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## Railway Audit

Indian Railways (IR) is more than 150 years old and is the largest rail network in Asia and World's second largest under one management. It has a network of 63,332 route kms. (2005–06) and moves on an average 1.83 million tonnes of freight and 16 million passengers per day. The Railway network is a multi gauge system, consisting of Broad, Meter and Narrow Gauges. The entire Railway network is managed by Ministry of Railways (Railway Board) who are also responsible for formulation of policy for the Indian Railways. The Railway Board is headed by a Chairman and 6 functional members. IR is further divided into 16 Railway Zones, each headed by a General Manager and 67 Divisions, each headed by a Divisional Railway Manager.

Ministry has also a number of other Organizations like Research Design and Standards Organization (RDSO), Railway Production Units (numbering 6), Metro Railways and Central Organisation for Modernization of Workshops on Railway (COFMOW). It has also under its aegis 10 PSUs and a few autonomous organizations like Centre for Railway Information System (RIS) that deals with computerization of various systems on the Railways. Ministry of Railways is unique amongst all the Ministries in the Government of India in the sense that it controls the business operations of the Indian Railways in the country directly and has a separate budget.

*Financial Profile of the Railways:* The total receipts of the Railways for 2 years i.e. 2004–05 and 2005–06 were Rs. 48,032.42 crore and Rs. 53,579.40 crore representing a growth of over 15 per cent in 2005–06 over the previous year. Increase in the receipts was reflected both in passenger and commercial traffic. During the last two years, there has been a substantial improvement in operating

ratio of the Railways. The ratio which was 90.98 per cent in 2004–05 improved to 83.72 per cent i.e. by 7.26 per cent in 2005–06 for the Railways. Analysis of the improved operating ratio by Audit revealed that increase in the rates of commodities as a result of upward revision in Classes was the major contributor. Another reason for improved ratio was change in the accounting treatment of the capital component of leasing charges to IRFC which resulted in decrease in working expenses substantially thereby improving the operating ratio by 2.97 per cent. Detailed analysis by Audit revealed that barring Central Railways, Operating Ratio in all zonal railways had improved compared to the previous year. The Railways fund their expenditure on acquisition, construction, replacement and renewal of assets from budgetary support, market borrowings and their own internal resources. The Railways operate a number of funds to meet specific requirement of funds by them. These funds are either fully or partly financed by Railway revenues / surplus and additionally supported by budgetary support from Central Government and market borrowings.

#### RAILWAY AUDIT ORGANIZATION

Railway Audit Wing was headed by ADAI (Railways) till 1989–90. From 1990, this wing has been headed by the DAI. The first incumbent DAI in charge of Railway Audit was R. Parameswar. The charge remained with DAI Hqrs. till recently when it was shifted to DAI (LB) in March 2007.

The Directors of Audit in Zonal Railways were redesignated as Pr. Directors of Audit in 1990. At the HQrs, under the DAI (Railways) the post of Jt. Director (Railways) was upgraded to Director (Railways) in 1991–92 and from 1997–98 this post was upgraded to Pr. Director (Railways). A separate C&AG audit setup was created in Railway Board for audit of the various directorates. Organizationally, Railway audit is characterized by one important development, which is an outcome of a development in the Indian Railway restructuring. The big restructuring in the Railways saw creation of seven new Railway Zones, two were created from 1 October 2002 (East Central and North Western Railway) and five were created from 1 April 2003 (West Central, South East Central, East Coast, North Central and South Western). As a result, reorganization of Railway Audit was inevitable and seven additional posts of Pr. Directors of Audit were sanctioned in these seven newly created Zonal Railways in 2006. In 2003, as a follow

up of the recommendations of the Railway Audit Norms Committee, a post of Director (Railway Board Directorate Audit Office) was sanctioned in 2003. This was an important move because the officer will supervise audit of tenders/ contracts, finalization of accounts, audit of Railway Board Directorates etc. in the Railway Board where all major tenders are finalized.

#### RAILWAY AUDIT MANUAL

The current Railway Audit Manual of May, 2001 is the fifth edition of the Manual. From the Preface to the previous editions of the Manual, it is noted that the first edition was brought out in July 1932. It was signed by B.N. Mitra Director of Railway Audit. The Railway Audit Code which also defines the functions of Audit Staff in respect of Railway transactions after the separation of Accounts and Audit was also reprinted in April, 1931 and was signed by E. Burdon. The Code clarifies that detailed instructions relating to audit procedure etc. will form the subject of Railway Audit Manual. The approach to Railway Audit is detailed in the latest Railway Audit Manual and also in the departmental records. The extent and procedure of audit, selection of documents for audit and the system of review of Audit are described in separate chapters. The Manual also discusses specific areas of Railway Audit like Audit of Earnings, Establishment Audit and Works Audit. The Works Audit is specially focused on the works and projects of railways. Stores Audit, a very prominent area for audit in the railways is also covered in the Manual as also audit of workshops. There are instructions about appropriation audit as also ECPA Audit. A new chapter on 'Audit of computerized systems' has been added to the Manual.

#### AUDIT PLANNING

Audit plans were prepared by the Railway Audit wing since early 1990s. After the issue of the new circular of December 1994 on audit plans by Headquarters, audit plans prepared by Railway Audit wing also incorporated some of the salient points of that circular. The annual audit plans are generally discussed in the workshop of Principal Directors of Audit presided over by the DAI, Railways. For example, the proceedings of February 1995 Conference of Principal Directors throws light on the prevailing thinking on Audit plans. The objective of the audit plan was to ensure a high quality audit in a timely, economic, efficient and

effective manner. The Audit plans were supposed to indicate how the available mandays would be optimally utilized. A significant point which DAI made in that context was that allocating 70 percent of available mandays to Central Audit (as was the case in those annual plans) was not a wise thing because Central Audit was generally the least result oriented area. He therefore desired that within a framework of new audit plan, as a rule, a reorientation of audit priorities was possible and should be done. The whole idea was to optimize the results of audit by gearing up audit planning towards this objective. Audit plan was to be framed in accordance with pre determined audit priorities and available resources allocated accordingly. This was just in tune with the December 1994 orders.

In May 2002, following a Conference of Principal Directors of Audit, Zonal Railways which discussed the subject of audit planning, a circular was issued to all Principal Directors of Railway Audit setting out instructions for preparing audit plan of Railway Audit as approved by DAI<sup>1</sup>. The instructions inter-alia emphasized that to 'make audit plan a scientific and pragmatic exercise, it is necessary to have master data available at all times of all the auditee units under the jurisdiction of PDA'. The circular also made a provision for quarterly monitoring of audit plan implementation by Headquarters. The Conference also decided to constitute a Committee to go into the norms and come out with recommendations which should be adopted across the Board by all the Principal Directors of audit. The Committee called 'Norms Committee' gave its recommendations in March 2003 for improving quality of audit through a more comprehensive integrated approach. As a result of their recommendations, the following changes were made:

- (i) Shifting of certain items from Central Audit to Local Audit
- (ii) Increase in monetary limits for selection of samples
- (iii) Simplification of system of records selection
- (iv) Enhancing the level of audit scrutiny
- (v) Changes in quantum of checks on the basis of risk perception

In addition, the Committee added some new areas for audit coverage which included computerization in Railways. The method of reporting results of audit were also suitably revised. The staff requirements were reassessed. Costing cells were constituted in Zonal Railways.

The Railway Audit still follows 2002 instructions on audit planning. The risk based approach is being used for audit process and procedures. Scientific statistical sampling is also being applied in auditing. An EDP package called 'Audit Plan Monitoring System' basically catering for Annual Inspection programming for a specific year along with the 'User Manual' was circulated to all Zonal Railway Audit offices for implementation.

#### DEVELOPMENTS IN AUDIT SYSTEMS AND PROCEDURES

C&AG has three distinct functions with regard to Indian Railways. These are:

- ❖ Certification of Accounts
- ❖ Audit of Transactions of the Railways
- ❖ Performance Audit of Projects, Schemes, Programmes, etc. of Indian Railways

*Certification of Accounts:* Indian Railways prepare several accounts which require certification of Audit from different authorities. C&AG issues the audit certificate over his signatures for the Appropriation Accounts including Balance Sheet of the Railways as compiled by the Railway Board. Occasionally, he may also be required to certify the net proceeds of several taxes payable by the Railways for which a separate Form of Audit certificate has been prescribed. The Deputy Comptroller & Auditor General signs the Audit Certificates concerning two Balance Sheets namely, Balance Sheet of the Railways (Commercial) and Balance Sheet of the Railways (Strategic) after they are signed by the Chairman, Railway Board and Financial Commissioner (Railways). Apart from these two Audit Certificates, DAI also signs the Audit Certificate of Annual accounts of the Railways as compiled by the Railway Board for incorporation in the Finance Accounts of the Union Government and he also issues the Audit Certificate over his signature of the Reviews of Balances prepared by the Railway Board. Apart from these, the Zonal Railway Principal Directors of Audit sign the Appropriation Accounts and balance sheet of the individual railways. They also sign the Capital and Revenues Account, Finance Account, Review of Balances and other Accounts of Indian Railways concerning their respective zones. Additionally, the Zonal Principal Directors also issue the certificate on the pilgrim tax concerning his railway and before the March account of individual Railway is submitted to the Railway Board, the

concerned Principal Director of the Zonal Railway gives the certificate to the effect 'compared with office copy and found to be a true copy'. Railways being such a mammoth organization, the presence of a large number of accounts and statements is understandable. Since Railways has a specialized Finance and Accounts cadre, expectation always is that Railway Accounts would be prepared better qualitatively. Occasionally, however, Audit has found certain discrepancies despite this advantage to the Railways.

*Revision in the format of Appropriation Accounts:* The format of appropriation accounts of Railways was revised as a result of the recommendations<sup>2</sup> of the PAC, which suggested such a change so that these accounts have the same format as the Union Government appropriation accounts (Civil) which had been restructured with effect from the accounts for the year 1993–94 onwards.

The PAC made this recommendation in April 1995 and the Appropriation Accounts of Railways were revised with effect from the accounts for the period 1996–97. In fact PAC recommended that all those authorities who prepare separate Appropriation Accounts viz. Defence, Railways, P&T, take suitable steps to ensure that their Appropriation Accounts fall in line with Appropriation Accounts format of Union Government (Civil).

*Audit of Transactions:* The Transaction Audit of Railways is carried out in accordance with the instructions laid down in the Railway Audit Manual in its latest Edition of May 2001. The Manual prescribes general instructions regarding selection of documents for Audit of Earnings, Catering Audit, Audit of Expenditure, Works Audit, Stores Audit, Workshop Audit and Appropriation Audit. It also carries instructions on audit of computerized systems. The Perspective Plan 2003–08 laid down that the quality of transaction audit be improved by according greater attention to high risk and high value items and placing emphasis on identifying causes of deviation/non-compliance. The Railway Audit stated in their reply to mid term appraisal that efforts were in place to streamline audit based on risk perception. This was in early 2005. Since then Railway Audit has taken steps towards focusing on high risk areas. A system of sharing of information amongst various railway zones was established by setting up database of audit reports and special letters. The thrust areas are covered on this perception.

The basic principles and procedures applicable to audit of transaction in other branches of the audit dealing with expenditure audit are also applicable to the Railways. Railway Audit Manual deals with this subject in Part IV—Audit of Expenditure.

Besides the introduction of theme based transaction audit from the year 2006, another new trend introduced from the year 2007 is the decision to have combined audit of Railway Public Sector Undertakings by Railway Audit wing and parties consisting of Commercial Audit Wings under whose audit purview these Railway PSUs fall. Their combined effort, it is expected, will produce much better audit results.

*Performance Audit:* Railway Audit has a long tradition of Performance Audit on the various areas concerning working of the Indian Railways. Performance audit in Railways started in the time of C&AG Bakshi. With the overhauling of the Performance Audit system by the C&AG in 2005, the Railway Audit also adopted the new Performance Auditing Guidelines.

The Central Reviews are coordinated from Headquarters from the very beginning and currently this job is entrusted to Director posted in the Railway Board Directorate Audit. The background papers for these topics that include audit objectives, materiality, significance and relevance of the topics, expected audit outcomes and value addition are circulated to the field audit offices for their views and inputs. Based on the inputs, the background paper is further refined specially the issue analysis. Some field officers are nominated for conducting pilot studies on the selected topics. As regards local audit reviews, each field office suggests to Headquarters the local reviews they want to conduct. The interaction on these topics are held with Railways also. For example, such interaction with the Railway Board was held for subjects chosen for the Audit Report 2006–07 and suggestions were also obtained from non Railway stakeholders. The background paper specially the issue analysis were firmed up after these interactions for use by the field offices. The pilot study results received in the Headquarters are scrutinized and with further inputs from Headquarters, detailed guidelines are prepared for these audits which are sent out to all the concerned field offices.

Prior to the new Performance Audit system that was applied to Railway Audit from 2005, the procedure for carrying out the Central Reviews was streamlined in 1997, when based on the discussions held in a meeting convened by DAI Railways<sup>3</sup> with the

Principal Directors of the Railway Audit offices, some important decisions were taken. DAI emphasized that the main thrust in a Central Review should be that 'global picture' of the audited scheme/function/programme etc. should emerge. The other purpose is that 'audit should project in the reviews the degree of reliability of the system arrangements' in the Railways.

After selection of the topic for Central Review, a pilot study was undertaken by identified field offices and its feed back communicated to Headquarters. This feedback formed the basis of detailed guidelines which were issued in close co-ordination with the field offices. The Guidelines were prepared by the Headquarters.

The special feature of the procedure formulated in 1997, was that the Guidelines were in the skeleton form of the final draft review. The sample to be test checked and exact nature of data tabulation needed was specified. The field offices were to apply the test check in the selected sample on the basis of the data requirement as per the skeleton. A word of caution was given about the sample: the details of sample were to be identified carefully by the Headquarters in coordination with the field offices with reference to the global data. In case the field office detected a point not included in the guidelines (skeleton) the same was to be communicated simultaneously to the Headquarters as also to the other field offices; the essential requirement was however that such new items were within the identified sample and for the same period as prescribed for the review.

The merit of this approach, which was somewhat novel, was that aggregation of data at the Headquarters at the finalization stage would be easier and it would also result in brevity of presentation with better readability of the Audit Reports as claimed by the Conference proceedings.

Two years earlier in 1995, another review was done on the procedure for conducting central reviews by the then DAI (Dharam Vir) in a conference with his Principal Directors of Audit in February 1995. The emphasis in this conference was that Central Reviews were like All India reviews which demanded high quality audit in a timely, economic, efficient and effective way. The efforts should be directed towards a comprehensive review of projects and programmes in terms of their goals, objectives and extent of results achieved vis-à-vis use of resources namely money, men and material. The emphasis was that conclusion should be logically drawn with accountability centers clearly brought out. Amongst

other points mentioned were: the review should give an overall macro picture for the railways as a whole which should be followed by result of test check and the scope of test check should be clearly stated in the review in terms of number and description of unit actually subjected to detailed scrutiny.

*Audit Reports:* Till the Audit Report for the year 1999–2000 (presented in the year 2001), Railway Audit Reports were printed in just one volume, comprising results of Transaction Audit and Central Reviews (or what is now called Performance Audit). From the Audit Report for the year 2000–01 (Report presented in 2002), separate volumes of Audit Reports were brought out on Transaction Audit<sup>4</sup> and Performance Audit<sup>5</sup> i.e. central and local reviews. This position continued till Audit Report 2003–04 (8 of 2005 and 9 of 2005).

The Railway Audit Reports are now produced in three volumes for the last two years that is for the Audit Report 2004–05 and 2005–06. For the next year also, three reports are likely to be signed by C&AG for Railway Audit. These three reports are:

- (i) Transaction Audit Reports
- (ii) Performance Audit Reports
- (iii) IT Audit Reports

Two important circulars/minutes of the meeting containing decisions on Audit Reports amongst others were issued in 1995 and 1997. The 1995 circular issued after a conference of all the Pr. Directors of Railway Audit with the DAI Railways had the following important instructions:

- ❖ Audit reports should be fully documented
- ❖ Audit report paras must be accompanied by a list of items on which information could not be obtained from the Railways. This was necessary to enable the Headquarters to take a view about the prima-facie acceptance of DP or not .
- ❖ Field offices would refer to headquarters any information/clarification required to be had from the records of the Railway Board and the headquarters would ensure that the necessary information etc. is supplied to the field office. This provision has also been manualised now.
- ❖ The DAI directed that piecemeal observations from the Headquarters on the draft paras/audit reviews must be avoided. He laid down the procedure that a draft para received from the field will be returned to them with all the objections

and observations in one go after the DAI Railways has seen the case. In other words, no communication or comment would be passed on the draft para by a lower functionary except after the case has been seen by the DAI.

The circular of May 1997 was also the outcome of a conference held by DAI Railways with the Pr. Directors of Railway Audit in the field. This circular outlined the focus and presentation of draft paragraphs. In nutshell, the instructions said that conventionally audit paragraphs were loss oriented and in that shape they presented only the symptoms rather than the specific action or the lack of which resulted in loss etc. The Audit paragraph should therefore, focus on reasons for the losses which meant that the line of audit scrutiny and investigation would be finalized at the Inspection report stage itself for all the part II A paragraphs. The gaps if any, in such an analysis would need to be plugged at that stage itself.

Regarding drafting, there was a small advice from the DAI that the first paragraph of the DP should give broadly an indication to the audit conclusion that would emerge at the end.

Another interesting point in the circular was that in the Transaction Audit, the audit results should be presented subject wise rather than individual case wise. Accordingly, all similar cases on a given subject should be grouped together in one draft para rather than narrating them individually in several draft paragraphs. This grouping could be undertaken even in a tabular form. The details of the individual cases included in the table should be listed out separately in an Annexure since these would be required by the Ministries for their response.

Finally, the circular asked the field offices to specify the authority which concluded the relevant contract or took the relevant decision that were under reference in a DP. It also desired that the names of the officers whose actions led to the lapses should be indicated in the key documents. This instruction was inline with the prevailing philosophy of making draft paras accountability focused.

A significant development in Transaction Audit in Railway Audit Reports is that from the year 2006, theme based Transaction Audit is being conducted for the Transaction Audit Report. These audits cover one particular theme on which audit is conducted across all the zonal railways and the results are produced as long paragraphs in the Audit Report. This gives a tremendous advantage

to the stake holder that is Railways in that they get an independent objective view on common themes or activities across all the railway zones.

*Money value for Draft Paras:* Prior to 1989–90 Audit Reports, no monetary ceilings had been prescribed for issuing draft paras. In 1991, monetary limits were prescribed for various categories of Railway Audit Report Paras; for example Rs. 5 lakh and above for paras relating to earnings and Rs. 10 lakh and above for works and stores paragraphs—this was raised to Rs. 20 lakh in 1992–93.

For the Audit Report 1997–98 these limits were again reviewed and raised to Rs. 50 lakh for earnings and Rs. One crore for works, stores and establishment paragraphs.

The subject was again discussed in the conference of Principal Directors of Zonal Railways in February 2002 in view of the difficulties expressed by some Zonal Railway Pr. Directors and the money value for floating audit paragraphs was fixed in 2002 as below:

- (i) Paragraphs relating to Earnings: Rs. one crore and above
- (ii) Paragraphs relating to Works and Construction: Rs. 50 lakh and above
- (iii) Paragraphs relating to Stores and Establishment: Rs. 25 lakh and above

From the Audit Report 1996–97, an important decision was taken in the meeting with the Principal Directors of Railways that overall financial impact of the audit efforts should have some correlation with the overall earnings of the Railways. The specific decision in this context was that ‘magnitude of DPs finally included in the Audit Report should not be less than 1.5 percent of the total earnings of the Indian Railways.’ This decision was on the suggestion of C&AG.

The system of sending provisional paragraphs to the Chairman, Railway Board and Financial Commissioner (Railways) demi officially by the DAI after the same were issued to the Railway Board i.e. to Joint Director, Finance Budget Committee was started in 2005 for facility of better response and action by the Railway Administration. The system has worked well.

*The Performance Audit Reports* on Railways as indicated earlier was brought out for the first time in the Audit Report for the year 1972–73. Since then practically every year one or the other theme

is chosen on Railways working for C&AG's Performance Audit Reports.

The selection of topics for the Performance Audit in the Railway Audit side is done through an interactive process with the field offices but the final decision is taken by DAI (Headquarters). Generally, the Performance Audit topics are divided into two categories (1) Central Reviews which are of common relevance to all the Zonal Railways and, therefore, each Zonal Railway sends material on this topic. (2) Local Reviews which are specific to each Principal Director Railway charge. Generally, there are two to three Central Reviews and normally one to two zone specific Local Reviews.

An excellent system of wider participatory approach in getting inputs for Audit Reviews was witnessed when for the Audit Reports 2004–05 (that is Reports brought out in 2006) Railway Audit held a workshop on the three topics that were selected for the Central Review for inclusion in the Report. These were:

- (i) Track renewal works on Indian Railways
- (ii) Freight management on Indian Railways
- (iii) Cleanliness on Indian Railways.

All these Reports were brought out in 2006.

A mention of this workshop to deliberate on the issues involved in these three reviews and also to decide the scope of these reviews is necessary because it was a workshop of a unique kind which yielded very good results. Its uniqueness consisted in the composition of 'stakeholders' who attended the workshop to deliberate on the issues. These stakeholders were not only the top officers of the Ministry of Railways (e.g. Chairman Railway Board, FC, etc.) but also included representatives of Consumer Coordination Council, Member Governing Council, Institute of Rail Transport, General Manager (Movement), Food Corporation of India and Executive Engineer, Municipal Corporation of Delhi. The non-railway stakeholders presented the user's perspective and viewpoints as well as their expectations from railways—the service provider.

The inputs of the workshop were utilized in revising the guidelines and in determining the scope of the review (at least in the case of 'Freight Management' review).

In order to upgrade the quality of Railway Audit Reports, the C&AG, amongst other steps, nominated following 5 Railway Audit

Offices in March 2006 as Centres of Specialization on selected subjects:

PDA, Western Railway	Traffic related issues
PDA, Southern Railway	Stores and establishment
PDA, Central Railway	Costing and Stores
PDA, Northern Railway	Works and construction activities
PDA, South Central Railway	Workshop activities

A survey of the last ten years audit reports bring out that performance audit reviews were carried out on 43 topics/subjects and printed in the Railway Audit Reports. The broad areas of the railways working which were covered by these audit reviews in Railway Audit Reports can be clubbed into following categories (year of the Report in brackets):

- (1) Freight operations: Under this subject reviews that were brought out included Utilization of wagons (1996), Goods trains movements on Indian Railways (1998), Siding management in Indian Railways (2000), Working of Marshalling yards over Indian Railways (2001) and Coal movement on Indian Railways (2004)
- (2) Passenger services: This broad subject had some interesting audit reviews like Passenger amenities on Indian Railways (2002), Coach maintenance (1999), EMU Suburban services (2001) and Passenger revenue management (2005)
- (3) Asset maintenance and resource utilization: This subject had important audit reviews like Track renewal works including maintenance (1997), Land Management on Indian Railways (1999), Modernization of Signaling and Telecommunication system(2002), Procurement, utilization and maintenance of track machines over Indian Railways (2004).
- (4) Safety and security aspects: Amongst the topics in Audit Report were Safety Performance of Indian Railways (1999) and Security management in Indian Railways (2000).
- (5) Project, contract and material management: Under this broad subject, following reviews were brought out—Gauge Conversion on Indian Railways (1996), Ongoing projects/works on Indian Railways (1998), Procurement of wagons on Indian Railways(2002), Assessment, procurement/production , utilization and maintenance of locomotive on Indian Railways (2003) and Construction and maintenance of road over bridges and road under bridges in SR and SWR (2005)

- (6) On Human Resource Management, Audit has brought out only one major review viz. Man power management in Indian Railway (2004).

Comprehensive review has also been brought out in the Audit Report on functioning of Research Design and Standards Organization (RDSO) in 2004 and performance appraisal of Medical and Health Services in 2006.

A resume of some of the Performance Audit Reviews is given at the end of this Chapter.

*IT Audit Reports:* Computerization in the Railways is necessitated by its size and volume of operations. As a result, extensive use of computers has been resorted to by the Railways in its functioning. Railway Audit, alive to the situation, has conducted a number of Information Technology Audits to evaluate whether the IT system adopted 'safeguard assets, maintains data integrity, helps to achieve the objectives effectively and performs its functions efficiently and economically.' Based on these, C&AG brought out some IT Audit Reports also on Railways. In the Audit Report for the year ended March 2004, Information Technology Audit of Material Management Information System on Central Railway was brought out. For the year ended March 2005, C&AG brought out, in his standalone Audit Report four Information Technology Reviews namely:

- ❖ Information Technology Audit of Pay Roll and Independent Modules (PRIME) which is a computerized application for pay and related systems. These audits were conducted across several railway zones.
- ❖ Audit of IT governance with reference to implementation of Pay Roll and Independent Modules (PRIME) and Advanced Financial and Railway Expenditure Management System (AFRES) in Eastern Railway, Kolkata
- ❖ Information Technology audit of the Transaction Accounting System (TAS) of Metro Railway, Kolkata and
- ❖ Information Technology audit of Material Management Systems in two production units (Rail Coach Factory, Kapurthala and Chittaranjan Locomotive Works) and Western railway.

In his report for the year ended March 2006, C&AG again brought out a stand alone report on IT Audit containing two IT Audit Reports namely on (i) Computerized Passenger Reservation System of the Indian Railways and (ii) Computerized applications

over Indian Railways. Both these reviews were on very significant projects and yielded wealth of information and findings. Additionally, the report contained about ten recommendations for implementation by railways to improve the matters regarding (i) and five recommendations on (ii).

#### DISCUSSIONS ON DRAFT AUDIT PARAGRAPHS/ PERFORMANCE AUDIT REPORTS

Discussions between DAI and Railway Board were held every year on selected Provisional Draft Paragraphs (which are issued by HQrs.). But from 1997 onwards these did not take place. There is no indication in records as to why these discussions did not take place after 1996. To the query on this topic put to some of the officers of that period, the inference drawn is that Railway Board disengaged themselves from these discussions. As to the question why should it be, the answer really lies with Railways but the reasons can be analysed. An analysis by the author of the discussion results from 1990 to 1997 reveals that in the earlier years specially in the tenure of A.C. Tiwari (June 1991–June 1992) and in P.K. Sarkar's time (July 1992–May 1993), the number of Draft Paras dropped after discussion was significant (16 and 38 respectively). Subsequently, N. Sivasubramanian (June 1993–April 1994) dropped 9 paras. Dharam Vir (May 1994–December 1995) discussed provisional paragraphs on two occasions but practically no para was dropped. Lahiri (January 1996–May 2000) had just one discussion in 1996 and no para was dropped. In Dharam Vir's words the DPs were all 'cast iron' and there was no way these could be dropped and since these were transaction audit cases, involving not only huge losses, wastages etc. but also, alongside someone was responsible for this, it was all the more difficult to drop the Paras. The Board, of course, would have very much liked such a thing. In the end, perhaps the sheer frustration of not being able to clinch any Draft Para for dropping made the Railway Board disinterested in these meetings.

Instructions regarding discussion of draft audit paragraphs at the Zonal Railway level are more clearly and formally laid down. A tripartite structure for such discussion exists where the Principal Director of Railway Audit, the Financial Advisor & Chief Accounts Officer and the concerned Principal HOD meet. Discussions are also held sometimes between Principal Directors of Railway Audit with the General Manager concerned alongwith his Financial

Advisor & Chief Accounts Officer and HOD. As regards Performance Audit, with the introduction of new Performance Audit Guidelines the Entry Conference and Exit Conference are held by the Principal Director with the concerned Railway General Manager in terms of these guidelines. As far as the system followed in C&AG office is concerned, generally the Exit Conference on Performance Audit does take place between the Chairman Railway Board, Financial Commissioner and the Member concerned and the DAI (Railways) and his team. As regards discussions on provisional paragraphs issued by the Railway Audit Wing to the Railway Board, despite an understanding reached in February 2002 on such discussions, no regular meetings with the Chairman, Railway Board and Members have taken place since 2002. However, interaction between the Railway Board and DAI (Railways) has taken place off and on during this period.

Interaction with the Railway Board also takes place sometimes when C&AG office organizes special workshops. For example a Railway Audit workshop was held in March 2006 where, besides Chairman Railway Board and Financial Commissioner (Railways), several other senior officers (Additional members/advisor/executive director) participated.

The general responsiveness of the Railways to draft audit paras has been good at the Zonal Railway level—there the discussions are also held regularly on DPs but the responsiveness to provisional draft paras by Railway Board shows a somewhat poor picture as revealed by the data in respect of three years namely 2005, 2006 and 2007:

Year	No. of Provisional Paragraphs issued	No. of Provisional Paragraphs responded
2005	114	27
2006	95	13
2007	126	27

#### NEW TECHNIQUES AND SYSTEMS IN AUDITING

Two Audit Reports on Performance Audit brought out in 2006 (for the year 2004–05) and 2007 (for the year 2005–06) demonstrate the new systems and techniques used by Railway Audit in their auditing and reporting functions. In the Performance Audit Report on railways for the year ending March 2006, one of the themes on which Audit carried out a Performance Audit was Cleanliness and Sanitation on Indian Railways. In this audit, certain new techniques

and methodologies were introduced by the Railway Audit Wing in line with the Performance Auditing guidelines of 2004. Besides defining the scope of the audit study very clearly and explaining the sample selection, the Audit Report itself has pointed out to the new techniques which was used in this audit. Firstly, a survey questionnaire was developed by Railway Audit in consultation with Consumer Coordination Council, Noida and this questionnaire was administered to traveling passengers on various railways. The travelers were selected on random basis. The questionnaire was designed to assess the passengers' perception on various aspects of cleanliness and their views on the 'level of cleanliness' on stations and in the trains over Indian Railways. It was a detailed questionnaire which required perception of the traveler on state of cleanliness in the railways over the years [the overall general perception in terms of (a) improved significantly (b) improving (c) worsening (d) can't say]. The questionnaire then asked them to give their views in terms of three parameters namely 'generally clean', 'not so clean', 'generally dirty' with regard to about nine facilities which the railways provide like approach to railway station, approach to platform, booking area, platforms, staircases (Foot over bridges), subways, seating areas on platforms, waiting rooms etc. Questionnaire also sought answers to several other questions clubbed into various heads like toilets in stations, dustbin in stations, toilets in coaches, bed rolls/ linen, users feedback and passenger awareness.

Audit also made an attempt to grade the stations based on the existence of few identified parameters and their standard of maintenance.

Apart from questionnaire, the other methodology or technique adopted was a joint inspection of selected railway stations and trains by the Inspection Team. There was one member of the Railway Administration and one member of Audit and these inspections were surprise inspections. After inspections, minutes were also drawn so that no confusion prevails in future about what the inspection team observed.

Another hallmark of this Review was that the audit plan and methodology including audit objectives were discussed by the Principal Directors of Audit of zonal railways with the respective General Managers and concerned departmental heads in the entry and exist conferences as provided in the Performance Audit guidelines. During these interactions, suggestions came from the railways regarding sample selection and other inputs. Audit has

in its Report acknowledged the cooperation extended by the Railway Board and all zonal railways. The draft review report was discussed finally by the Deputy Comptroller & Auditor General with the Chairman, Railway Board, and other members in the exit conference (November 2006) after issue of the draft report to the Ministry of Railways.

C&AG's Audit Report for the year ending March 2005 projected a Performance Audit Report on Project Management practices in Gauge Conversion and New Line Projects. In this also Audit spelt out its objectives very clearly, which was discussed alongwith other features of Report with the management, in the entry and exit conferences and finally the draft report was discussed including the recommendations made in the Report by the Deputy Comptroller & Auditor General with the Chairman, Railway Board and other Board Members.

In both the reviews mentioned above a number of recommendations were made by Audit—ten recommendations were made in the Performance Audit Report on 'Cleanliness and Sanitation on Indian Railways' and seven in the Report on 'Project Management Practices in Gauge Conversion and New Line Projects'. This is a kind of new approach to Performance Audit that has been adopted post 2004 guidelines and as acknowledged by the audit itself, this approach has proved very productive with one of the biggest advantages being the enhanced executive responsiveness which has improved the quality of audit findings and the practicability of its recommendations for use by the administration.

*Measuring Audit Effectiveness:* Just like in other branches of the Department, a system of measuring audit effectiveness exists in the Railway Audit Wing also subsequent to C&AG's directions in May 2003 on the subject. In the Railway Audit side, the system of measuring audit effectiveness was introduced on the basis of the Report of the Committee constituted for the purpose but in the case of Railway Audit Wing since one of its functions is also certification of various finance Accounts and related statements, a parameter for this became necessary to make a proper assessment. Therefore, these were suitably introduced in the parameters for measuring audit effectiveness alongwith other parameters.

Some of the important transaction audit paragraphs of the Railways are discussed below:

*Passenger Amenities on Indian Railways:* Indian Railways are one of the biggest transporters of passenger traffic in the world. Indian Railways run nearly 7500 passenger trains daily carrying on an average 12 million passengers per day.

A review of the Inspection Reports of Railway Officers on their inspection of stations in respect of 32 divisions test checked on nine Zonal Railways during the period 1996–97 to 2000–01 revealed that the maintenance of the passenger amenities was not being carried out effectively. In respect of the following facilities/amenities, there were 7639 adverse comments in the inspection reports test checked during the period of review:

1. Drinking water facility (1520)
2. Cleanliness (2446)
3. Urinals (621)
4. Toilets (1121)
5. Retiring rooms (732)
6. Booking counters (1199)

Audit scrutiny revealed that:

- ❖ Six Zonal Railways had more than 30 percent of stations having deficiencies in the provision of booking counters, five Zonal Railways in the provision of urinals
- ❖ The percentage of deficient stations in the provision of drinking water in eight Zonal Railways ranged between 14.20 and 42.84.
- ❖ Southern Railways were having more than 30 per cent of stations deficient in five Minimum Essential Amenities, followed by Western Railways in four and Northern Railway in three.
- ❖ On two Zonal Railways more than 50 per cent of retiring rooms had occupancy of less than 40 per cent.
- ❖ There was no perceptible decrease in the number of complaints (catering) received during the 1996–2001. The maximum complaints were received by four Railways (Central—1703, Western—1079, Northern—673 and Southern—556).
- ❖ The complaints against the departmental catering units were more than the complaints against the contractor operated units.
- ❖ The complaints against the departmental catering units increased from 563 (1996–97) to 709 (2000–2001) i.e. an increase of 26 per cent.

Zonal Railways were not conducting the six monthly review of the working of halt stations effectively. There was an urgent

need to review the position by the Railways to avoid recurring losses in the operation of un-remunerative halt stations.

As a result of audit review, Railways increased budget allotment for passenger amenities related works. Various improvements such as provision of clean water in the trains, stations etc. were made. Moreover, Railways were constantly improving the various facilities on trains as well as on stations. Regarding continued operations of halts inspite of incurring losses the position had been reviewed as per Railway Board's orders wherein it was stated that Zonal Railways should consider the closure of halts where the average number of passenger utilizing the halt was less than 10 per day. The review of the performance of halt station is being done and based on the outcome of the study, closure of such halts will be processed if found unremunerative.

(Chapter 2 of Report No. 9A of 2002)

*Loss of Revenue due to Haulage of Empty Wagons with Loaded Rakes:* Haulage of empty wagons with loaded rakes over long distances resulted in loss of Rs. 2.51 crore in respect of traffic booked from four loading points test checked. Instructions had been issued to all Zonal Railways to examine all wagons closely and supply only fit wagons. The wagons which could not be loaded should be stencilled and the rake sent for immediate repair.

(Para No. 2.1.7 Report No. 9 of 2002)

*Loss to the Railway Administration Due to Non-Recovery of Shunting Charges:* There had been a loss of revenue of Rs. 17.58 crore during the period 15 June 1997 to 21 December 1997 as a result of non—levy of Engine Detention Charges for use of engines for unloading of coal from BOBR wagons under the 'Merry Go Round' system in the siding of New Thermal Power Station, Chandarpur of Central Railway. In order to bring about improvements in the system and in the working of sidings, Railways introduced the concept of placing wagons with the train engine. This system is called 'Engine on Load Scheme' under which the engine remains attached with the load and freight is charged by taking into account the entire distance from serving station to the farthest point of the sidings. With this the levy of siding/shunting charges had been abolished on these notified sidings.

(Para no. 2.1.2 Report No. 9 of 2002)

*Loss of Revenue Due to Non-Revision of Minimum Weight Condition (MWC):* Failure to revise the minimum weight condition (MWC) of commodity 'Potato' resulted in the loss of revenue of Rs. 3.75 crore.

(Para no. 2.1.6 of Report No. 8 of 2003 Northeast frontier Railway)

*Loss of Revenue Due to Non-Revision of Minimum Weight Condition (MWC) of Rock Phosphate:* The Railway Administration failed to revise the MWC of Rock Phosphate although the actual loadability of this commodity was more than its MWC (320 quintals) prescribed for MG wagons. This resulted in loss of revenue to the tune of Rs. 2.32 crore for the period April 1996 to March 2002.

(Para 2.1.9 of Report No. 8 of 2003-Western Railway)

A few more audit paragraphs having impact on government policies, rules, etc. are mentioned in Appendix 'A'.

NOTES: CHAPTER-10

<sup>1</sup> T.S. Narsimhan

<sup>2</sup> Hundredth Report of the PAC (1994–95) (10th Lok Sabha)

<sup>3</sup> P.K. Lahiri. Meeting was held in April 1997. It was called to discuss Audit Planning for Audit Report 1996–97

<sup>4</sup> Audit Report No.9 of 2002

<sup>4</sup> Audit Report No.9A of 2002

## LIST OF KEY EVENTS

1990	Directors of Audit in Zonal Railways were redesignated as Principal Directors
1991	Monetary limits were prescribed for various categories of Railway Audit Paragraphs. The limits were revised in 1992-93 and again in 1997-98.
February 1995	Important decisions were taken in a Workshop of Principal Directors regarding Audit Plans, Quality of Audit Reports etc.
1995-96	Format of Appropriation Accounts for Railways revised in line with Civil Appropriation Accounts as per recommendations of PAC in their 100 <sup>th</sup> Report (Tenth Lok Sabha)
1 May 1997	Important decisions regarding audit plan subject wise rather than individualwise transaction audit paras, skeleton form of guidelines for reviews, overall financial impact of audit efforts as a percentage of earnings of Railways, were taken.
May 2001	Fifth edition of Railway Audit Manual was issued.
February 2002	Railway Board agreed to have review meetings for discussion of Draft Paragraphs.
January 2003	DAI (Railways) set up 'Norms Committee' which gave recommendations in March 2003 regarding comprehensive and integrated audit approach resulting in introduction of changes in quantum based on risk perception, enhancing level of audit scrutiny etc.
May 2003	A Committee was constituted in May 2003 to develop criteria for evaluation of Audit Report and efforts put in certification of accounts. This resulted in introduction of weight matrix, measurement of audit effectiveness, etc.
2006	Theme based transaction audit was introduced.
2007	Decision to audit Railway PSUs with Commercial Audit Wing.

## DOCUMENTS

## 1

Important decisions taken at the Workshop of Principal Directors of Audit (Railways) held from 13 February 1995 to 15 February 1995

1. The deficiencies in the material for Review on Procurement and Utilization of Wagons will be supplied and revised material, duly updated for macro level statistical data upto 1993–94, will be sent to Headquarters Office by 30 April 1995 for preparation of a separate volume of Audit Report to be presented in the Monsoon Session of the Parliament.
2. Only three Central Reviews, namely, Passenger Amenities, Gauge Conversion and Working of Scrap Depots and Disposal of Scrap will be attempted for the Audit Report 1994–95.
3. The guidelines for preparing the Review on Passenger Amenities will be revised by the Principal Director of Audit, Western Railway in the light of discussions and revised guidelines will be issued to all the Zonal Railway Audit Offices by 24 February 1995 with a copy to Headquarters Office.
4. The guidelines for Review on Gauge Conversion, as revised and presented during the Workshop, by the Principal Director of Audit, Southern Railway, will be further refined and fresh guidelines will be sent by the Principal Director of Audit to all Zonal Railway Audit Offices by 24 February 1995 with a copy to Headquarters Office. Two works of Gauge Conversion will be examined in depth on each Railway except North Eastern Railway which will examine execution of three such works. The names of the works will be intimated to Headquarters Office by 15 March 1995.
5. Principal Directors of Audit will conduct pilot studies for Review on Performance of Scrap Depots and disposal of scrap as per the guidelines prepared by the Principal Director of Audit, Central Railway and as modified during discussions which will be issued by Principal Director of Audit, Central Railway to the Principal Directors (with a copy to Headquarters) by 24 February 1995. Principal Directors of Audit will send copies of the results of pilot studies to Headquarters office by 20 March 1995 for further orders. The decision of the Headquarters Office for further work on the Review will be communicated by 31 March 1995.
6. Only one local review will be attempted by each Principal Director of Audit except Principal Director of Audit, North Eastern Railway, who will instead review one additional project (i.e. three instead of two) for Central Review on Gauge Conversion.
7. The Reviews should contain a macro level picture of the Railway as a whole as well as results of Audit at the test checked points. Audit coverage should clearly indicate the total population and size of the sample as well as the details of units/works/stations etc. selected for test check.
8. Draft paragraphs proposed for inclusion in the Audit Report shall be complete, concise and self contained and fully supported by relevant Key Documents. It will be ensured that the copies of Key Documents are clear and legible. Copies of inspection memos, reports, statements etc. issued/

prepared by Audit Officers are not to be treated as key documents unless these are verified and confirmed by the Railways. Principal Directors of Audit will adopt the approach of comprehensive auditing in proposing Draft Paragraphs and ensure that the need for further observations of Headquarters office is minimized. It will be ensured that all gaps in narration, sequencing, time and causation are fully explained/plugged. Principal Directors of Audit may enclose notes alongwith the Draft Paragraphs indicating (i) additional aspects examined by them but not found worthy of comment in the paragraph and (ii) additional aspects for which information has been called for and is still awaited. The latter category of cases will arise only in rare circumstances if comprehensive paragraphs cannot be sent in the first instance. The notes may also give such additional information as may facilitate comprehension of the paragraph but the inclusion of which in the paragraphs is not considered necessary.

9. Principal Directors of Audit may write to Headquarters Office separately if any aspect of a case requires reference to or verification from the files of the Railway Board. This can be done as soon as the need for such reference/verification is felt and need not await the despatch of the draft paragraphs to the Headquarters office.
10. The observations of Headquarters Office on the Draft Paragraphs will be issued after the paragraphs have been seen by the Deputy Comptroller and Auditor General of India and need for multi-stage observations shall be avoided as far as possible.
11. While sending replies to and compliance with the observations of Headquarters office, the Principal Directors of Audit shall carefully re-examine the paragraph and ensure that any additional aspect(s) arising from the additional information or modification suggested is properly tackled.
12. Each Draft Paragraph shall be accompanied by a Memorandum of Important Points indicating in broad terms, the various issues involved. Principal Directors of Audit will also send a draft Overview on the paragraph while sending report of verification of facts and figures included in the Provisional Paragraphs.
13. Principal Directors of Audit should hold monthly meetings of Group Officers/Branch Officers to discuss and plan a strategy for Central Reviews, local reviews and Draft Paragraphs. They should discuss the Headquarters observations on the material for the Audit Report with the Group Officers and Branch Officers.
14. There shall be greater involvement of Directors of Audit and Deputy Directors of Audit with the work of preparation of material for the Audit Report.

## 2

Issued vide letter No. 453-RAI/17-3/91 KW Pt. I dated 1/5/1997

MINUTES OF THE MEETING OF DAI WITH PRINCIPAL DIRECTORS OF  
RAILWAY AUDIT ON 25 APRIL 1997

1. Venue—DGACR Building, New Delhi
2. Time—11.00 A.M. To 16.30 P.M.
3. Agenda—Audit Planning for Audit Report 1996–97
4. The meeting was chaired by the Deputy Comptroller and Auditor General of India (Rlys). The following were present:

(a) Headquarters

- (i) Smt. Rekha Gupta, PDA (Rlys.) (U.O.P)
- (ii) Shri S.C.S. Gopalkrishnan Dir (Rlys) (U.O.T.)
- (iii) Sr. AOs and AAOs at the Headquarters.

(b) Field offices

- (i) Shri A. Krishna Rao, PDA, W Rly
- (ii) Smt. Revathy Iyer, PDA, C.Rly
- (iii) Shri Sunil Verma, PDA, E Rly & RPU & Metro Rly
- (iv) Shri Gautam Guha, PDA, E Rly & RPU & Metro Rly (U.O.P.)
- (v) Shri B.S. Gill, PDA, N Rly
- (vi) Shri H.R. Bihagara, PDA, NE Rly
- (vii) Shri Rajib Sharma, PDA, NF Rly
- (viii) Smt. Subhashini Srinivasan, Dir, S Rly
- (ix) Shri M.V. S Pardhasardhy, Dy. Dir, SC Rly
- (x) Shri B.S. Upadhyaya, Dy. Dir, SE Rly

5. The following decisions were arrived at

5.1 Enhancement of Financial Limits for Draft Paragraphs The minimum financial limits for floating a Draft Paragraph, (DP) for Audit Report 1996–97 onwards have been enhanced as follows:

- (a) Earnings—Rs. 10 lakhs
- (b) Other than Earnings—Rs. 20 lakhs

In the following cases, the field offices could float DPs below the revised financial limits:

- (a) Small Railways such as North Eastern and Northeast Frontier
- (b) Cases of clear malafide.
- (c) Cases of continuing nature, as also those which could be widely prevalent.

DAI advised that the field offices should indicate specifically the nature of the exception in cases where the financial impact was below the increased threshold levels.

While sending the DPs to Headquarters, the field offices should simultaneously forward to all other PDAs copies of DPs containing lapses which could be prevalent in other Railways. The fact of having done so should be mentioned in the covering letter of the DP.

#### 5.2 Financial magnitude of cases to be included in Audit Report 1996–97

DAI has mentioned that C&AG of India had desired that overall financial impact of the Audit efforts should have some correlation with the overall earnings of the All Indian Railways. Accordingly it was decided that efforts would be made to ensure that the financial magnitude of DPs finally included in the Audit Report should not be less than 1.5 per cent of the total earnings of the Indian Railways. The field offices would keep this aspect in mind.

#### 5.3 Old Draft Paragraphs to be considered for Audit Report 1996–97

A list containing 209 old DPs (prior to 1995–96–84 and 1995–96–125) which were under correspondence between the field offices and the Headquarters was circulated. DAI advised the field offices to reconcile the position with reference to their records. The field offices had earlier informed the Headquarters the latest lists of potential DPs for consideration for Audit Report 1996–97, from out of the above cases carried forward, as follows:

Sl. No.	Railway	No. of potential DPs for Audit Report 1996–97
1.	Central	16
2.	Eastern	16
3.	Northern	25 (Tentative)
4.	North Eastern	to be received
5.	Northern Frontier	To be received
6.	Southern	10
7.	South Central	18
8.	South Eastern	05 (Tentative)
9.	Western	To be specified
10.	RPU & Metro	18

DAI advised the Principal Directors of Audit to indicate within a week the details of cases that should be considered for Audit Report 1996–97, keeping in view the enhanced financial limits as at paragraphs 5.1 and 5.2 above.

#### 5.4 Feedback on Provisional Paragraphs not included in Audit Report

For Audit Report 1995–96, 128 DPs were converted into 114 Provisional Paragraphs (PPs); however only 77 PPs (87 DPs) were finally included in the Audit Report. DAI desired that the Headquarters decision on the balance 41 DPs should be communicated immediately to the field offices.

### 5.5 Target for new DPs

The following target in respect of new DPs for Audit Report 1996–97 were agreed to by the field offices:

1.	Central	20
2.	Eastern	30
3.	Northern	25
4.	North Eastern	12
5.	Northern Fronteir	10
6.	Southern	20
7.	South Central	25
8.	South Eastern	25
9.	Western	25
10.	RPU & Metro	15
		207

### 5.6 Schedule of receipt of DPs at Headquarters

It was agreed that all DPs would be despatched to Headquarters by 15 July 1997 in batches (about 20 per cent of the total number in each batch) every fortnight beginning with the first fortnight of May 1997.

### 5.7 Focus and presentation of DPs

DAI mentioned that conventionally Audit Paragraphs were loss oriented. As such, these were incomplete and portrayed only the symptoms rather than the specific action, or the lack of it, that resulted in the loss. He advised the field offices to focus the Audit Paragraphs on reasons for the loss. This could not be done at the final stage of editing. If one were to look for the root cause, the line of audit scrutiny/investigation would be different, its scope could also get wider. Such shortcomings in audit scrutiny would not be remedied even by strenuous effort at the final editing stage. Every PDA and Group Officer would have to ensure at the Inspection Report stage itself that at least all the Part II A Paragraphs [vide para no. 6.1.16 of MSO (Audit), first Edition] were focused correctly. Where needed, more effort should be put immediately to plug the gaps.

DAI also observed that the first paragraphs of the Draft Paragraph itself should give an indication to the Audit conclusion that would emerge at the end. The DPs should be drafted accordingly.

DAI also mentioned that while transaction audit was unavoidable, presentation of audit results of the transaction audit should be subject-wise rather than individual case-wise. Accordingly, care should be taken to group together all similar cases on a given subject in one DP, rather than narrating cases individually in several DPs.

Grouping together of similar cases could be undertaken in a tabular form. However, the details of the individual cases included in the table should be listed out separately in the Annexure since these are required to be furnished to the Ministry for their response.

### 5.8 Focus on Accountability

DAI asked the field offices to specify the authority which concluded various contracts or took the relevant decisions that were under reference in a DP. Further, the names of the officers whose actions led to the lapses should also be indicated in the key documents.

### 5.9 Local Reviews

Local Reviews would be counted against the new DPs. Local Reviews proposed by the field offices and approved by DAI for Audit Report 1996–97 are listed out in Annexure to the Minutes.

### 5.10 Central Reviews

It was agreed that the following Central Reviews would be undertaken for Audit Report 1996–97.

- (a) Goods Trains Movement including procurement and maintenance of wagons.
- (b) Review on old incomplete works (paragraph no. 1.7 of chapter 1 of Audit Report 1995–96)
- (c) working of electronic weigh bridges. It was decided that acquisition of assets through market borrowings (i.e. I.R. F.C) would be scrutinized by Headquarters office.

### 5.11 Pilot Study for Central Reviews

The following Railways were identified for undertaking pilot study and provide feedback to the Headquarters for finalization of the guidelines:

- (a) Goods Train Movement—central Railway (Draft guidelines already received at the Headquarters for finalization).
- (b) Review on old incomplete works-Northern Railway.
- (c) Working of electronic weigh bridges-Eastern Railway.

### 5.12 Procedure for carrying out Central Reviews

DAI emphasized that the global picture should emerge from the Reviews. Further, Audit should project in the reviews the degree of reliability of the system arrangements.

After selection of the topic, a pilot study would be undertaken by the identified field office and the feedback communicated to the Headquarters.

On this basis and in close co-ordination with the identified field offices, detailed guidelines and format of the review would be prepared by the Headquarters. It would be ensured that the guidelines would be in the skeleton form of the final draft review and the sample to be test-checked and the exact nature of data tabulation needed would be specified.

The details of sample would be identified carefully by the Headquarters in co-ordination with the field offices with reference to global data. There would be specific articulation by the Headquarters about the selection of samples.

Various audit comments highlighting the lapses have to be confined within the sample population specified.

(This is to ensure that audit comments could project the reliability of the system arrangements). For this purpose, tabulation of total number of cases seen by Audit would have to be meticulously made out by the field offices. If any point not included in the guidelines was noticed by any field offices, the same should be communicated simultaneously to the Headquarters as also to the other field offices. However, it should be ensured that such new items were within the identified sample and for the same period prescribed earlier.

On audit efforts being directed as above, aggregation of the data at the Headquarters at the finalization stage would be easier. It would also result in brevity of presentation with better readability of the Audit Reports.

#### 5.13 Schedule for Central Reviews

Finalization of specific guidelines and of the format by Headquarters, after getting the feedback from the identified field offices, would be as follows:

- (a) working of weigh bridges and incomplete works—31 May 1997
- (b) goods train movement and procurement and maintenance of wagons—30 June 1997

In respect of (a) above, the field offices would dispatch the draft review to Headquarters by 30 September 1997 and on (b) by 31 October 1997.

#### 5.14 Appropriation Accounts

Audit observations in respect of the format of Railway Appropriation Accounts since Audit Report 1993–94, consequent to the PAC's recommendations calling for parity in all Appropriation Accounts of the Union Government.

He explained that the issue to be resolved was whether the Ministry should be advised to explain the variations at the Minor Head level or at the sub Head level. While explaining the variations at the Sub Head level would subsequently increase the volume of work but ensure parity, the objectives that are proposed to be achieved should be examined in depth. Principal Directors of Audit requested DAI to allow three to four days of time so that they could examine the matter and give their feed back for further consideration. DAI urged that this had to be done immediately since the views of Audit needed to be communicated to the PAC urgently.

6. The meeting ended with a vote of thanks to the Chair.

## GLOSSARY OF ABBREVIATIONS

AFRES	Advanced Financial and Railway Expenditure Management System
ATN	Action Taken Note
BOBR wagons	Bogie Open Rapid Bottom Discharge Coal Hopper
COFMOW	Central Organization for Modernization of Workshops
CONCOR	Container Corporation of India
DP	Draft Paragraphs
ECPA	Efficiency-cum-Performance Audit
EDP	Electronic Data Processing
FC	Financial Commissioner
HOD	Head of Department
MWC	Minimum Weight Condition
P&T	Post & Telecommunications
PRIME	Pay Roll and Independent Modules
PSU	Public Sector Undertaking
RDSO	Research Design and Standards Organization
ROB	Railway overbridges
RUB	Railway underbridges