

Chapter 1 – Introduction

1.1 Audited Entity Profile

Indian Railways is a multi-gauge, multi-traction system with a total route length of 67,415 km (as on 31 March 2019). Some important statistics¹ regarding route/track length in Indian Railways are given below:

Particulars	Broad Gauge (1,676 mm)	Metre Gauge (1,000 mm)	Narrow Gauge (762/610 mm)	Total
<i>Route Kilometre</i> ²	62,891	2,839	1,685	67,415
<i>Track Kilometre</i> ³	1,18,857	2,863	1,822	1,23,542
<i>Electrified Route Kilometre</i>	34,319	-	-	34,319

Indian Railways runs 13,523 passenger trains and 9,146 goods trains every day⁴. During 2018-19, it carried 23.12 million passengers and 3.36 million tonnes freight each day. As on 31 March 2019, Indian Railways had 12.27 lakh workforce and maintained the following infrastructural assets and rolling stock:

Infrastructural assets/Rolling stock	Numbers
<i>Locomotives</i>	12,147
<i>Coaching Vehicles</i>	74,003
<i>Freight Wagons</i>	2,89,185
<i>Stations</i>	7,321

Ministry of Railways (MoR) is headed by a Union Minister of Railways (a Cabinet Minister) and one Minister of State of Railways. Railway Board which is the apex body of Indian Railways, reports to the Minister of Railways. The Board is headed by Chairman, Railway Board & Chief Executive Officer (CRB-CEO) and has four Members viz. Member (Operations & Business Development), Member (Infrastructure), Member (Traction & Rolling Stock) and Member (Finance)⁵. The Board lays down

¹ Source: Indian Railways Year Book 2018-19

² The distance between two points on the Railway irrespective of the number of lines connecting them, whether single line, double line *etc.*

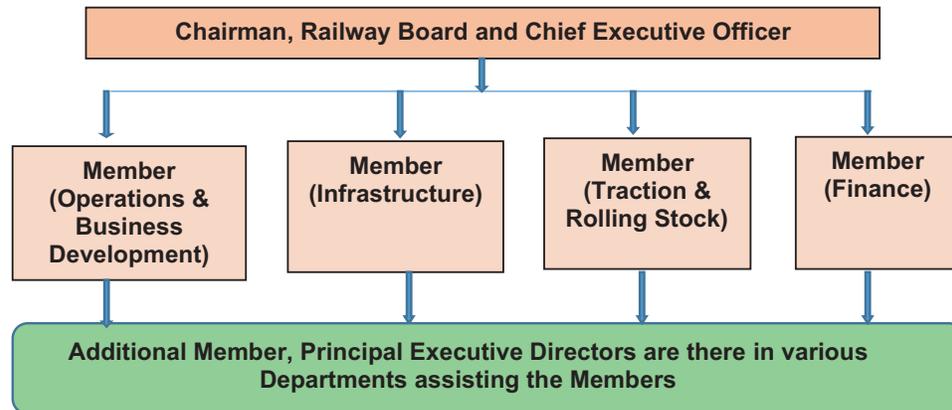
³ Length of all running tracks and tracks in sidings, yards *etc.*

⁴ Source: Indian Railways Year Book 2018-19

⁵ Revised Organizational Structure of Railway Board issued vide MoR's Office Order No.64 of 2020 dated 8 September 2020

policies on operation and maintenance of train services, acquisition, construction and maintenance of assets. It monitors implementation of policies and instructions across Zonal Railways. Railway Board also regulates 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.

The organizational structure⁶ of Railway Board is as follows:



Member (Operations & Business Development) looks after Traffic Transportation, Coaching, Tourism & Catering, Commercial, Non-Fare Revenue, Marketing & Business Development and Information Technology.

Member (Infrastructure) looks after Works, Civil Engineering, Bridges, Signal & Telecommunication, Land & Amenities, Station Development and Railway Electrification.

Member (Traction & Rolling Stock) looks after Production Units, Mechanical Workshops, Coaches, Locomotives, Train sets, Environment and House Keeping, Electrical Maintenance of Coaching Stock, Traction Distribution, Power Supply, Renewable Energy and Material Management.

Member (Finance) is responsible for Accounts, Finance, Budget, Revenue and Statistics & Economics.

In addition, Human Resources, Safety, Security, Health, Planning, Infrastructure, Vigilance, Efficiency & Research, Public Relations, Heritage, Transformation Cell, Corporate Co-ordination are the Directorates that report directly to the Chairman, Railway Board & Chief

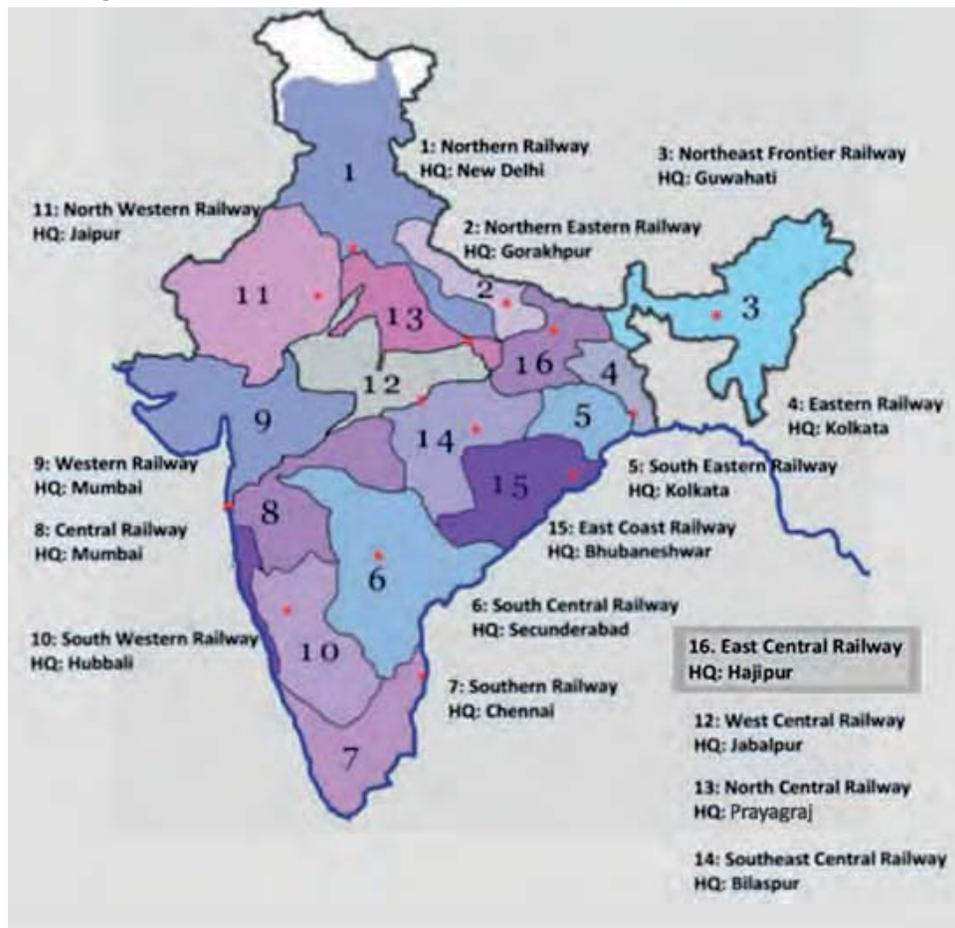
⁶ Ministry of Railways' Office Order No.64 of 2020 dated 8 September 2020

Executive Officer. These Directorates are headed by Additional Member and Principal Executive Directors.

At the field level, there are 17 Zonal Railways including Metro Railway /Kolkata. In addition, there are specialized organizations viz.

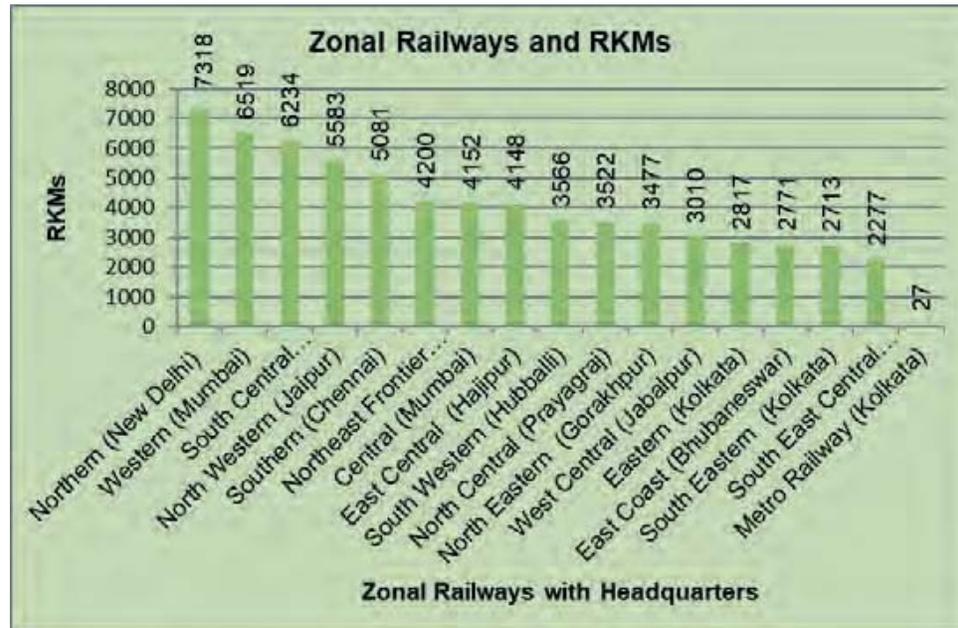
- Research, Designs and Standards Organization (RDSO), Lucknow for research and standardization:
- Central Organization for Modernization of Workshops (COFMOW) for procurement of specialized machinery:
- Locomotive manufacturing units, Banaras Locomotive Works⁷ at Varanasi, Chittaranjan Locomotive Works at Chittaranjan and Diesel Loco Modernization Works at Patiala:
- Coach factories at Kapurthala, Raebareli and Perambur, Rail Wheel Factory at Yelahanka and Rail Wheel Plant at Bela.

Zonal Railways and their Headquarters as on 31 March 2019 is shown in the diagram below:



⁷ Diesel Locomotive Works, Varanasi renamed as Banaras Locomotive Works vide Gazette Notification No.2020/Elect (TRS)/225/2 dated 27 October 2020.

Zonal Railways wise Route Kilometers (RKMs) as on 31 March 2019 were as under:



Each Zonal Railway is headed by a General Manager who is assisted by Principal Heads of Departments. These include Operating, Commercial, Engineering, Electrical, Mechanical, Stores, Accounts, Signal & Telecommunication, Personnel, Safety, Medical Departments etc. Besides the above, there are 40 Public Sector Units and two Autonomous Bodies (Rail Land Development Authority and Centre for Railway Information Systems) under control of MoR.

A fully integrated financial advice and control system exists at Railway Board headed by the Member (Finance). At Zonal level, finance functions are headed by Principal Financial Adviser (PFA). He is assisted by Financial Adviser and Chief Accounts Officers (FA&CAOs). They are responsible for rendering advice and scrutinizing all proposals involving expenditure from the public exchequer.

1.2 Authority for audit

The authority for our audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. Audit of expenditure and receipts of MoR and its Autonomous Bodies is conducted under Section 13, Section 16 and Section 20 (1) of the CAG's (DPC) Act respectively.

1.3 Audit Planning

Selection of the units for audit of the Railways is planned on the basis of a risk assessment. The risk is assessed based on 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 recommendation and action taken by the MoR, media reports, where relevant, are also considered. Based on such risk assessment, test audit of 6,119 entities/units of the Railways was conducted during 2018-19.

The Audit Plan focused on selected issues of significant nature in terms of policy and its implementation. These included 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 to help improve systems and strengthen internal control mechanism in Railways.

1.4 Reporting

Audits of selected topics were conducted across the Zonal Railways. Relevant records and documents of the field units as well as that of Railway Board were reviewed. 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. Audit findings were either settled or further action for compliance was advised depending upon the action taken. Important audit observations, not having been complied with, were followed up through Draft Paragraphs addressed to the General Managers of Zonal Railways. Copies of Draft Paragraphs were endorsed to the PFAs and Heads of the Departments for reply within the prescribed period. Selected issues were taken up as Provisional Paragraphs and issued to the MoR for eliciting their reply before inclusion in Audit Report.

1.5 Structure of the Report

This Audit Report comprises results of scrutiny of transactions relating to expenditure, receipts, assets and liabilities of the units under the control of MoR. This includes examination of the adequacy, legality, transparency and effectiveness of the relevant rules to maintain and ensure control mechanism over public expenditure. The effectiveness of the rules to safeguard against misuse, waste and losses was also examined.

The Report contains four Chapters. Chapter 1 is introductory in nature and covers issues of cross-cutting nature. The other three Chapters relate to the core functional areas of the three Railway Board Members (Operations & Business Development, Infrastructure, Traction & Rolling Stock). The Report presents audit findings of significant materiality which are intended to aid the Executive in taking corrective actions for better

performance and financial management. Detailed findings pertaining to the Zonal Railways on the following subjects are presented in this Report:

- (i) Provision of Elephant Passages in Indian Railways
- (ii) Price Variation in Works Contracts in Indian Railways
- (iii) Audit of Selected Stations in Indian Railways

In addition, 23 individual paragraphs covering audit findings of respective Zonal Railways are presented in Chapters 2 to 4 of this Report.

1.6 Response of the Ministry/Department to Provisional Paragraphs

A total of 40 Provisional Paragraphs were issued to MoR⁸ between 11 November 2019 and 12 October 2020 and a time of six weeks was provided for furnishing a response to the same. As at the end of February 2021, MoR's replies were received in respect of 13 Provisional Paragraphs. Replies received were duly considered and suitably incorporated in the Audit Report. The response in respect of other Provisional Paragraphs (27 nos.) was awaited from MoR. In this Report, 26 Provisional Paragraphs have been included.

1.7 Recoveries at the instance of Audit

Audit had pointed out the cases of undercharges/overpayments of ₹ 132.51 crore in the various Zonal Railways during the year 2018-19. This included undercharges in realization of freight and other earnings, over payments to staff and other agencies, non-recovery of dues of the Railways etc. During the past six years, ₹ 777.78 crore had been recovered by the Railways at the instance of Audit, as detailed in Table 1.3.

Year	Amount Recovered/accepted for recovery (₹ in crore)
2013-14	107.70
2014-15	101.26
2015-16	80.27
2016-17	162.91
2017-18	193.13
2018-19	132.51
Total	777.78

During 2018-19, an amount of ₹ 132.51 crore was accepted for recovery by various Zonal Railways and other field units. Of this, ₹ 104.07 crore

⁸ CRB & CEO, Members concerned and Member (Finance)

was recovered and ₹ 28.44 crore was agreed to be recovered by the Zonal Railways. Four Zonal Railways accounted for recoveries exceeding ₹ 10 crore each⁹. Out of ₹ 132.51 crore, ₹ 66.71 crore pertained to transactions already checked by Railways' Accounts Department and ₹ 65.68 crore pertained to other than those checked by Accounts Department. As a result of further review carried out by Accounts Department, another ₹ 0.12 crore was recovered/agreed to be recovered by the Zonal Railways.

1.8 Remedial action on Audit Paragraphs included in the Audit Reports

As per the Public Accounts Committee (PAC) recommendations¹⁰, Ministry/Departments of the Government of India should furnish corrective/remedial Action Taken Note (ATN) on all paragraphs raised in the Audit Reports within four months after laying of the Report in the Parliament.

On the Audit Paragraphs selected by PAC, discussions/oral evidence is taken by PAC. After the oral evidence, PAC issue Reports containing their observations/recommendations on which action is to be taken by the Ministry. The Action Taken Reports (ATRs) on the PAC Reports are submitted by the Ministry to the PAC after audit vetting.

The status of pending ATNs and ATRs as on 30 September 2020 has been given in **Annexure 1.1**.

Some of the important cases, where MoR had made appropriate changes and issued instructions during 2018-19 for streamlining their internal process are illustrated in Table 1.4.

⁹ NER (₹ 10.72 crore), NR (₹ 20.93 crore), NFR (₹ 24.34 crore) and ECR (₹ 24.67 crore)

¹⁰ Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997

Table 1.4		
Para No./ Report No.	Audit Observations /Recommendations	Action taken by Railways
<p>Chapter 2- Management of Works Contract in Indian Railway of Report No. 48 of 2015 - Performance Audit on Status of On-going Projects</p>	<p>Railways should take immediate steps for implementation of complete E-tendering in respect of works contracts.</p> <p>General Conditions of Contract (GCC) (Clause 8-Part-I) require that Contract Agreement should be executed by the contractor within seven days of receipt of Letter of Acceptance (LOA). As per Clause 16 (4) of GCC, the successful bidder is required to submit a Performance Guarantee (PG) within 30 days from the date of issue of LOA and on payment of penal interest beyond 30 days up to 60 days. Contract Agreement should be signed only after deposit of PG by the tenderer. Thus, a contradiction exists in policy instructions.</p> <p>Many contracts were terminated after incurring heavy expenditure. The average time taken for re-tendering was very high and extra expenditure incurred due to higher</p>	<p>System of e-tendering In Works Tenders had been implemented over Indian Railways w.e.f 1 April 2016.</p> <p>Provisions of Para of GCC were modified in accordance with Cause 16 (4) of GCC related to Performance Guarantee.</p> <p>Instructions were issued (19 June 2015) to all the Zonal Railways and Production Units to ensure that the contracts terminated on contractor's account</p>

Table 1.4		
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	rates accepted in re-tendering resulting in increasing the cost of works.	should be re-tendered at the earliest possible date.
Para 5.9 of Report No.13 of 2016 - Short realization of maintenance charges due to non-valuation of cost of Defence siding in NFR	Non-valuation by the Railway of the cost of their portion of a Defence Siding after every five years resulted in non-revision of maintenance charges and consequent short realization of ₹ 7.56 crore from Defence siding.	NFR Administration raised (September 2016) a bill for recovery of ₹ 7.91 crore from Defence authorities.
Para 5.12 of Report No.13 of 2016- Irregular expenditure of ₹ 6.55 crore on Road Over Bridge (ROB) over a line leased to Bharuch-Dahej Railway Company Limited (BDRCL)	MoR had clarified (July 2012) that all the infrastructure augmentation cost on the line belonging to Special Purpose Vehicle (SPV) has to be borne by SPV. Western Railway Administration booked ₹ 6.55 crore to its Safety Fund towards construction of ROB in lieu of a Level Crossing. This was in contravention of the clauses of lease agreement signed with BDRCL.	MoR had decided (September 2017) that cost of elimination of Unmanned Level Crossings on SPV lines will be borne by the Railways. Accordingly, instructions, in supersession of MoR's letter dated 2 November 2015, were issued vide letter No.2015/Infra/18/6 dated 23 November 2017.
Para 2.10 of Report No.14 of 2017 - Non-revision of interest and maintenance	Delay in processing the proposal for revision of interest and maintenance charges in respect of six private sidings at various	Zonal Railway raised the bills of ₹ 7.82 crore. Out of this, ₹ 0.74 crore was realized. Efforts were being made to recover

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<i>charges of private sidings</i>	level (Division and Zonal Headquarters) of NCR Administration resulted in non-billing of charges at revised rates and consequential short recovery of interest and maintenance charges of ₹ 7.82 crore.	the balance amount from the siding owners through regular follow up by the Divisional authorities.
<i>Para 2.13 of Report No. 5 of 2018 - Loss due to non-realization of engine hire charges from the siding owner</i>	Despite detention of Railway's Engine in the siding beyond permissible period under Terminal Incentive cum Engine on Load Scheme (TIELS) and clear instructions of MoR on realization of engine hire charges on this account, SECR Administration did not realize the engine hire charges of ₹ 28.23 crore from the siding owner.	MoR agreed with the audit's contention for levy of engine hire charges beyond free time. Out of ₹ 28.23 crore, ₹ 20.96 crore was recovered/adjusted and efforts were being made to realize the remaining amount.