<b>Meter Gauge (1000 mm)</b>	<b>Narrow Gauge (762/610 mm)</b>	<b>Total</b>
Route Kilometers	58,825	4,908	2,297	66,030
Running Track Kilometers	83,266	5,240	2,297	90,803
Total track kms.	1,09,535	5,929	2,532	1,17,996
Electrified Route Kms	22,224	-	-	22,224
Electrified running track kms.	41,038	-	-	41,038

The IR runs 13,098 passenger trains and 9,202 Goods trains every day. It carried 22.53 million passengers and 3.00 million tonnes freight each day during 2014-15. As on 31 March 2015, the IR has 1.33 million work force and maintains infrastructure assets and rolling stock as shown in the Table below:

*Table 1.2*

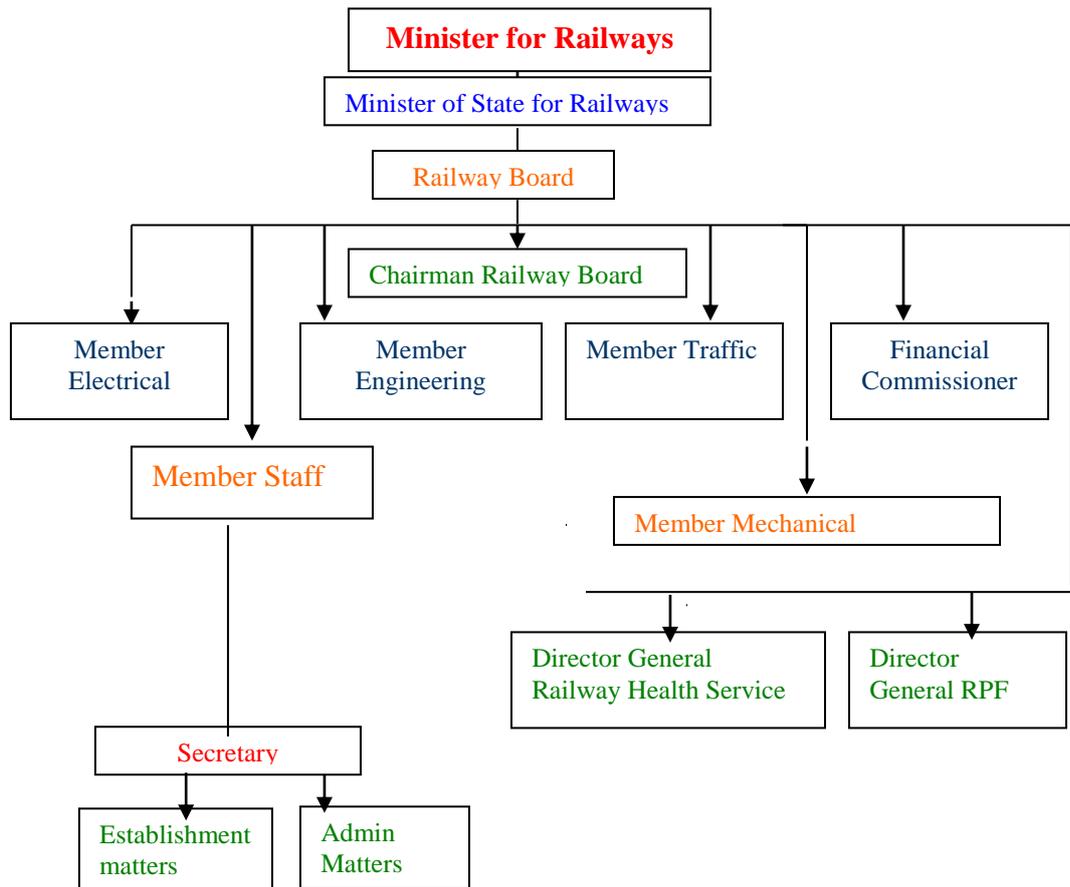
Locomotives	10,773
Coaching Vehicles	68,558
Freight wagons	2,54,006
Stations	7,137

*Source – Indian Railways year book 2014-15 and Indian Railways' website*

## Organizational Structure

The organization structure of the IR is shown below:

*Fig.1.1*



The Ministry of Railways (MoR), a Ministry of the Government of India, is responsible for the country's rail transport. It is headed by a Union Minister of Railways (a Cabinet Minister). The Ministry also has a Minister of State for Railways.

The Railway Board (RB) which is the apex body of the IR reports to the Minister of Railways. The RB, comprising five Members (Electrical, Mechanical, Traffic, Staff, Engineering) and a Financial Commissioner, is headed by the Chairman Railway Board. The RB is responsible for laying down policies on all matters of operations, maintenance, finance and acquisition of assets and monitoring their implementation across zones. The RB is responsible for regulating pricing of both passenger fares and freight tariffs.

The Functional Directorates under each Member assist and aid in decision-making and monitoring of railway operation.

At the field level, there are 17 Railway Zones, one research and standards organization namely, Research, Designs and Standards Organization (RDSO) Lucknow; a Central Organization for Modernization of Workshops (COFMOW) for procurement of specialized machinery; two locomotive manufacturing units (Diesel Locomotives Works-DLW and Chittaranjan Locomotives Works-CLW) at Varanasi and Chittaranjan respectively; three coach factories at Kapurthala, Raebareli and Perambur; one wheel and axle plant at Yelahanka; and diesel modernization works at Patiala.

The names of Railway Zones with their headquarters and total route kilometers are given below:

**Table 1.3**

<b>Railways</b>	<b>Headquarters</b>	<b>Route kms.</b>
Central	Mumbai	4,042
Eastern	Kolkata	2,666
East Central	Hajipur	3,791
East Coast	Bhubaneswar	2,679
Northern	New Delhi	7,221
North Central	Allahabad	3,216
North Eastern	Gorakhpur	3,869
Northeast Frontier	Maligaon (Guwahati)	3,996
North Western	Jaipur	5,554
Southern	Chennai	5,079
South Central	Secunderabad	5,922
South Eastern	Kolkata	2,722
South East Central	Bilaspur	2,489
South Western	Hubli	3,322
Western	Mumbai	6,440
West Central	Jabalpur	2,995
Metro Railway	Kolkata	27
<b>Total</b>		<b>66,030</b>

Each Zone is headed by a General Manager who is assisted by Principal Heads of Departments, such as Operating, Commercial, Engineering, Electrical, Mechanical, Stores, Accounts, Signal & Telecommunication, Personnel, Safety, Medical etc.

Besides the above, there are 35 Public Sector Undertakings (PSUs) and two Autonomous Bodies (ABs) functioning under the administrative control of the Ministry of Railways (as on 31 March 2015). The operations of these PSUs cover a wide spectrum i.e. from providing passenger and freight container services to lease financing, tourism and catering.

#### **1.4 Integrated Financial Advice and Control**

A fully integrated financial advice and control system exists both at the RB headed by the Financial Commissioner and the Financial Advisers and Chief Accounts Officers at the Zonal level. The Financial Heads are responsible for rendering advice and scrutinizing all proposals involving expenditure from the public exchequer.

#### **1.5 Audit Planning**

Broadly, the selection of the units for audit of the Railways was planned on the basis of a risk assessment with regard to the level of budgets planned, resources allocated and deployed, extent of compliance with internal controls, scope of delegation of powers, sensitivity and criticality of function/activity, external environment factors, etc. Previous audit findings, PAC's recommendations, media reports, where relevant, were also considered.

Based on such risk assessment, test audit of 4,498 audited entities of the Railways out of a total of 18,505 units was carried out during 2014-15.

The audit plan in particular focused on selected reviews/ long paragraphs of significant nature in terms of policy and its implementation inter-alia covering freight traffic, earnings, infrastructure development, passenger amenity activities, asset management, material management and safety works. Each study is accompanied by recommendations/suggestions on the basis of audit findings, reported under department specific chapters.

#### **1.6 Reporting**

The audits of these topics were conducted across the Zonal Railways using sampling methodology and accessing relevant records and documents of the field units including those of the RB. The audit findings were issued to the respective Zonal Managements for their response. Similarly, Audit Notes/Inspection Reports (IRs)/Special letters arising out of regular audit of vouchers and tenders were issued to the Associated Finance and Head of the unit for obtaining their replies. Audit findings were either settled or further action for compliance was advised depending upon action taken. Important audit observations, not having been complied with, were followed up through Draft Paragraphs addressed to the General Managers of Zonal Railway with

copies endorsed to the FA&CAOs and Heads of the Departments for reply within the prescribed period. Selected issues raised in these Draft Paragraphs were taken up as Provisional Paragraphs with the Ministry of Railway (Railway Board) for furnishing their reply within a period of six weeks (as prescribed by the Public Accounts Committee) before their inclusion in the Audit Report.

### **1.7 Response of the Ministry/Department to Provisional Paragraphs**

A total of 147 Draft Paragraphs including reviews were issued to the General Managers of the concerned Zonal Railway up to December 2015. After considering the replies of Railway Administrations wherever received, 37 Provisional Paragraphs (including five reviews covering all zonal railways) proposed for inclusion in the Audit Report, were forwarded to the Chairman Railway Board, Members concerned and the Financial Commissioner, Railway Board between **13<sup>th</sup> August 2015 and 14<sup>th</sup> March 2016**. As on 31 March 2016, RB's replies have been received in respect of only two Provisional Paragraphs. Railway Board's remarks on these two paragraphs have been included in the relevant paragraphs.

### **1.8 Audit objections issued, settled and outstanding**

During the year 2014-15, based on the results of test audit, a total of 4,446 audit objections involving financial irregularities of ` 13,596.99 crore were issued through Special letters, Part-I Audit Notes and Inspection Reports. Besides these, there was a carry forward of 8,372 audit objections pertaining to the previous years. A total of 4,193 audit objections were settled during the year as Railway Administration recovered/ agreed to recover the amounts involved or had initiated corrective/ remedial action. The balance 8,625 audit objections outstanding as on 31 March 2015 involved financial irregularities amounting to ` 37,569.82 crore.

### **1.9 Recoveries at the instance of Audit**

Audit has pointed out the cases of under charges in realization of freight and other earnings, over payments to staff and other agencies, non-recovery of dues of the Railways etc. amounting to ` 4160.21 crore in the various Zonal Railways during the year 2014-15. An amount of ` 234.46 crore was accepted for recovery (` 101.26 crore was recovered and ` 133.20 crore was agreed to be recovered). 10 ZRs accounted for recoveries exceeding ` 5 crore each – ECR (` 123.86 crore); SECR (` 21.26 crore); NR (` 17.22 crore), NER (` 14.70 crore); NWR (` 11.07 crore); SCR (` 9.18 crore); WR (` 8.45 crore); NFR (` 7.21 crore); ER (` 5.36 crore) and SR (` 5.34 crore). Out of the total amount

of ₹ 234.46 crore recovery accepted, an amount of ₹ 60.03 crore pertained to transactions that were already checked by Accounts department of concerned Railways and ₹ 174.11 crore were other than those checked by Accounts department. As a result of further review carried out by Accounts department another ₹ 0.32 crore were recovered/ agreed to be recovered.

### 1.10 Remedial Actions

In addition, Railway Board initiated remedial action in response to audit observations by incorporating appropriate changes in freight tariffs and issuing instructions during 2013-14 for better and improved compliance. Some of the important cases are illustrated in Table 1.4 below:

*Table 1.4*

Para No. of the Report	Brief of the para	Changes in procedure /rule effected
Part I Inspection Report/ WR of May 2013	Irregular payment of Nursing allowance to Asstt. Nursing Officer (ANO). As per RB letter dated 04/12/96 and 01/08/1997, nursing allowance has been sanctioned for nursing staff (non-gazetted) as a compensation in consideration of night duty and other working conditions. It will not be entitled for night duty allowance. ANO, Gazetted officer working in Divisional Hospital was drawing nursing allowance at the rate of ₹ 4000 per month.	RB issued fresh clarification on 13.05.2014 stating that ANO are not entitled for Nursing allowances, as supervision of nursing services does not involve nursing activities.
Para 5.1 of Report No. 25 of 2013 covering all ZRs	It was observed by Audit that 'the basis on which the item has been treated as Proprietary Article Certificate (PAC) items under 'A' or 'C' certificate was not available on record.	RB issued instructions that it should be ensured that basis on which the item has been treated as proprietary item and effort that are being made/have been made to develop more sources for the item would be recorded by the indenter and maintained in their records.
3.2.3 of Report No.CA11 of 2009-10 – Idling	WR Administration needs to evolve a revised procedure for planning and execution of works which have	RB advised (January 2015) ZRs to avoid flip-flop in planning and execution of

of assets due to improper planning	significant impact on operational efficiency by identifying "Critical paths" so that timely action is taken to avoid delays and costly changes later on.	projects having significant impact on operational efficiency by identifying "Critical paths" right at the stage of project conceptualization.
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### 1.11 Paragraphs on which Action Taken Note received/pending

To ensure the accountability of the Executive on all issues dealt with in the Report of the Comptroller and Auditor General of India, the PAC had decided (1982) that the concerned Ministries/ Departments of the Government of India should furnish corrective/ remedial Action Taken Note (ATNs) on all Paragraphs contained therein and had further desired in their Ninth Report (Eleventh Lok Sabha) presented to Parliament on 22 April 1997 that henceforth corrective/ remedial ATNs, duly vetted by Audit, on all Paragraphs included in the Reports be furnished within four months after the Report was laid on the Table of the Parliament.

The position of ATNs furnished by the Railway Board (March 2016) on the Paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Railways) up to the year ended 31 March 2014 is given below:

*Table 1.5*

Year	Total para included in the Reports	No. of para on which ATN Finalized	No. of Paragraphs on which ATNs are pending				
			Not received	ATN on which comments sent to Railway Board	ATNs finally vetted	ATN under verification by Audit	Total
1998-99	106	105	0	1	0	0	1
2000-01	101	100	0	0	0	1	1
2001-02	101	100	0	0	0	1	1
2002-03	110	109	0	1	0	0	1
2003-04	114	112	0	2	0	0	2
2005-06	138	133	0	4	0	1	5
2006-07	165	163	0	2	0	0	2
2007-08	172	171	0	1	0	0	1
2008-09	104	102	0	1	1	0	2
2009-10	59	56	0	2	0	1	3
2010-11	34	24	0	6	1	3	10
2011-12	29	11	0	13	1	4	18
2012-13	30	9	0	16	1	4	21
2013-14	47	0	26	5	1	15	47
<b>Total</b>	<b>1310</b>	<b>1195</b>	<b>26</b>	<b>54</b>	<b>5</b>	<b>30</b>	<b>115</b>

ATNs in respect of 26 Paragraphs relating to the Report for the year 2013-14 were not received within the prescribed period of four months. 54 ATNs received for vetting by audit were returned with observations for lack of adequate remedial action. Five ATNs, vetted by audit, are yet to be finalized by Ministry of Railways. In 30 cases, the action stated to have been taken is under verification by Audit.