Overview

The Audit Report consists of audit findings relating to compliance issues in respect of the Ministry of Railways and its various field units including Railway Public Sector Undertakings and Autonomous Bodies. The Audit Report includes four reviews on selected themes and 31 Paragraphs. A brief overview of the important audit findings and conclusions is given below:

Parcel Business in Indian Railways

Indian Railways recognised the need to augment its parcel business and re-position it as a separate line of business rather than an extension of its passenger transportation services. However, they did not undertake adequate steps to put in place the infrastructure and other institutional arrangements for improvement in parcel services. Consequently, Parcel Services continued to be non-core activity without any specific emphasis on augmentation and improvement in capacity of infrastructure or quality of service. Computerization of parcel services was started in 2005-06, but was yet to be completed on a large number of locations. Adequate measures for security monitoring and screening of the parcels were not available as seen at the selected parcel depots.

Adequate weighment arrangements were not made/ensured by the railways for weighment of leased parcel traffic. On the other hand, rules were framed for termination of contracts after fourth default of overloading. These were, however, not a deterrent as weighment was not being done as a regular measure to check overloading despite laid down norms.

Response for booking of leased parcel traffic through Brake Vans as well as Parcel vans was inadequate. While offers received were far less than space offered on lease, railways did not allot Parcel Vans in 65 *per cent* of cases. As such, leasing space remained grossly unutilized. Leased traffic services suffered from lack of customer friendliness and from maladies like delays in internal processes and deficiencies in decision making. For leasing of parcel space, delay of up to 240 days in finalization of tenders by Zonal Railways was noticed. Customers had to cancel indents for Parcel Vans (VPs) due to non-supply by Railway Administration and in many cases parcel vans were declared sick after being loaded. There were also delays in granting operational clearance due to which railways could not finalise lease agreements.

For non-leased traffic, Zonal Railways carried parcels beyond their intended destinations in a significant number of cases. In the two months test checked, railways carried 13565 over carried parcels back to their original destinations. Over carriage of parcels also took away space in Assistant Guard's Cabin (AGC)/Brake Vans (SLRs) which could be utilised for transportation of parcel traffic. This resulted in hardships to the customers and created operational problems to the Railway Administration. This also reflected on the quality of services being provided to the customers. **(Para 2.1)**

Container Train Operations in Indian Railways

Container Operations by the private operators was promoted with the primary objective to increase the rail share of traffic and to augment Indian Railway's earnings by offloading sundry and piecemeal traffic to the private operators. Railways had decided not to carry sundry and piecemeal traffic in order to improve its operational efficiency through rake load movement. The container traffic registered an annual increase of about 4.57 *per cent* during 2010-11 to 2015-16. IR loaded 46.18 million tonnes of container traffic during 2015-16 and chances of achieving the target of 210 million tonnes by 2020 as envisaged, were remote. Charges like shunting charges, charges for detention of rakes beyond free time, stabling charges and land license fee, which were recoverable from Container Train Operators (CTOs) were not realized in full. The mechanism of recovering the staff cost for commercial staff deployed in various Container Rail Terminals (CRTs)/Inland Container Depots (ICDs) was not effective. Mechanism for monitoring movement of container trains did not exist in Central Railway, North Eastern Railway, South Western Railway and Southern Railway. **(Para 2.2)**

Injudicious decision of preservation of two sections in Northeast Frontier Railway as heritage without assessing their tourism potential led to wasteful expenditure of ₹ 27.33 crore on their preservation/dismantling. **(Para 2.3)**

As per Railway Board's circular of February 2009, shunting charges should be levied for utilization of Railway engine for shunting activity in siding premises. However, East Central Railway (ECR) Administration did not prefer bills for utilization of Railway engine for shunting activity in Bina Coal Siding of Dhanbad division for the period January 2010 to March 2016, resulting in loss of revenue of ₹ 24.28 crore. **(Para 2.4)**

Rules for refund of charges on failure to provide air-conditioning facility in Air Conditioned (AC) coaches exist in railways, wherein, the railways are liable to refund the difference between the fare of AC and non-AC classes of tickets. However, rules for refund of superfast surcharge to passengers in cases where Superfast services have not been provided to the passengers, have not been framed by the Railway Board. Audit observed that in North Central Railway (NCR) and South Central Railway (SCR), railways levied and collected superfast charges of ₹ 11.17 crore during the period 2013-14 to 2015-16 from the passengers on days, where 21 Superfast trains did not attain the average speed of 55 kmph (on broad gauge) for a 'Superfast' train. **(Para 2.5)**

In Asansol Division of ER, during May 2008 to May 2016, detention charges to the extent of ₹ 10.70 crore for load correction of overloaded wagons against five coal companies had not been realised. Eastern Railway (ER) Administration had not raised demand for detention charges at the time of generation of Railway Receipts and had raised the same subsequently. However, when the demands for detention charge were eventually made, the coal companies did not agree for payment. **(Para 2.6)**

The Integrated Security System (ISS) in Metro Railway, Kolkata could not be implemented fully five years after the scheduled date of completion. The reasons were delay in supply of location plans to the contractor, delay in allowing access to the Optical Fiber Cable (OFC) backbone to the contractor, unclear terms and conditions of the contract etc. Security measures as envisaged under ISS, thus, remained incomplete. **(Para 2.7)**

NR Administration failed to recover the license fee for additional/excess space provided/occupied by banks for ATMs as per the laid down rules. Audit noticed a total short recovery of ₹ 9.40 crore from banks at 97 railway stations over Northern Railway (NR). **(Para 2.8)**

There is an urgent need for policy decision by the Railway Board to prescribe permissible free time lesser than that allowed for manual loading for loading in covered wagons, where a combination of manual and mechanised loading is being used. At present such sidings are allowed free time applicable for manual loading. This has resulted in potential loss of revenue of ₹ 18.91 crore during the period from 2013-14 to 2015-16 (up to February 2016) on account of loss of earning capacity of these wagons in five private cement sidings of South East Central Railway (SECR).

(Para 2.11)

Diesel Locomotive Works (DLW) at Varanasi manufactures diesel locomotives for Indian Railways. DLW entered into a contract with M/s Electro Motive Diesel (EMD) of United States of America (USA), in October 1995 for Transfer of Technology (TOT) for manufacturing of High Horse Power (HHP) diesel locomotives which extended over the period of 1996-2006 at the total cost of US$ 1.75 crore.

Despite a lapse of 10 years of TOT, DLW failed to develop indigenous sources and continued import of one-third of its requirement (average import of last five years 35.16 *per cent*), on payment of foreign exchange of about ₹ 1250 crore per annum. Audit noticed that most of the imports (almost 91.73 *per cent* - ₹ 4329 crore) were made from the single supplier M/s EMD (USA) from whom the technology was transferred. DLW did not take effective steps for development of new vendors to ensure competitive rates and continued to remain largely dependent on single source suppliers. Non-development of new vendors also led to continued dependence upon the foreign supplier leading to expenditure in foreign currency.

(Para 3.1)

In August 2014, Railway Board instructed not to import crankcases (a component of diesel locomotive), but to improve in-house production and indigenous sources for the same. It was also instructed to revise the production plan of locomotives, if required. However, DLW continued import of crankcases from M/s EMD at higher cost and incurred extra expenditure of ₹ 59.28 crore in importing 81 crankcases between September 2014 to November 2015. **(Para 3.2)**

Energy conservation measures in Indian Railways

Indian Railway (IR) has switched over from conventional electric locos to more energy efficient HHP three phase locos having regenerative basic feature completely from 2016-17 onwards. However, Electric Multiple Units/Main Line Electric Multiple Unit with the regenerative braking features were inducted in Central Railway and Western Railway only and were yet to be inducted in Northern, Eastern, South Eastern

Southern and South Central Railways. Audit noticed instances wherein the instruction of non-shutting down of locos (in cases of expected detention of more than 30 minutes) were not followed resulting in excess consumption of energy/fuel. Besides, excessive detentions were also observed at the interchange points test checked in audit leading to excess consumption during idling of locos. All Zonal Railways were not using the mechanism of Trip Ration for monitoring and controlling consumption of fuel. Energy Audits were conducted sporadically and recommendations were partially implemented. Post audit activity wise energy consumed was also not assessed. Energy conservation measures are needed to be adopted in more vigorous ways so as to achieve savings in energy consumption.

(Para 3.3)

Management of linen in Indian Railways

The coaching stock of IR consist of 390 AC First Class coaches (7500 berths), 2375 AC (2-tier) coaches (112350 berths) and 5302 AC 3-Tier Sleeper coaches (345091 berths). A robust system for procurement, washing and distribution of linen is therefore necessary to provide clean, hygienic, well ironed and good quality linen to all passengers travelling in AC Classes. Audit observed that as on 31 March 2016 in respect of some of the linen items in selected General Stores Depots (GSDs), the stock in hand was less than one month's requirement, in respect of others it was more than 12 month's requirement. Provision of inspection of a prescribed percentage of new supply was not being used effectively, to ensure, quality of the linen received. The storage space at GSD was not adequate and items were not stored in proper environment. The storage space in the Coaching Depots was also not adequate and proper storing arrangements were not made at many places. No norms had been prescribed for optimal stock of bedroll to be carried in trains. Blankets and pillows were not dry cleaned and/or sanitised for long periods before supply to the passengers.

Due to inadequate response from private parties, railways installed departmental mechanised laundries. However, these did not have sufficient handling capacity and railways continued to meet bulk of its requirement through outsourcing. The pace of setting up of departmental mechanised laundries was also slow. No quality check of washing through departmental mechanised laundries was done nor any norms prescribed for the same. Necessary clearances for operating 26 out of 30 mechanised laundries were not obtained from respective State Pollution Control Boards. Effluent Treatment Plants (ETPs) were not installed in case of 15 out of 30 mechanised laundries. In respect of the remaining, ETPs were installed in the laundries, but these were not functional and one ETP was recycling only part of the waste water.

There were deficiencies in the washing contracts which diluted the enforcement of quality assurance measures. Electronic instruments for quality measurement were not being used in most of the Zonal Railways. This was also not enforced through the terms and conditions of the contracts. Inspections of quality were not being done adequately. Large amounts were being recovered from washing contractors for unsatisfactory performance. Railway as principal employer was lacking in its responsibilities for ensuring compliance of the labour laws by the linen distribution contractors. **(Para 4.1)**

Working of Coach Rehabilitation Workshop, Bhopal

The Coach Rehabilitation Workshop (CRWS), Bhopal undertakes the activity of Mid-life Rehabilitation (MLR) of passenger coaches. Rehabilitation work is carried out on the coach, which lies in the age group of 12 to 15 years. In this activity, repair on corrosion and degenerated interior and furnishing is carried out to bring it to the level of "as good as new".

The target for MLR of the coaches fixed for Railway Board could not be achieved during the review period and the same were reduced by seven to nine *per cent* by CRWS itself on the ground of inadequate manpower availability.

During 2012-13 to 2015-16, total 137 coaches received in CRWS were returned back due to reasons such as the coaches were new/underage, overage, MLR already done, beyond repair, non-availability of adequate space etc. As such, these coaches did not fall in the criteria for MLR activities. Overall these coaches were detained for 1066 days leading to loss of earning capacity of ₹ 2.21 crore of coaches.

The MLR of coaches are processed through seven main shops of the workshop. There were delays in outturn in various major shops as against the prescribed norms on account of insufficient space and frequent failure of machines. This resulted in non-achievement of targets and detention of coaches causing loss of earning capacity.

Audit also observed that out of total 2286 coaches rehabilitated during the review period, 855 coaches were found defective in the Final shop and had to be re-repaired. The total time consumed on re-repair was 2423 days and on an average 2.23 days were spent per coach. Besides, 87 coaches rehabilitated during the review period failed online, out of which 49 coaches failed within 100 days. **(Para 4.2)**

Integral Coach Factory (ICF) Administration recommended Bharat Heavy Electricals Limited (BHEL) for supply of electrics for manufacturing of metro rakes without ascertaining the eligibility criterion. Further, the procurement of material (worth ₹ 18.90 crore) was made before approval of tender by Railway Board. This led to loss of revenue to the Railway as material worth ₹ 6.17 crore had become obsolete due to change in policy for manufacturing of metro rakes. **(Para 4.4)**

Railway Board introduced a policy of recruitment of land losers as a compensation for acquisition of their land even though land could have been acquired using enabling provisions through notification of 'Special Projects' for expeditious land acquisition without making commitment of recruitment. When South Eastern Railway (SER) sought clarification on this issue, the Railway Board failed to take a clear stand on the policy. This created a situation of confusion and led to agitation by land losers. The work of the projects Bagnan-Amta and Deshpran-Nandigram New Railway Line projects in Kharagpur Division of SER had to be stopped and expenditure of ₹ 93.89 crore was rendered unfruitful. **(Para 5.1)**

NR and ECR Administrations delayed the payment of spectrum charges to Department of Telecommunications (DoT) which led to payment of late fee/surcharge of ₹ 19.47 crore. In NFR, ER and NCR spectrum charges surcharges/late fee were outstanding to the tune of ₹ 89.77 crore (including surcharge/late fee of ₹ 26.75 crore). Unless the spectrum charges are paid on time, late fee/surcharge would be imposed by DoT, which would have to be paid by the Zonal Railways, as there is no provision of waiver of late fee on spectrum charges. **(Para 5.2)**

SR Administration created infrastructure on land which actually did not belong to them and continued to occupy the same for a long time in violation of the codal provisions. They also did not use the opportunity to settle the matter timely by paying compensation to the land owners as assessed by the State Government. This resulted in an avoidable expenditure liability of ₹ 50.68 crore towards compensation to the land owner. **(Para 5.3)**

Delays on part of ECR Administration to provide necessary facilities/material/ site to the contractor led to delay in building of the new bridge between Kiul and Luckeesarai stations. On the other hand, works taken up for strengthening of the existing bridge were also not completed on time due to lapses on part of the ECR administration. This resulted in continuation of Permanent Speed Restriction and running of trains on Kiul bridge for the past 12 years, which is a safety hazard.

(Para 5.6)

NR Administration awarded contract for replacement of foot over bridges at Charbagh Railway station in Lucknow without ensuring clear site and drawings. This resulted in unfruitful expenditure of ₹ 5.75 crore on fabrication of steel material for the foot over bridges that would remain blocked till further decision for taking up the work. The existing foot over bridges are very old and not replaced/changed since installation. Till the time they are replaced, their use poses a threat to the safety of the passengers. **(Para 5.10)**

The output of Reinforced Cement Concrete (RCC) depot at Ponmalai of SR is reducing over the years. The expenditure per unit of output has increased by almost 150 *per cent* in the last six years. RCC depot incurred additional expenditure of ₹ 5.68 crore on manufacturing items at a much higher cost as compared to market rates during this period. As operating the depot is proving to be an uneconomical proposition, there is a need for exploring alternative ways and means for gainfully utilizing the staff as well as usable assets of the depot. **(Para 5.11)**

Non/improper implementation of New Pension Scheme at Nanded Division of SCR, Secunderabad resulted in non-recovery of subscription of ₹ 77.07 lakh and equal amount of matching contribution. **(Para 6.1)**

Selection of firm for 'Maintenance of Accounts' on nomination basis in respect of Rail Vikas Nigam Limited (RVNL) and its subsidiary without following the guidelines of Central Vigilance Commission (CVC) led to irregular expenditure of ₹ 5.07 crore during October 2005 to October 2016. **(Para 6.2)**