

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, Railway Public Sector Undertakings (PSUs) and Autonomous Bodies under the Ministry of 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 2016 contains six Chapters. Chapter 1 is introductory in nature and covers issues of cross-cutting nature. The other five Chapters contain audit findings related to important areas of functioning and operations of IR viz., Traffic, Traction, Rolling Stock, Engineering, Staff Matters and Railway PSUs.

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 on the following four issues, covering all Zonal Railways, are presented in this Report:

- (i) Parcel Business in Indian Railways
- (ii) Container Trains Operation in Indian Railways
- (iii) Energy conservation measures in Indian Railways
- (iv) Management of linen in Indian Railways

In addition, detailed audit findings contained in 31 individual paragraphs covering respective Zonal Railways are presented in Chapters 2 to 6 of this Report.

1.2 Chapter outline

Paras 1.3 and 1.4 of this Chapter outline the broad profile of the Ministry of Railways (MoR) and its subordinate field offices. Para 1.5 to 1.7 cover basis of selection of units for audit, reporting procedure for inclusion of audit observations in the Audit Report and response received from the Railway authorities to the Provisional Paragraphs. Paras 1.8 to 1.11 cover, a summary of year-wise pendency of audit observations and impact of audit in terms of recoveries effected and remedial actions taken.

1.3 Audited Entity

Indian Railways (IR) is a multi-gauge, multi-traction system with a total route length of 66,687 kms (as on 31 March 2016) and is one of the world's largest rail network under one management. Some important statistics regarding route/track length in IR is given below:

Table 1.1				
	Broad Gauge (1,676 mm)	Meter Gauge (1,000 mm)	Narrow Gauge (762/610 mm)	Total
Route Kilometers	60,510	3,880	2,297	66,687
Running Track Kilometers	85,617	4,170	2,297	92,084
Total Track kms	1,12,496	4,639	2,495	1,19,630
Electrified Route kms				23,555
Electrified Running Track kms				43,357

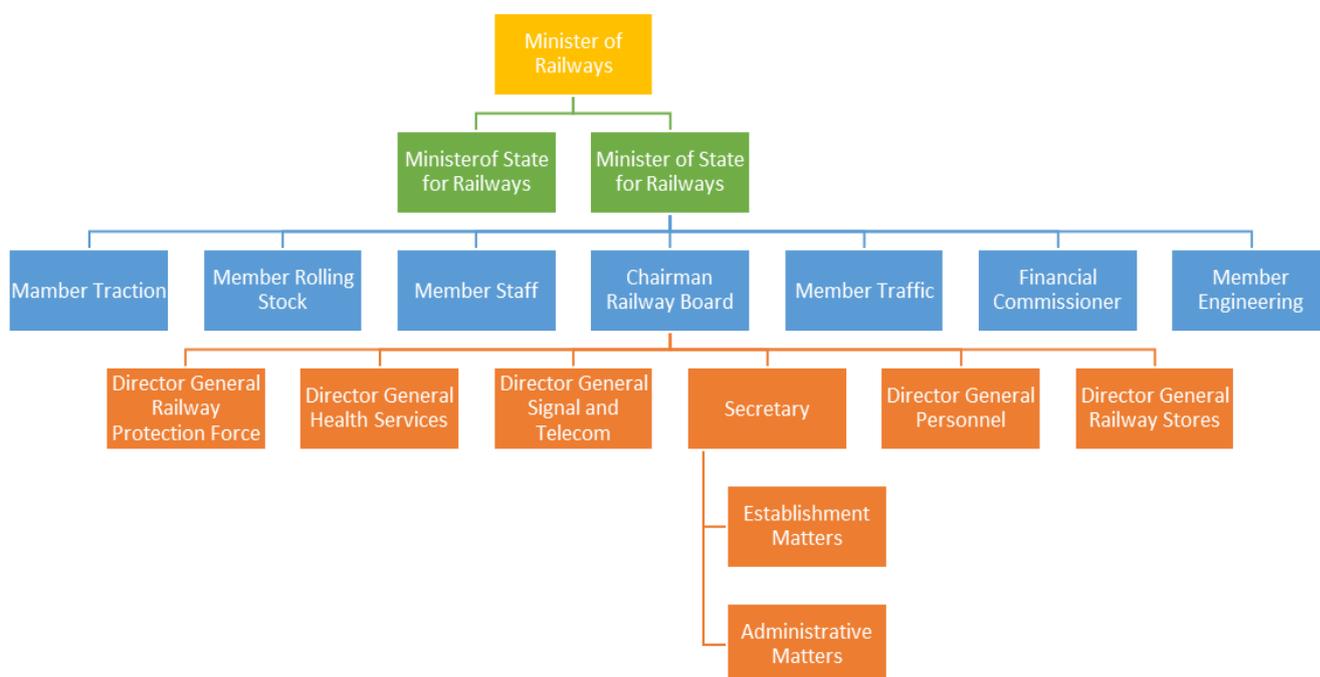
IR runs 13,313 passenger trains and 9,212 Goods trains every day. During 2015-16, it carried 22.21 million passengers and 3.03 million tonnes freight each day. As on 31 March 2016, IR have 1.33 million work force and maintained the following infrastructural assets and rolling stock:

Table 1.2	
Rolling stock	Numbers
Locomotives	11,122
Coaching Vehicles	70,241
Freight Wagons	2,51,256
Stations	7,216

Source – Indian Railways Year Book 2015-16 and Indian Railways' Website

Organizational Structure¹

The Ministry of Railways, 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) and has two Minister of State for Railways.



¹ As on 21 December 2016

Railway Board (RB) which is the apex body of the IR, reports to the Minister for Railways. Railway Board is headed by Chairman Railway Board (CRB) and has five Members (Traction, Rolling Stock, Traffic, Staff, and Engineering) and a Financial Commissioner (Railways). The Board is responsible for laying down policies on all matters of operation and maintenance of train services, acquisition, construction and maintenance of assets and monitoring implementation of policies and instructions across Zonal Railways. Railway Board is also 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 operations.

At the field level, there are 17 Zonal Railways. In addition, there is one research and standards organization viz. Research, Design and Standards Organization (RDSO) Lucknow; a Central Organization for Modernization of Workshops (COFMOW) for procurement of specialized machinery; two Locomotive manufacturing units {Diesel Locomotive Works (DLW) and Chittaranjan Locomotive Works (CLW)} at Varanasi and Chittaranjan respectively; three Coach factories at Kapurthala, Raebareilly and Perambur; two Wheel and Axle Plants at Yelahanka and Bela; and Diesel Modernization Works at Patiala.

The details of Zonal Railways with their Headquarters and total route kilometers (RKMs) as on 31 March 2016 are given below:

Zonal Railways	Headquarters	RKMs
<i>Central</i>	Mumbai	4,063
<i>Eastern</i>	Kolkata	2,711
<i>East Central</i>	Hajipur	3,925
<i>East Coast</i>	Bhubaneswar	2,722
<i>Northern</i>	New Delhi	7,301
<i>North Central</i>	Allahabad	3,364
<i>North Eastern</i>	Gorakhpur	3,869
<i>Northeast Frontier</i>	Maligaon (Guwahati)	4,072
<i>North Western</i>	Jaipur	5,550
<i>Southern</i>	Chennai	5,074
<i>South Central</i>	Secunderabad	6,028
<i>South Eastern</i>	Kolkata	2,716
<i>South East Central</i>	Bilaspur	2,505
<i>South Western</i>	Hubli	3,322
<i>Western</i>	Mumbai	6,440
<i>West Central</i>	Jabalpur	2,997
<i>Metro Railway</i>	Kolkata	28
	Total	66,687

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

Besides the above, there are 36 PSUs of IR as on 31 March 2016 under control of Ministry of Railways. These PSUs were set up by the Ministry with varied and specific objectives of raising finance for its rolling stock, manufacture of wagons, executing infrastructure projects, managing containerization of rail traffic, catering and tourism, station development, utilise railway telecommunication network etc.

1.4 Integrated Finance Advice and Control

A fully integrated financial advice and control system exists both at Railway Board headed by the Financial Commissioner (Railways) and the Financial Advisers and Chief Accounts Officers (FA&CAOs) 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 is 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, Public Accounts Committee (PAC)'s recommendations, media reports, where relevant, were also considered. Based on such risk assessment, test audit of 4,378 entities/units of the Railways was conducted during 2015-16.

The Audit Plan focused on selected issues of significant nature in terms of policy and its implementation *inter-alia* covering freight traffic, earnings, infrastructure development, passenger amenities, asset management, material management and safety works. Each study brings out important audit findings and conclusions followed by audit recommendations, which could help improve systems and strengthen internal control mechanism in railways.

1.6 Reporting

Audits of selected topics were conducted across the Zonal Railways reviewing relevant records and documents of the field units as well as that of Railway Board. Appropriate samples from the population were selected so as to adequately cover the issues under study. 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 Railways 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 Railways (Railway Board) for furnishing their reply within a period of six weeks (as prescribed by the PAC) before their inclusion in the Audit Report.

1.7 Response of the Ministry/Department to Provisional Paragraphs

A total of 165 Draft Paragraphs including reviews were issued to the General Managers of the concerned Zonal Railways up to January 2017. After considering the replies of Railway Administrations wherever received, 37 Provisional Paragraphs (including four Reviews covering all Zonal Railways) proposed for inclusion in the Audit Reports were forwarded to the Chairman Railway Board, Members concerned and the Financial Commissioner, Railway Board between 14 June 2016 to 6 January 2017. Of these 37, 35 Paragraphs have been included in this Audit Report. As on 28 February 2017, Railway Board's replies have been received in respect of eight Provisional Paragraphs and the same have been considered and duly incorporated in the relevant Paragraphs.

1.8 Audit observations issued, settled and outstanding

During the year 2015-16, based on the results of test audit, a total of 4,182 Audit observations involving financial irregularities of ₹ 11,568 crore were issued through Special letters, Part-I Audit Notes and Inspection Reports. Besides these, there was a carry forward of 8,584 audit observations pertaining to the previous years. A total of 4,323 Audit observations were settled during the year as Railway Administrations recovered/agreed to recover the amounts involved or had initiated corrective/remedial action. The balance 8,443 audit observations outstanding as on 31 March 2016 involved financial irregularities amounting to ₹ 28,083 crore.

1.9 Recoveries at the instance of Audit

Audit has pointed out the cases of undercharges in realization of freight and other earnings, over payments to staff and other agencies, non-recovery of dues of the Railways etc. amounting to ₹ 1,029.53 crore in the various Zonal Railways during the year 2015-16. An amount of ₹ 123.28 crore was accepted for recovery (₹ 80.27 crore recovered and ₹ 43.00 crore agreed to be recovered). Three Zonal Railways accounted for recoveries exceeding ₹ 10 crore each viz. South East Central Railway (₹ 28.41 crore), East Central Railway (₹ 14.36 crore) and South Central Railway (₹ 11.13 crore). Out of the total amount of ₹ 123.28 crore recovery accepted, an amount of ₹ 57.67 crore pertained to transactions that were already checked by Accounts Department of concerned Railways and ₹ 65.41 crore were other than those checked by Accounts Department. As a result of further review carried out by Accounts Department, another ₹ 0.18 crore were recovered/agreed to be recovered by the railways.

1.10 Remedial Actions

Railway Board initiated remedial action in response to audit observations issued in previous years by appropriate changes in freight tariffs and issue of instructions during 2015-16 for better and improved compliance. Some of the important cases are illustrated below:

Table 1.4		
Para No./ Report No.	Audit observation	Action Taken by the Ministry
Audit Para No.2.6 of Report No. 32 of 2011-12	Despite carrying of streams of traffic by longer route on a regular basis on Western Railway, no action was taken by the Railway Administration to rationalize the route.	Railway Administration has decided (May 2015) in principle to rationalize the route.
Audit Para No.3.3 of Report No. 32 of 2011-12	Railways' efforts in coordinating with State Government for successful completion of Road Over Bridge (ROB)/Road Under Bridge (RUB)s were inadequate. Railways needed to adopt and ensure a pro-completion approach by prioritization on planning and monitoring of Level Crossing (LC)/ROB/RUBs works and work towards a common agreed plan with the State Governments, so that closure of level crossings is achieved within an agreed time-frame.	Railway Board instructed the Zonal Railways in June 2015 to adopt remedial measures viz. insistence of advance action by the State Governments to acquire land where difficulties are anticipated, approval of site jointly in consultation with Railways, diversion of route to be worked out jointly, execute ROB/RUBs as single entity basis, sanction of ROB/RUBs work under NREGA and MPLAD funds etc.
Chapter 2- Distribution and Utilization of Safety Items in Indian Railways (Report No. 29 of 2015)	Railway Board's instructions for standardization of safety items and unification of PL numbers for uniform monitoring across the Zonal Railways were not adhered to.	In July 2015, Railway Board issued the list of safety items with unified PL number on pan-India basis under safety category. A revised/updated list of safety items was also issued in January 2016 to bring about uniformity among Zonal Railways in categorization of safety items being procured by the Railways. This would facilitate better co-ordination among the Zonal Railways with regard to procurement, distribution and utilization of safety items.
Audit Para No.3.4.16 of Report No.9 of 2002	Maintenance charges for the portion in excess of 7.5 meters were not raised in respect of 12 ROB's which were to be borne by the State Government at the rate of 2.5 per cent of the cost of the bridge.	Railway Board requested the Chief Secretary, Government of Maharashtra, Mumbai on 17 November 2015 for making necessary payment to Western Railway administration immediately.
Audit Para No.3.6 of Report No.25 of 2013	NFR Administration failed to inspect its land periodically, which resulted in unauthorized occupation of land valuing ₹ 12.75 crore (as of February 2012) by the District Administration, Bongaigaon.	Ministry of Railways issued instructions in June 2015 to all the Zonal Railways to protect railway land from encroachment.

1.11 Paragraphs on which Action Taken Note received/pending

To ensure 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 the 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 is laid on the Table of the Parliament.

The position of ATNs furnished by the Railway Board (as on 28 February 2017) 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 2015 is given below:

Year	Total Paragraphs included in the Reports	No. of Paragraphs on which ATNs Finalized	No. of Paragraphs on which ATNs are pending				Total
			ATNs not received	ATNs on which comments sent to Railway Board	ATNs finally vetted	ATNs under verification by Audit	
2003-04	114	113	0	01	0	0	01
2005-06	138	134	0	02	02	0	04
2009-10	59	57	0	02	0	0	02
2010-11	34	28	0	02	02	02	06
2011-12	29	18	0	08	0	03	11
2012-13	30	12	0	11	02	05	18
2013-14	47	12	03	16	04	12	35
2014-15	44	05	14	12	02	11	39
Total	495	379	17	54	12	33	116

ATNs in respect of 17 Paragraphs relating to the Reports for the year 2013-14 and 2014-15 were not received within the prescribed period of four months. 54 ATNs received for vetting by Audit were returned with observations for further action. 12 ATNs, vetted by Audit, are yet to be finalized by Ministry of Railways. In 33 cases, the action stated to have been taken by the railways is under verification by Audit.