AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN RAILWAYS
AUDIT YEAR 2014-15

AUDITOR - GENERAL OF PAKISTAN

TABLE OF CONTENTS

		Page No.
ABBREVIATIONS & ACRONYMS		i
PREFACE		iii
EXECUTIVE SUMMARY		iv
SUMMARY TABLES		
I	Audit Work Statistics	xiv
II	Audit Observations Regarding Financial Management	xiv
III	Outcome Statistics	xv
IV	Irregularities Pointed out	xvi
V	Cost Benefit Analysis	xvi
CHAPTER 1	Public Financial Management Issues Financial Advisor & Chief Accounts Officer, Pakistan Railways	1
CHAPTER 2	Ministry of Railways	
2.1	Introduction of Ministry	11
2.2	Comments on Budget & Accounts	12
2.3	Brief Comments on the status of Compliance with PAC directives	20
2.4	**AUDIT PARAS**	
	Misappropriations	21
	Non-Production of Record	29
	Irregularity & Non-Compliance	31
	Performance	77
	Internal Control Weaknesses	119
	Others	127
CHAPTER 3	**Computerized Reservation System & E-Ticketing**	131
Annexure-1	MFDAC Paras	156
Annexure-2	Name of Divisions of PR with Number of Station	159
Annexure-3	Networking Diagram of communication system	160

Annexure-4	Cash Summary (Railway HQ & Lahore Station) March 2012	161
Annexure-5	Difference in Daily Cash Summaries	163
Annexure-6	Percentage of Reservations with respect to Overall Passengers	164
Annexure-7	Clauses of city bank which are unacceptable for Railways	165
Annexure-8	Expenditure incurred for E-ticketing Facilities	166
Annexure-9	System Design	167

ABBREVIATIONS & ACRONYMS

AEN	Assistant Executive Engineer
AGM	Additional General Manager
APPM	Accounting Policies and Procedures Manual
BPS	Basic Pay Scale
CA	Certification Audit
CCM	Chief Commercial Manager
CCTV	Closed Circuit Television
CFT	Cubic Feet
CSR	Composite Schedule of Rates
DAC	Departmental Accounts Committee
DAEE	Divisional Assistant Electrical Engineer
DCOS	District Controller of Stores
DE Locomotive	Diesel Electric Locomotive
DEE	Divisional Electrical Engineer
DG Set	Diesel Generator Sets
DGM	Deputy General Manager
DOT	Doubling of Track
DRF	Depreciation Reserve Fund
DS	Divisional Superintendent
EFT	Excess Fare Ticket
ET	Electric Traction
ECC	Economic Coordination Committee
FA&CAO	Financial Advisor & Chief Accounts Officer
FIRs	First Information Report
FIS	Financial Information System
FRM	Financial Reporting Manual
GM	General Manager
GPF	General Provident Fund
GST	General Sales Tax
HSD	High Speed Diesel
IG	Inspector General
IIMCT	Islamic International Medical College & Trust
KESC	Karachi Electric Supply Corporation
KUTC	Karachi Urban Transport Corporation
Loco	Locomotive
LPR	Last Purchase Rate
LPS	Late Payment Surcharge
MFDAC	Memorandum for Departmental Accounts Committee

MIS	Management Information System
MoR	Ministry of Railways
MP-II	Management Position
MS	Medical Superintendent
NAB	National Accountability Bureau
NAM	New Accounting Model
NHA	National Highway Authority
NR	Nominated Repair
OEI	Oil Engine Inspector
PAC	Public Accounts Committee
PC-I	Planning Commission Proforma-I
PD	Project Director
PIFRA	Project to Improve Financial Reporting and Auditing
PLF	Pakistan Locomotive Factory
PO	Principal Officer
POH	Periodic Overhauling
POL	Petroleum, Oil and Lubricants
PPRA	Public Procurement Regularity Authority
PPRs	Public Procurement Rules
PR	Pakistan Railway
PRACS	Pakistan Railway Advisory and Consultancy Services Limited
PRCM	Pakistan Railway Commercial Manual
PRP	Pakistan Railway Police
PVC	Polyvinyl Chloride
PWD	Pakistan Works Department
RAILCOP	Railway Constructions Pakistan Limited
RAR	Railway Audit Report
REDAMCO	Railway Estate Development and Marketing Company
RTL	Railway Train Lighting
SFT	Square feet
SNGPL	Sui Northern Gas Pipelines Limited
SOP	Standard Operating Procedure
SRP	Superintendent Railway Police
SSP	Senior Superintendent Police
TLA	Temporary Labour Application
WAPDA	Water & Power Development Authority

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of receipts and expenditure of Pakistan Railways and its subsidiaries.

This report is based on audit of the accounts of Pakistan Railways for the financial year 2013-14. Further, this report also includes observations pertaining to previous years which came to notice during audit. The Directorate General Audit (Railways), Lahore conducted audit on a test check basis during the year 2014-15 with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in Annexure-1 of the Audit Report. The audit observations listed in the Annexure-1 shall be pursued with the Principle Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

Audit findings indicate need for adherence to the regulatory framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora [Parliament].

-sd-
(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan

Dated: 17 MAR 2015

EXECUTIVE SUMMARY

The Director General Audit (Railways) has the mandate to conduct audit of receipts and expenditure of Pakistan Railways (PR) and its subsidiaries, viz. Pakistan Railway Advisory & Consultancy Services (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Real Estate Development & Management Company (REDAMCO) and Karachi Urban Transport Corporation (KUTC). The audit of receipts and expenditure was carried out on test check basis in accordance with audit methodology envisaged in Financial Audit Manual. The audit was carried out with human resource of 168 officers and staff utilizing 41,832 mandays, with annual budget amounting to Rs 124.21 million. This office is mandated to conduct regularity audit (financial & compliance with authority audit) and performance audit of the projects run by the Ministry of Railways. DAC meetings were held to discuss the audit observations for the finalization of this Report. Moreover, Director General Audit (Railways) conducted audit of Pakistan Railways computerized Reservation System and E-ticketing in March, April 2012. The main objectives were to measure the performance of the system against 3 Es (Economy, Efficiency and Effectiveness) and IT environment assessment, which includes physical & logical access assessment, change management assessment and network security assessment etc. The report was issued to the management in May, 2013 and DAC meeting was held in September, 2013.

PR is a state managed commercial organization with a mission "to provide a competitive, safe, reliable, market oriented, efficient and environment-friendly mode of transport". It comprises three functional units:

i). Operations,
ii). Manufacturing & Services, and
iii). Welfare & Special Initiative.

Each unit is headed by a General Manager. Major portion of earnings of PR comes from passenger and freight traffic. Other sources of earnings include leasing of surplus Railways land for commercial and agricultural purposes.

a. Scope of Audit

Out of total expenditure and revenue of Pakistan Railways including its subsidiaries for the financial year 2013-14 auditable expenditure and revenue under the jurisdiction of DGAR was Rs 87,382.15 million and Rs 24,456.00 million respectively covering 01 PAO comprising 212 formations. Of this, DGAR planned audit of expenditure and revenue of Rs 40,465.73 million and Rs 4,933.59 million respectively which, in terms of percentage, is 46% of auditable expenditure and 20% of revenue.

b. Recoveries at the instance of Audit

Recovery of Rs 7,965.15 million was pointed out, out of which recovery of Rs 1,680.03 million was effected during the year 2014-15 at the time of compilation of report.

c. Audit Methodology

During the audit year 2014-15 audit strategy was based on the assessment of control environment. Audit procedures and processes were designed after thorough understanding of organization's objectives, control environment, risk assessment and performance targets.

d. Audit Impact

The need for change in the system and procedures of the audited entities was emphasized based upon the observations raised and discussed with the management which included the following issues:-

i. Pakistan Railways had paid huge amounts in the shape of late payment surcharge on utility bills. This issue was noticed in the audit paras of present and previous audit reports. As a result of continuous follow-up the management had agreed to formulate SOP for early clearance of utility bills to avoid late payment surcharge.

ii. Every year Pakistan Railways incurred heavy amount on purchase of electricity from WAPDA and KESC. The electricity is purchased being in bulk for supply to its consumers and service buildings. It was noticed during audit that recoveries from consumers were far less than amount paid to WAPDA in advance. Management replied that this difference was due to higher rates on bulk supply whereas residential colonies were charged on domestic rates. As a result of continuous follow-up the management had agreed to switch over electric supply of residential colonies to WAPDA and KESC at the earliest.

iii. Different formations failed to provide auditable record during the course of audit. This issue was raised in the audit paras of present and previous audit reports. As a result of continuous follow-up the Ministry of Railways had directed all Principal Officers to be more vigilant regarding production of record to Audit, failure of which would be viewed seriously and brought into the notice of Federal Minister of Railways for disciplinary action.

e. Comments on Internal Control and Internal Audit Department

Internal control system refers to the policies and procedures adopted by the entity to assist in achieving, as far as practicable, the financial management and accountability objectives of the Government. The Principal Accounting Officer in conjunction with the Internal Audit organization is responsible for ensuring that a proper system of internal controls exists within the entity.

There is an elaborate Internal Audit organization headed by a BPS-20 officer working directly under the Secretary, Ministry of Railways. Internal Audit produces an annual report embodying audit observations issued to the offices audited by it. Statutory Audit found that response of the offices audited to the Internal Audit was poor. The follow-up of internal audit reports by the organization was also found

inadequate. Resultantly, all the internal audit reports issued from the year 1999-2000 and onwards were outstanding.

f. Key audit findings of the report

i. Deficiencies of fittings in coaches and goods stock valuing Rs 37.27 million were noticed. [1]

ii. Shortage of Railway material valuing Rs 34.37 million was pointed out during audit.[2]

iii. Embezzlement of Railway revenue amounting to Rs 27.64 million was identified during audit. [3]

iv. Four cases of theft of Railway material valuing Rs 20.77 million were identified during audit.[4]

v. Auditable record of important cases valuing Rs 1,567.59 million was not provided for audit scrutiny.[5]

vi. PR sustained loss of Rs 566.49 million due to imprudent decision of ECC.[6]

vii. PRACS irregularly adjusted an amount of Rs 328.39 million on account of short composition of trains without any provision in the agreement.[7]

viii. PR suffered loss of Rs 272.39 million due to revision in agreement for Joint Venture of Rohi and Hazara Express Trains. [8]

ix. Different kinds of works were executed or material of similar nature was procured in piecemeal manner - Rs 120.65 million.[9]

---

[1] Para 2.4.1
[2] Para 2.4.2
[3] Para 2.4.3
[4] Para 2.4.4
[5] Para 2.4.6
[6] Para 2.4.9
[7] Para 2.4.10
[8] Para 2.4.11
[9] Para 2.4.12

x. Expenditure of Rs 57.09 million on account of pay & allowances of idle staff went waste.[10]

xi. Irregular expenditure of Rs 98.30 million on engagement of staff in excess of sanctioned strength and wrong utilization of staff was pointed out.[11]

xii. PR incurred expenditure of Rs 18.79 million on the pay & allowances of staff appointed irregularly.[12]

xiii. Irregular expenditure of Rs 5.37 million was incurred on pay & allowances of staff re-employed after superannuation.[13]

xiv. Railway land valuing Rs 3,463.16 million was un-authorizedly occupied. [14]

xv. Loss of potential earnings of Rs 2,333.69 million due to non-completion of project "Rehabilitation, Upgradation & Conversion of 400 coaches". [15]

xvi. Inordinate delay in repair of rolling stock caused loss of potential earnings of Rs 1,955.86 million.[16]

xvii. Blockage of capital of Rs 1,895.21 million due to non-disposal of scrap. [17]

xviii. Electrical power crossing charges of Rs 1,121.70 million were recoverable. [18]

xix. Electricity charges of Rs 959.65 million were less recovered. [19]

xx. Loss of Rs 268.55 million due to procurement of spare parts at higher rates.[20]

---

[10] Para 2.4.13
[11] Para 2.4.15, 2.4.16
[12] Para 2.4.22, 2.4.23
[13] Para 2.4.25
[14] Para 2.4.38
[15] Para 2.4.39
[16] Para 2.4.40
[17] Para 2.4.41
[18] Para 2.4.42
[19] Para 2.4.43
[20] Para 2.4.46

xxi. Condemned locomotives valuing Rs 40.95 million were not disposed off.[21]

xxii. Illegal subletting of Railway assets resulted in loss of potential earnings of Rs 13.37 million.[22]

xxiii. Non-finalization of auction process resulted in loss of potential earnings of Rs 11.44 million.[23]

xxiv. Defective material valuing Rs 8.99 million was not got replaced from the vendors. [24]

xxv. Security money amounting to Rs 3.36 million of a work completed in June, 2008 was not refunded by the NHA.[25]

xxvi. Railway dues and rental charges of Rs 1,097.67 million were not recovered. [26]

xxvii. Non-recovery of Rs 961.50 million from contractor of Business Express Train was pointed out. [27]

xxviii. Loss of Rs 16.85 million due to burning of three coaches.[28]

Audit Paras involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC were included in MFDAC (Annexure-1).

Key findings of special study on Pakistan Railways Computerized Reservation and E-Ticketing

i. Pakistan Railways Computerized Reservation System (PRCRS) did not cover all types of passenger ticketing to enable production

[21] Para 2.4.52
[22] Para 2.4.57
[23] Para 2.4.58
[24] Para 2.4.61
[25] Para 2.4.67
[26] Para 2.4.76
[27] Para 2.4.77
[28] Para 2.4.80

of complete accounting and statistical information relating to passenger traffic.[29]

ii. E Ticketing was introduced in November, 2007 and remained operational only for three months up-till January, 2008. Cost and benefits analysis of this activity was never made.[30]

iii. There was excessive inter-dependence over the communication network between Railway divisions. If link of one division is down the inter-connected divisions would be cut off from the entire network.[31]

iv. Several system design deficiencies in the existing software like, non-adjustment of late train departure time, non-friendly interface, manual entry of amount all cancellation and refund of tickets, absence of bilingual (English & Urdu) printing of tickets, non-integration with external booking agencies, non- availability of seat plan etc. were noticed.[32]

v. Non-availability of system documentation, operational manual, training manual etc. caused many problems, like late night working after office hours, increase in the number of errors made, system non-availability and increase in down time.[33]

vi. Access to all the locations, where the server was kept, was neither restricted nor monitored through electronic security systems.[34]

vii. The increase/decrease in passenger fares was updated in the system table after 15-20 days delay after the announcement. This practice caused huge loss to Pakistan Railways.[35]

viii. There was no structured and documented disaster recovery policy for PRCRS and in case of a physical or manmade disaster no

[29] Para 3.7.1
[30] Para 3.7.2
[31] Para 3.7.3
[32] Para 3.7.5
[33] Para 3.7.6
[34] Para 3.7.7
[35] Para 3.7.10

alternate site with reserve servers was available for transacting reservations.[36]

Recommendations

a. Compliance with authority audit

i. Each case of embezzlement of Railway revenue, shortage and theft of material should be investigated at an appropriate level for fixing responsibility and taking remedial measures to avoid recurrence.

ii. Disciplinary action should be taken against the persons found at fault for non production of record and strict instructions be issued for timely provision of auditable record.

iii. Procurement of material and execution of works should be planned to avoid splitting of works/procurements.

iv. Action may be taken against the persons found at fault for irregular appointments and wrong utilization of staff. Human resource management should be improved to avoid recurrence.

v. Management of Railways Workshops should be improved to achieve the given targets and avoid unjustified expenditure on account of overtime and piecework.

vi. The Project Directors must ensure timely completion of projects so that the envisaged benefits are achieved and time and cost overrun is avoided

vii. Director Property & Land should make arrangement in collaboration with the Inspector General Railway Police for retrieval of all encroachments and executing agreements with the occupants for recovery of cost of land/rental charges.

viii. Chief Electrical Engineer should make efforts for expeditious recovery of electrical power crossing charges.

[36] Para 3.7.11

ix. Management should take up the matter at higher level with WADPA to hand over the power supply of Railway colonies to avoid losses on account of less recovery of electricity charges.

x. Director Property & Land should evolve an effective recovery policy so that Railway receipts such as lease/ rental charges of Railway land/shops could be collected timely to improve the financial position of PR.

b. Special study on Pakistan Railways Computerized Reservation and E-Ticketing

i. All types of tickets should be included in the system to enable the production of complete accounting and statistical information and manual checks and controls should be minimized.

ii. The system should be upgraded and alternative gateways be explored for the successive operation of E-Ticketing.

iii. The communication network should be strengthened with a view to avoid the inter dependence on certain divisions.

iv. The system design deficiencies need to be rectified on the user requirement to prevent manual interventions. Refund system needs to be integrated with passenger reservation system.

v. The Railways should maintain system documentation and manuals to enable reference at the operational levels and develop a comprehensive IT policy encompassing IT security.

vi. Adequate physical access controls should be integrated to safeguard its assets and access controls should be strengthened to ensure accountability for transactions.

vii. Railways should institute a mechanism for incorporating fare changes promptly.

viii. A structured disaster recovery policy should be developed with off-site backup facility for business continuity and data storage.

ix. Adequate checks should be developed to prevent the reservation on fictitious or incomplete details and misuse of various quotas to enhance the credibility of the system.

x. Control mechanisms should be strengthened to define the train profiles in the system as per the physical composition of train and en-route stations also need to be correctly defined. Suitable system should be developed to ensure that status of the late running of trains was set promptly in the system to calculate the cancellation charges correctly.

SUMMARY TABLES

Table 1 Audit Work Statistics

Sr. No.	Description	No.	Expenditure/Revenue (Rs. in million)
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	01	*111,838.15
2	Total formations in Audit Jurisdiction	212	111,838.15
3	Total Entities (PAOs) Audited	01	111,838.15
4	Total formations audited	76	45,399.32
5	Audit & Inspection Reports	76	123,452.35
6	Performance Audit Report	-	-

* It includes expenditure and revenue of PR and its subsidiaries i.e. RAILCOP, PRACS, REDAMCO and KUTC.

Table 2 Audit Observations Regarding Financial Management

Sr. No.	Description	Amount Placed Under Audit Observation (Rs. in million)
1	Unsound Asset Management	11,922.11
2	Weak Financial Management	21,41.63
3	Weak Internal Controls Relating to Financial Management	5,163.55
4	Others	2,373.84
Total		**21,601.13**

Table 3 Outcome Statistics

(Rs. in million)

Sr. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1	Outlays Audited	2,113.60	5,491.96	4,933.59	32,860.17	45,399.32	30,761.75
2	Monetary Value of Audit Observation	2113.77	1,526.42	93.91	119,718.25	123,452.35 *	90,383.60
3	Recoveries Pointed Out at the instance of Audit	74.76	0	0.48	7,889.91	7,965.15	1,611.83
4	Recoveries Accepted/ Established at the instance of Audit	0	0	0.383	1,579.20	1,579.58	1,292.06
5	Recoveries Realized at the instance of Audit	0	0	93.36	1,586.67	1,680.03	360.65

* This also includes observations relating to previous years besides observations on items having no budgetary outlay such as land, assets, store, scrap, projected earnings etc.

Table 4 Irregularities Pointed Out

Sr. No.	Description	Amount placed under Audit observation* (Rs. in million)
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	72,521.29
2	Reported cases of fraud, embezzlement, thefts and misuse of public resource.	421.69
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	11,351.99
4	If possible quantify weaknesses of internal control systems.	30,431.32
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	1,579.58
6	Non-production of record	14.81
7	Others, including cases of accidents, negligence etc.	7,131.67

* It includes amount of the observations issued during the first phase of audit year 2014-15.

Table 5 Cost-Benefit

Sr. No.	Description	Amount (Rs. in million)		
		2014-15	2013-14	2012-13
1	Outlay audited	45,399.32	30,761.75	28,245.21
2	Expenditure on audit	124.21	107.06	*52.53
3	Recoveries realized at the instance of audit	**1,680.03	360.65	108.21
4	Cost-Benefit Ratio	1:13.53	1:3.37	1:2.6

* Expenditure from July to December.

** The amount also includes recovery relating to previous Audit Reports which was verified during January to December, 2014.

Chapter-1 Public Financial Management Issues

Financial Advisor & Chief Accounts Officer, Pakistan Railways

1.1 Audit Paras

1.1.1 Un-authorized utilization of public money – Rs 6,144.58 million

Risk Categorization: High

Observation:

Para 2 (viii) of General Financial Rules provides that all revenues received by the Federal Government, all loans raised by the Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Federal Consolidated Fund. All other moneys (a) received by or on behalf of the Federal Government; or (b) received by or deposited with the Supreme Court or any other court shall be credited to the Public Account of the Federation.

Pakistan Railways was deducting General Provident Fund on regular basis from the salaries of its employees. This liability at year end was shown as Rs 6,144.58 million. During Certification Audit for the year 2013-14, it was observed that the said amount was not kept separate in any Public account. The amount had been utilized for the last many years due to financial crunch being faced by Pakistan Railways and in actual, nothing was available under this head. Due to that, PR was unable to pay off its liability of GPF as and when demanded by the employees.

It was further observed that overdraft would have been higher than its current value if this amount was kept separate from Consolidated Fund. Resultantly, overdraft remained understated with the said amount.

Implications:

It implied that public money was being used by the Pakistan Railways for operational purposes, which was clear violation of the rule specified for such accounts.

Management response:

Ministry of Railways (Railway Board) Islamabad had been working actively on a plan to open a separate account for management of General Provident Fund (GPF) of Pakistan Railways.

Audit Comments:

The existing practice should be discontinued immediately and separate account be opened to save this money. This amount may be invested in any interest bearing term deposit account keeping in view its security and profitability. This would facilitate PR in discharging its future liabilities amicably. The needful may be done without further loss of time, as the existing practice was not in line with General Financial Rules.

1.1.2 Non-adjustment of miscellaneous advance due to less recovery/adjustment of advances for local purchase, utility charges etc. - Rs 2,146.93 million

Risk Categorization: High

Observations*:*

Section 16.4.2.1 of APPM stipulates that the Suspense Account should be cleared on monthly basis.

During Certification Audit for the year 2013-14, it was noticed that an amount of Rs 2,146.93 million was lying under Suspense Account as PR paid electricity, sui gas and telephone charges to its providers on the basis of bulk supply billing and subsequently recovered it partially from employees on the basis of units consumed. Normally the amount paid to

utility provider was much higher than actually recovered from employees as PR management had not increased the recovery rate/revised its billing amount. Resultantly, PR was suffering loss for less recovery on account of utilities. The detail was as under:

Sr. No.	**Suspense Head**	**Balance outstanding upto 30-06-2014 (Rs. in million)**	
	Miscellaneous Advance (Revenue)	Cr	Dr
1.	Advance for Local Purchase	28.95	45.23
2.	Outstanding Electric Charges	118.42	101.63
3.	Outstanding Sui Gas Charges	35.25	1,499.77
4.	Outstanding Telephone Charges	0.30	.096
5.	Other Items	164.90	848.03
	Total	347.83	2,494.76
	Net outstanding balance under Suspense	**2,146.93**	

As the practice for less recovery was prevailing, the amount lying under suspense head had been increasing day by day since 1986-87. Furthermore, as the most of amount was recoverable from management, therefore, this issue had never been highlighted and corrected. One of the examples was short collection of electricity charges from residential consumers amounting to Rs 12.29 million for 2013-14.

Implications:

i) Overstatement of Miscellaneous Advances resulting in understatement of expenditure, thus showing favorable picture of PR accounts.
ii) Potential loss to PR due to less recovery of utilities.
iii) Weak financial controls over the funds of Government.

Management Response:

The suspense accounts amounting to Rs 2,146.93 million comprised a heavy amount of Sui Gas charges recoverable from the

Railways staff. However, subject audit observation had been referred to all concerned for elaborating the factual position to Audit.

Audit Comments:

Corrective measures should be adopted for early clearance of suspense balances to avoid huge accumulation without further loss of time.

1.1.3 Incorrect Reporting and Valuation of Fixed Assets due to non-recognition of Depreciation, Disposal and Losses

Risk Categorization: High

Observation:

During review of the Commercial Accounts of the Pakistan Railways as on 30th June, 2014 and respective notes therein, it was observed that all fixed assets in the balance sheet were shown at their original cost instead of depreciated cost.

Fixed assets register as required under the provisions of International Financial Reporting Standards as well as Generally Accepted Accounting Principles was not maintained. Fixed assets were shown at their original cost without any deletion/disposal in the balance sheet. Furthermore, if any asset was disposed of by sale/scrap sale, its value was not deducted from the total assets appearing in the balance sheet which resulted into overstatement of fixed assets.

Implications:

i) In the absence of fixed asset register proper valuation and control over fixed assets was doubtful, therefore, it was not possible to ensure their completeness and correctness as to amount and value.

ii) Reflecting fixed assets at historical cost and not by following cost model or revaluations model as recommended by accounting practices, would result in under/overstatement of fixed assets.

Management response:

The accounts of Pakistan Railways were maintained as per codal provisions. However, the New Accounting Model (NAM) was planned to be implemented in Pakistan Railways under PIFRA-II but so far no progress was made on this account. However, Pakistan Railways had engaged consultants under Financial Information System (FIS)/ Management Information System (MIS) project. It was hoped that all issues would be settled on implementation of the changes proposed on the completion of the project of FIS/MIS.

Audit Comments:

The contention of non-implementation of FIS/MIS was not tenable as proper record of fixed assets was required to be maintained in compliance with Section 2.2.7 of FRM.

1.1.4 Non-reflection of foreign loans/credits using latest exchange rates

Risk Categorization: High

Observation:

According to the International Financial Reporting Standards, Foreign Loans and Credits should be reflected in accounts using the exchange rates prevailing on the closing date of accounts.

Closing balances of Foreign Loans and Credits under heads of Capital account and Replacement/Improvement account were not stated at the exchange rates prevailing on 30th June, 2014. Balances were reflected in the accounts using the rates prevailing on the date of agreement. This resulted into incorrect position of foreign loans/credits in the balance sheet.

Implications:

i) Violation of International Accounting Standards.
ii) Understatement of liabilities.
iii) Overstatement of profit as exchange loss was not booked for the period.

Management response:

All figures of foreign loans and credits were worked out by Aid and Loan Section of Ministry of Railways in consultation with Economic Affairs Division. In the financial statements of Pakistan Railways, the figures of foreign loans and credits were reflected on historical cost principle according to the disbursement advice issued by Director/F&B, Ministry of Railways (Railway Board) Islamabad. As no advice /directives was received from Aids & Loan Section Ministry of Railways (Railway Board) Islamabad, so the difference of exchange rates was not taken into account. However, in the project for FIS/MIS, this issue was addressed. Financial Statements prepared by the consultants would be adopted by Pakistan Railways after statutory approval by the Auditor General of Pakistan.

Audit Comments:

The non-implementation of FIS/MIS was not a bar in evaluation of foreign loans correctly.

1.1.5 Overstatement of assets as well as liabilities due to double accountal of Federal Government Investment - Rs 13,805.08 million

Risk Categorization: High

Observation:

During review of the Commercial Accounts of Pakistan Railways as on 30th June, 2014 and respective notes therein, it was observed that an amount of Rs 22,108.23 million was booked under head, "Investment by Government" on liability side of the balance sheet. From this, an amount

of Rs 13,805.08 million was again booked under Depreciation Reserve Fund on liability side of balance sheet which resulted in double accountal of this amount, as detailed below:-

Balance sheet **Liability Side**	**Amount** **(Rs. in million)**
Total Investment by Govt. (Capital account + Replacement account)	22108.23 (8,303.15 + 13,805.08)
Again shown as Depreciation Reserve Fund (DRF) on liability side. (Note-3- Federal Govt. contribution on replacement account)	13,805.08
Net overstatement on liability side of Balance Sheet.	13,805.08

Furthermore, the same amount was booked under "Deferred Assets" on asset side of balance sheet which was just a contra account created to offset the meaningless/wrong accounting treatment made under DRF. As per general accounting principles and accounting standards, such expenditure should form part of the original asset if the production capacity/usage/useful life of the original tangible asset was enhanced. However, such expenditure should be charged to profit and loss account if the above condition was not fulfilled.

Implications:

i) Asset as well as Liability side of balance sheet became overstated.
ii) Commercial accounts became materially misstated.
iii) Maintenance of contra account was neither covered by any international accounting standard nor by any financial rule.

Management response:

Under the existing accounting procedure, to reflect the correct figure of each head, the receipt on account of Federal Government Investment and Replacement Account was booked to their respective heads i.e. Federal Government Investment and Depreciation Reserve Fund respectively. If the figures of Federal Government Investment and

Replacement Account were not booked on both sub-heads of liability, the accounts would remain understated. This observation of overstatement of assets and liabilities due to incorrect accounting policy i.e. Investment by the Government on replacement account was not acknowledged by the Accounts Office which was of the view that it was not double accountal and it was according to the approved format of the Accounts of Pakistan Railways and would continue till the new system of accounting under project of FIS/MIS was fully implemented.

Audit Comments:

If the investment by Government had been booked to its proper head, the question of over/understatement would not arise.

1.1.6 Understatement of current liabilities due to incorrect presentation of Sundry Creditors

Risk Categorization: High

Observation:

The amount lying under Sundry Creditors always means "liability" payable in future, while the negative balance means that the current liabilities are lesser with the said amount.

During the course of Certification Audit for the year 2013-14, it was noted that Sundry Creditors appearing on the liability/credit side of the balance sheet were showing negative balance amounting to Rs 138.26 million. This resulted into understatement of total current liabilities with the said amount which was unauthorized.

Implications:

i) Understatement of credit side of the balance sheet.
ii) Material misstatement of Commercial accounts.

Management response:

The matter was referred to concerned quarters vide letter dated 6th December, 2014. On receipt of replies, the Audit would be apprised.

Audit Comments:

The matter was required to be attended at the time of compilation of accounts. However, matter may be pursued and resolved to rectify the accounts.

1.1.7 Non-realization of Bills Receivable.

Risk categorization: High

Observation:

The position of "Bills Receivable" of Pakistan Railways as on 30th June, 2014 was Rs 2,230.71 million (2012-13: Rs 2,379.10 million). These receivables related to different divisions of Pakistan Railways. The year of accumulation of these receivables ranged from 1967-68 to 2013-14. Major portion of Receivables pertained to Ministry of Defence, Provincial Food Departments, National Highway Authority, Controller Military Accounts/Lahore Cantt. and private bodies.

To determine the exact amount of Bills Receivable and its presentation in Balance Sheet, a request regarding third party confirmation was sent to FA & CAO office on 12th September, 2014 and 20th October, 2014 to which no response was received till finalization of this report.

Implications:

Overstatement of assets as the most of the balances were long outstanding and no proper plan for recovery of amount was in place.

Management response:

Bills receivable was a permanent feature of any commercial organization to boost revenues. However, Pakistan Railways tried to manage its bills receivable by ensuring that figures may not exceed 1 % of total assets of balance sheet each year. Further, the amount of Bills Receivable was reduced as compared to previous year.

Audit Comments:

The comparison of receivables with total assets was not meaningful as the assets had not been shown fairly. Appropriate measures need to be taken to realize long outstanding dues through strenuous efforts.

Chapter 2 Pakistan Railways

2.1 Introduction

Pakistan Railways is a state managed commercial organization with a mission "to provide a competitive, safe, reliable, market oriented, efficient and environment friendly mode of transport". It is managed by the Railway Board. The Secretary, Ministry of Railways is the Principal Accounting Officer and also ex-officio Chairman of the Railway Board. Pakistan Railways comprises three functional units, each headed by a General Manager:

i) Operations,
ii) Manufacturing & Services, and
iii) Welfare and Special Initiatives.

Operations unit consists of seven territorial operating divisions, viz. Peshawar, Rawalpindi, Lahore, Multan, Sukkur, Karachi & Quetta, and one Workshop Division at Moghalpura. Each division is headed by a Divisional Superintendent, who is assisted by Civil, Mechanical and Electrical Engineering, Material Procurement, Stores, Commercial & Traffic, Operating and Personnel Departments, Property & Land, Legal Affairs, and Information Technology. In addition, there is one administrative division at Headquarters, Lahore, headed by Deputy General Manager.

Railway Accounts Department is headed by the Member Finance in the Railway Board who is assisted by three Financial Advisors & Chief Accounts Officers. Moreover, there is a Chief Internal Auditor who heads the Internal Audit Wing and reports directly to the Principal Accounting Officer.

Pakistan Railways Advisory & Consultancy Services (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Railways Estate Development & Marketing Company (REDAMCO) and Karachi Urban Transport Corporation (KUTC) are four subsidiaries of PR. PRACS was established in 1976 as a public limited company. Its main objectives are to

prepare the feasibility reports for new Railway lines and render technical assistance in connection with the designing, modernization and maintenance of Railway installations, workshops, bridges and rolling stock. Presently, its main activities are sale of Railway tickets and managing certain trains on joint venture basis. RAILCOP was established in 1980 as a public limited company. Its main objective is to develop and upgrade Railway infrastructure. REDAMCO was established in 2012. Its main objective is to develop and market Railways estate. KUTC was established in 2008. Its main objective is to provide the local train facility to the general public of Karachi.

2.2 Comments on Budget & Accounts

Pakistan Railways prepared two sets of accounts, one on commercial basis and other on the basis of Pakistan Government Railway Code for the Accounts Department.

2.2.1 Comparison of Allocated Budget with Actual Expenditure - Financial Year 2013-14

(Rs. in million)

Items	Original Allocation	Supple-mentary Allocation	Final Allocation	Actual Expenditure	Variation	
					Excess (Saving)	%age
Grant No. 093 Revenue Expenditure						
Voted	52,510.37	4,586.14	57,096.50	55,737.74	(1,358.76)	(2.38)
Charged	2,589.64	(2,586.14)	3.50	3.72	0.22	6.29
Total	**55,100.00**	**2,000.00**	**57,100.00**	**55,741.46**	**(1,358.54)**	**(2.38)**
Grant No.151 Capital Outlay on Pakistan Railways						
Voted (Capital)	11,614.17	(1,429.82)	10,184.35	8,766.55	(1,417.80)	(13.92)
Voted (DRF)	19,350.72	(1,521.50)	17,829.22	13,724.98	(4,104.24)	(23.02)
Total	**30,964.89**	**(2,951.32)**	**28,013.57**	**22,491.53**	**(5,522.04)**	**(19.71)**
Grand Total	**86,064.89**	**(951.32)**	**85,113.57**	**78,232.99**	**(6,880.58)**	**(8.08)**

The comparison between allocated budget and actual expenditure showed that the actual expenditure incurred under "voted" portion was less than the final allocation and there was saving of Rs 1.36 billion i.e. (2.38%).

The actual expenditure of capital outlay on Pakistan Railways under Capital head was less than the final allocation which resulted into saving of Rs 1.42 billion i.e. 13.92%. The expenditure under DRF head was also less than the final allocation which caused saving of Rs 4.10 billion i.e. 23.02%. The saving under both heads of Capital outlay i.e. 19.71% needed explanation.

This state of affairs indicated a failure on the part of the management which did not incur the expenditure according to the allocated budget. On the other hand, many critical operations were badly affected due to non-availability of funds.

2.2.2 Comparative Analysis of Accounts of Financial Year 2013-14

Para 4.3.3.1 of the Accounting Code for Self Accounting Entities stipulates that all revenue receipts will be accounted for on cash received basis whereas Pakistan Railways recognises its earning on accrual basis, while all expenses on cash basis.

Profit & Loss Account:

(Rs. in million)

Particulars	2013-14	2012-13	2011-12	Variation	Variation (%)
1	2	3	4	5 (2-3)	6
Gross Earnings	22,800.22	18,069.55	15,444.39	4,730.67	26.18
Total Working Expenses	55,328.10	48,535.24	43,563.95	6,792.86	14.00
Operating Surplus/ (Loss)	**(32,527.88)**	**(30,465.69)**	**(28,119.56)**	**2,062.19**	**6.77**
Interest on Debt	3.72	47.02	1,234.42	(43.30)	(92.09)
Miscellaneous Receipts	4.40	8.37	5.44	(3.97)	(47.43)
Net Profit /	**(32,527.20)**	**(30,504.34)**	**(29,348.54)**	**2,022.86**	**6.63**

(Loss)					
Grant-in-Aid	32,527.20	30,504.34	30,467.00	2,022.86	6.63
Surplus/(Deficit)	**0.00**	**0.00**	**1,118.46**	**0.00**	**0.00**

The profit & loss account indicated that:

i) Total operational working expenses amounting to Rs 55.33 billion were much higher than the gross earnings of Rs 22.80 billion. These expenses were increased by Rs 6.79 billion (14.00%) as compared to the previous year (2012-13: Rs 48.54 billion). Resultantly, operational loss was increased to Rs 32.53 billion (2012-13: Rs 30.47 billion). This indicated that Railway administration failed to achieve the target of zero operating deficit.

ii) The interest on debt amounting to Rs 0.0037 billion contained only the external portion i.e. interest on Foreign Loans paid during the financial year. Nothing was paid under the head of internal portion i.e. interest on overdraft with the State Bank of Pakistan. During the previous years interest amounting to Rs 0.05 billion in 2012-13 and Rs 1.23 billion in 2011-12 was paid to the State Bank of Pakistan as internal portion only. Therefore, less payment of interest on debt of both internal and external could attract penalties if not re-scheduled.

iii) Pakistan Railways suffered a net loss of Rs 32.53 billion (2012-13: Rs 30.50 billion). There was an increase of Rs 2.02 billion (6.63%) over the preceding year. The whole loss was covered with the amount provided by the Federal Government in the form of Grant-in-Aid.

Balance Sheet:

(Rs. in million)

Particulars	**2013-14**	**2012-13**	**2011-12**	**Variation**	
				Increase/ (Decrease)	Percentage
1	**2**	**3**	**4**	**5 (2-3)**	**6**
Liabilities					
Capital &	87,073.93	64,965.71	51,978.74	22,108.22	34.03

Net Worth					
Revenue Reserves	39,947.43	38,818.28	32,569.15	1,129.15	2.91
Long Term Liabilities	74,126.91	72,765.31	16,283.36	1,361.60	1.87
Current Liabilities	8,080.63	5,750.47	46,062.78	2,330.16	40.52
Total Liabilities & Capital	**209,228.90**	**182,299.77**	**146,894.03**	**26,929.13**	**14.77**
Assets					
Fixed Assets	90,249.04	81,482.49	57,001.19	8,766.55	10.76
Deferred Assets	65,128.30	51,323.22	44,524.95	13,805.08	26.90
Current Assets	53,851.56	49,494.06	45,367.89	4,356.96	8.80
Total Assets	**209,228.90**	**182,299.77**	**146,894.03**	**26,929.13**	**14.77**

The figures in balance sheet were reflective of the following:

i) Capital & Net Worth increased by Rs 22.11 billion (34.03%) over the preceding year. The increase was due to investment by Federal Government through cash release for development programmes which was provided in addition to Grant-in-Aid.

ii) Revenue Reserves increased by Rs 1.13 billion (2.91%) over the preceding year. The increase was due to booking of excess amount of Grant-in-Aid i.e. Rs 0.10 billion to Railway Reserve Fund and booking of Federal Government Investment to Depreciation Reserve Fund.

iii) Fixed Assets increased by Rs 8.77 billion (10.76%) over the preceding year. The increase was due to booking of Foreign Loans and Federal Government Investment on Capital Account.

iv) Deferred Assets increased by Rs 13.81 billion (26.90%) over the preceding year. The increase was due to wrong booking of Federal Government Investment on Replacement Account and same under head, "Deferred Assets".

2.2.3 Comments on the Financial Statements of PRACS

Profit & Loss Account:

(Rs. in million)

Particulars	2013-14	2012-13	Variation	% age
Revenue from all operations	961.66	828.65	133.01	16.05
Less: Direct expenditure	(865.76)	(731.05)	134.71	18.43
Gross Profit	**95.90**	**97.60**	**(1.70)**	**(1.74)**
Less: Admin & General expenses	(34.34)	(37.03)	(2.69)	(7.26)
Operating Profit/Loss	**61.56**	**60.57**	**0.99**	**1.63**
Less: Financial Charges	-	-	-	-
Add: Other Income	61.23	37.14	24.09	64.86
Profit/(Loss) before Tax	**122.79**	**97.71**	**25.08**	**25.67**
Less: Taxation	(47.90)	(43.07)	4.83	11.21
Profit/(Loss) after Tax	**74.89**	**54.64**	**20.25**	**37.06**

i) Revenue as well as direct expenditures of the company increased as compared to previous year. The direct expenditures were 90.03% of Revenue while previous year these were 88.22%. The increase in direct expenses was more than the increase in revenue from all operations. Due to that, Gross Profit was decreased by 1.74%. The decrease in gross profit needed to be justified. Substantial decrease of 52% was also found in revenue from consultancy services as compared to previous year which needed elucidation.

ii) The PRACS earned operating profit of Rs 61.56 million as compared to previous year's profit of Rs 60.57 million. The increase in profit by 1.63 % was due to decrease in General and Administration expenses. The expenditures on Business & Development and Railway Marriage Hall were 646.32% and

2032.87% of the revenues generated from these operations. The huge excess expenditures over revenues required justification.

2.2.4 Comments on the Financial Statements of RAILCOP

Profit & Loss Account:

(Rs. in million)

Particulars	**2013-14**	**2012-13**	**Variation**	**%age**
Revenue from Construction Contracts	374.09	283.91	90.18	31.76
Less Cost	(161.53)	(212.91)	(51.38)	(24.13)
Gross Profit / (Loss)	212.56	71.00	141.56	199.38
Revenue from Other than Construction Contracts	404.64	359.9	44.74	12.43
Less Cost	(497.40)	(366.13)	131.27	35.85
Gross Profit / (Loss)	(92.76)	(6.23)	86.53	1388.92
Grand Total (Revenue)	**778.73**	**643.81**	**134.92**	**20.96**
Less: Grand Total (Cost)	(658.93)	(579.03)	79.9	13.80
Overall Gross Profit / (Loss)	**119.80**	**64.77**	**55.03**	**84.96**
Less Administrative Expenses	(42.39)	(48.93)	-6.53	-13.35
Profit from operating activities	**77.41**	**15.84**	61.57	388.72
Less: Finance Cost	(0.52)	(0.95)	(0.43)	(45.26)
Total	**76.89**	**14.89**	**61.99**	**416.32**
Add Other Income	23.01	37.77	(14.75)	(39.05)
Less: Loss on Impairment	0	(0.45)	(0.45)	(100.00)
Profit before Taxation	**99.90**	**52.20**	**47.70**	**91.39**
Less: Taxation	(44.56)	(28.83)	15.73	54.57
Profit after Taxation	**55.34**	**23.37**	**31.97**	**136.80**

The figures depicted in the Profit & Loss Account indicated the following facts:

i) The overall revenue was increased by 20.96% but the note No. 19 of Financial Statement showed that revenue under the head **"**Other

Sales**"** was decreased by 74.56% i.e. (2013-14: Rs 0.18 billion & 2012-13 Rs .05 billion) which needed explanation.

ii) The overall cost was increased by 13.80% which was rational as compared to sales/ revenue but the major increases as per Note 20.2 & 21 under the head of accounts were; "Fuel & Power" by 43%, "Miscellaneous" by 107.6%, Legal & Professional Charges" by 86.25%, "Repair and Maintenance" by 40.96%. These required explanation. The drastic increase under "Rent, Rates & Taxes" also needed justification.

iii) The Chartered Accountant of the company accepted the branch account i.e. Saudi Arabia as verified by the Auditor in Saudi Arabia. However, the company sustained a loss of SR 285,000 for the year 2013-14 as compared to previous year's income of SR 360,393 which needed to be explained.

2.2.5 Comments on the Financial Statement of REDAMCO

Profit & Loss Account:

(Rs. in million)

Particulars	2013-14	2012-13	Variation	% age
Income/Revenue	**35.73**	**37.96**	**(2.23)**	**(5.87)**
Expenditures				
Marketing Cost	0.08	2.58	(2.50)	(96.90)
Admn Expenses	35.10	35.37	(0.27)	(0.76)
Other Operating Expenses	0.00	0.006	(0.006)	(100.00)
Less: Total Expenditures	**(35.18)**	**(37.96)**	(2.78)	(7.32)
Profit/(Loss) before Tax	**0.55**	**0.00**	**0.55**	**100.00**
Less: Taxation	0.22	0.33	(0.11)	(33.33)
Profit/(Loss) after Tax	0.33	(0.33)	0.66	200.00

The figures depicted in the Profit & Loss Account indicated the following facts:

i) The income/revenue of the company decreased by Rs 0.002 billion i.e. 5.87% as compared to the previous year which needed to be justified.

ii) As per note 11 of the Financial Statement under head "income tax" refund due from Government was increased by 155.74% which needed to be explained.

iii) The working capital ratio is a ratio which is used to check the liquidity position of any company. Similarly, this ratio also indicates either company has enough current assets to meet current liabilities. As per International Accounting Standards the ideal ratio is 2:1. However, Financial Statements of the company showed that the working capital ratio was 1.06:1.00 which indicated the poor liquidity position of the company and was required to be improved.

2.2.6 Comments on the Financial Statement of KUTC

Profit & Loss Account:

(Rs. in million)

Particulars	2013-14	2012-13	Variation	% age
Revenue from all operations	0	0	0	0
Less: Direct expenditure	0	0	0	0
Gross Profit	**0**	**0**	**0**	**0**
Less: Admin & General expenses	(24.57)	(35.84)	11.27	31.45
Operating Profit/Loss	**(24.57)**	**(35.84)**	**11.27**	**31.45**
Less: Financial Charges	(0.003)	(0.005)	0.002	66.67
Add: Other Income	31.29	33.18	(1.89)	(5.70)
Profit/(Loss) before Tax	**6.72**	**(2.67)**	**9.39**	**351.69**
Less: Taxation	-	(0.30)	0.30	100.00
Profit/(Loss) after Tax	**6.72**	**(2.97)**	**9.69**	**326.26**

i) Other income of the Corporation was decreased by Rs 1.89 million i.e. (5.70%) as compared to previous year. This needed to be justified.

ii) The Corporation was established in 2008.Since then no revenue was generated from any operations of the Corporation in-spite of an investment of Rs 180 million by Pakistan Railways. The reasons required to be explained.

2.3 Brief Comments of the Status of Compliance with PAC Directives

S. No.	Audit Year	Total Paras	Total No. of Actionable Points	Compliance received	Compliance not received	Percentage of compliance
1	1985-86	34	34	22	12	65%
2	1986-87	29	29	25	04	86%
3	1987-88	31	31	19	12	61%
4	1988-89	19	19	10	09	53%
5	1989-90	41	41	27	14	66%
6	1990-91	42	42	38	04	90%
7	1991-92	36	36	22	14	61%
8	1992-93	99	13	03	10	23%
9	1993-94	67	67	49	18	73%
10	1994-95	123	123	76	47	62%
11	1995-96	153	21	12	09	57%
12	1996-97	65	30	21	09	70%
13	1997-98	56	07	07	0	100%
14	1999-00	58	56	32	24	57%
15	2000-01	48	48	28	20	58%
16	2001-02	28	28	10	18	36%
17	2004-05	22	22	14	08	64%
18	2005-06(A)	46	46	27	19	59%
19	2006-07	34	34	16	18	47%
20	2008-09	101	101	43	58	43%

The pace of compliance of PAC directives was very slow which needed to be improved as many PAC directives of previous Audit Reports were awaiting compliance

.

AUDIT PARAS

2.4 AUDIT PARAS

Misappropriations

2.4.1 Loss due to deficiencies in Coaching and Goods Stock– Rs 37.27 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Audit of following formations of PR disclosed deficiencies of fittings valuing Rs 37.27 million in coaching and goods stock:

Sr. No.	DP No.	Formation Audited	Type of Material	Period of irregularity	Value of fittings (Rs. in million)
1	6752	Mechanical Department Lahore Division	Carriage & Wagon Fittings	July, 2012 to September, 2014	31.91
2	6582	Divisional Mechanical Engineer-I & II Karachi	Carriage & Wagon Fittings	July, 2013 to June, 2014	4.81
3	6301	Divisional Mechanical Engineer, Rawalpindi	Carriage & Wagon Fittings	February, 2012 to June, 2013	0.55
				Total	**37.27**

The matter was taken up with the management during April, December, 2014 and January, 2015. No reply was received against serial No. 1 and 2.

It was replied against serial No. 3 that sometimes the coaches/ wagons were not placed in time in Carriage & Wagon Shops due to congestion in the shops and the escort staff returned back without handing over/taking over charge. Further, security of rolling stock in yard was the responsibility of police and mostly deficiencies occurred due to negligence of Railway Police.

The reply against serial No. 3 was not tenable as it was the responsibility of management to safeguard the assets with the help of Railway Police.

DAC in its meeting held on 5th January, 2015 against serial No. 3 directed the PO that legal action be taken on the FIRs with the help of Police department. DAC further directed to complete the fencing work around the yard with the installation of CCTV cameras and implementation of SOPs for security under intimation to Audit. No compliance of DAC directive was received till finalization of Audit Report.

PR is required to investigate the matter to fix responsibility for taking appropriate action together with recovery of the loss from the defaulters. Security arrangements need to be strengthened to avoid recurrence.

2.4.2 Loss due to shortage of material – Rs 34.37 million

Para 3331 of Pakistan Government Railway Code for the Stores Department provides that in each case of shortage, it should be clearly investigated whether it is due to the negligence, carelessness or dishonesty of any Railway employee.

Audit of various offices of PR disclosed shortage of government material valuing Rs 34.37 million. The details are given below:-

Sr. No.	DP No.	Formation Audited	Cause of loss	Period	Value (Rs. in million)
1	6314	Assistant Executive Engineer, Sibi	Shortage of Permanent Way Material	June, 2012	31.63
2	6336	Divisional Signal, Rawalpindi	Shortage of Signal Material	November, 2008	1.45
3	6319	Works Accounts Branch, Rawalpindi	Shortage of Permanent Way Material	November, 2007 to January, 2013	1.29

	Total	**34.37**

The matter was taken up with the management during December, 2013 to July, 2014. No reply was received against serial No. 1 and 3. It was replied against serial No. 2 that some material was returned to the Store Department through Material Return Notes duly acknowledged and some material would be returned shortly.

The reply against serial No. 2 was not acceptable as no documentary evidence regarding settlement of stock sheet and adjustment of material was provided to Audit.

PR is required to investigate the matter to fix responsibility for taking appropriate action together with recovery of the loss from the defaulters. Internal controls also need to be strengthened to avoid recurrence.

2.4.3 Embezzlement of Railway revenue – Rs 27.64 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part. Para 1802 further provides that any defalcation or loss of cash, stores other property belonging to Government shall be reported immediately after discovery to the head of the Division or Department and copies of report should be sent simultaneously to the Financial Advisor & Chief Accounts Officer.

The audit of the following formations revealed that an amount of Rs 27.64 million was embezzled by the Commercial & Civil staff resulting in loss to PR:-

(Rs. in million)

Sr. No.	DP No.	Formation Audited	Particulars	Period	Amount	Remarks
1	6681	Station Master Railway Station, Khanpur	Embezzlement of 49,999 Economy class tickets Ex-Khanpur to	2012-13	19.55	These tickets were shown as returned to Assistant Controller of Stores Ticket Printing, Moghalpura through

			Karachi			fake TA-15 but actually sold out by the commercial staff.
2	6840	Civil Engineering Department, Multan	Embezzlement of Railway revenue	November, 2008 to February, 2014	4.02	Inspector of Works Dera Ghazi Khan, collected Rs 7.88 million from the lessees but deposited Rs 3.86 million in the station earnings.
3	6559	Commercial and Transportation Department, Karachi	Embezzlement of Railway revenue	October, 2013	2.65	Commercial Superintendent Karachi Cantt embezzled the amount from station earnings.
4	6574	Commercial and Transportation Department, Karachi	Embezzlement of Railway revenue	August to November, 2013	0.89	Railway revenue was embezzled from station earnings by commercial staff of MirpurKhas.
5	6210	Divisional Commercial Officer, Sukkur	Embezzlement of Railway Tickets	June, 2010	0.53	Junior Commercial Assistant booking of Allah Dadni stations embezzled Railway revenue from station earnings by showing the shortage of tickets.
				Total	**27.64**	

The matter was reported to the management in December, 2013 to January, 2015. No reply was received against serial No. 1 to 4.

DAC in its meeting held on 15th September, 2014 directed against serial No. 5 to constitute a special team of police officers under supervision of Senior Superintendent Police, Sukkur for making special efforts to arrest the culprits and recover the embezzled amount. It was also directed to file a recovery suit in court and to pursue the case vigorously. No response was received till finalization of Audit Report.

Audit emphasizes that each case of embezzlement should be investigated at an appropriate level to fix responsibility besides recovery of the embezzled amount from the concerned. Internal controls also need to be strengthened to avoid recurrence.

2.4.4 Loss due to theft of material – Rs 20.77 million

Para 1802 of Pakistan Railway General Code provides that any defalcation or loss of cash, stores or other property belonging to Government should be reported immediately after its discovery, to the head of division or department and in serious cases to the General Manager. Copies of the reports should be sent simultaneously to Financial Advisor & Chief Accounts Officer. Every important case should be brought to the notice of the Railway Board, as soon as possible, by the General Manager.

(i) Audit of the record of Civil Engineering Department, Rawalpindi Division, revealed that Railway track along with other permanent way material valuing Rs 13.61 million was taken away by the Military authorities during the period from 2000-2007 from Kala-Dina loop under the jurisdiction of Permanent Way Inspector (PWI), Jhelum. Railway management failed to safeguard the valuable assets resulting in loss to PR. No formal procedure was adopted for acquiring Railway assets and no payment was made by the Military on this account. It was, in fact, theft of the material.

This was pointed out to the formation in August, 2014 and to the management in December, 2014 but no response was received till finalization of Audit Report.

(DP No. 6544)

(ii) Audit of the Divisional Electrical Engineer (ET & Power), Pakistan Railways, Lahore, revealed that material valuing Rs 5.48 million was stolen at 150 different locations of Lahore Division, during the period from January, 2011 to June, 2013, resulting in loss of Rs 5.48 million. Not a single FIR was lodged with Civil or Railway Police. Moreover, report regarding theft of Railway material was neither submitted to the General Manager, nor to statutory Audit. The loss of Rs 5.48 million was not even reflected in the Appropriation Accounts.

The matter was reported to the management in April, 2014. It was replied that the concerned Zonal Incharge submitted applications of all theft cases to the concerned Police Stations at the time of incidents for lodging FIRs. The reply was not satisfactory, as the Railway management failed to safeguard the Railway assets especially in the presence of Railway Police Department. Neither any departmental inquiry was conducted, nor amount of loss recovered from the defaulters.

DAC in its meeting held on 21st November, 2014 directed the PO that updated status of the theft cases reported to Railway Police may be furnished to Audit and Ministry of Railways within one week but no response was received till finalization of Audit Report.

(DP No. 6283)

(iii) Audit of the record of Civil Engineering Department Rawalpindi in July-August 2014, revealed that material and trees worth Rs 1.19 million were stolen in the jurisdiction of AEN Malakwal. FIRs were registered in some cases but neither the material was retrieved nor the recovery was made from the culprits.

This was pointed out to the formation in August, 2014 and it was replied that besides lodging FIRs by the subordinate Incharge(s) concerned, the cases were being pursued with police authorities for early recovery of stolen material and arresting the culprits.

The reply was not acceptable as neither the material was retrieved nor the cost of stolen material recovered from the culprits despite lapse of considerable period of time.

The issue was also reported to the management in December, 2014 but no response was received till finalization of Audit Report.

(DP No. 6551)

(iv) Scrutiny of record of the Divisional Assistant Electrical Engineer (Power), Multan in October, 2013 revealed that 3 transformers and 225 kg copper wire valuing Rs 0.49 million had been stolen from

different stations of Multan Division during the period from June, 2011 to April, 2013**.** This indicated that appropriate security measures were not adopted to safeguard the Railway assets which resulted in loss of Rs 0.49 million. Further, an amount of Rs 0.29 million was also paid to the Deputy General Manager, Multan Electric Power Company (MEPCO) for installation against stolen transformers, without approval of the General Manager, Pakistan Railways.

The matter was pointed out to the management in December, 2013. It was informed to the DAC in its meeting held on 15th September, 2014 that the theft cases were got registered by the WAPDA in the concerned District Police Stations. DAC did not consider the reply satisfactory and directed the PO to investigate the matter to fix responsibly for theft especially in the presence of tubewell operators and take disciplinary action against the defaulters under intimation to Audit. No compliance of DAC directive was reported till finalization of Audit Report.

(DP No. 6202)

Audit emphasizes that theft cases should be investigated to fix responsibility for taking appropriate action against the persons responsible for the loss. Moreover, strict security measures should be adopted to safeguard the public assets. Amount of loss may be recovered from the defaulters.

2.4.5 Late remittance of Govt. money by city booking agency –Rs 4.04 million

Para 22.18 (c) of Pakistan Railway Commercial Manual 1988 stipulates that the City Booking Agent will be responsible for remitting the day's total earnings daily in full to the Chief Cashier & Treasurer, Lahore, in a sealed bag through the station master or the representative of the National Bank of Pakistan authorized by the Railway Administration.

Audit of the Divisional Commercial/Transportation Officer, Rawalpindi in September, 2014 revealed that the City Booking Agency, Abbottabad remitted daily cash late from 26 to 53 days to the Chief

Cashier & Treasurer, Lahore from 1st November, 2013 to 3rd March, 2014. This not only resulted in late deposit of Govt. money of Rs 4.04 million in public exchequer but also deprived Railway from revenue for timely credit in the State Bank causing monetary loss in the shape of interest.

This was pointed out to the formation in September and to the management in December, 2014 but no response was received till finalization of Audit Report.

Audit recommends that Railway administration should ensure timely collection of Railway revenue from city booking agencies Railway interest to safeguard.

(DP No. 6516)

Non-Production of Record

2.4.6 Non-production of record -Rs 1,567.59 million

As per Section 14 (2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, any officer Incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Further, Section 14 (3) stipulates that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of following formations the auditable record involving amount of Rs 1,567.59 million was not provided for scrutiny:-

Sr. No.	DP No.	Formation	Value (Rs. in million)
1	6232	Divisional Accounts Officer, Lahore Division	1,373.88
2	6234	Works Account Branch, Lahore Division	193.71
3	6242	-do-	-
4	6269	-do-	-
5	6274	Joint Director (South), REDAMCO, Karachi	-
6	6323	Inspector General Railway Police, Lahore	-
7	6472	Superintendent Railway Police, Lahore	-
8	6479	Project Director RAILCOP, Lahore	-
9	6591	Directorate of Information Technology, Lahore	-
10	6619	Divisional Transportation/Commercial Officer, Lahore	-
11	6635	Divisional Personnel Officer, Multan	-

12	6639	Divisional Assistant Electrical Engineer (Power & RTL), Rawalpindi	-
13	6794	Chief Commercial Manager, Lahore & Joint Director Commercial PRACS, Karachi	-
		Total	**1,567.59**

The matter was reported to the management during December, 2013 to January, 2015.

No reply was received against serial No. 1, 4 & 5 to 13. It was replied against serial No. 2 & 3 that fact finding inquiry committees were constituted to probe into the matter on the direction of Pre-DAC and reports would be submitted shortly. Final outcome of the inquiries was awaited.

DAC in its meeting held on 15th September, 2014 against serial No. 2 & 3 directed the PO to discuss all such paras with Audit within two weeks. No further response was received till finalization of Audit Report.

It is emphasized that Railway administration should ensure timely provision of requisite record for audit scrutiny as and when required, enabling Audit to discharge its statutory duties. Disciplinary action needs to be taken against the persons at fault.

Irregularity & Non-Compliance

2.4.7 Loss due to non-revision of contract fee – Rs 1,038.97 million

As per Clause 6.6 of the agreement executed on 13th January, 2006 for Joint Venture between Pakistan Railways (PR) and PRACS for Passenger Facilitation of Rohi and Hazara Express Trains for a period of one year, extendable after every one year with mutual consent of the parties, PRACS was required to pay 10% over and above the amount that Pakistan Railways had earned during the year 2004-05 from 131-Up/132-Dn Train.

Audit of the record of Chief Commercial Manager, Lahore revealed that after the contract with PRACS the fares had been revised several times by the Railway administration but such revision of fares was not reflected in the agreement. PRACS paid contract amount of Rs 2,650.16 million which was calculated without including the clause of increase of fare. The contract was continued without any renewal by PRACS. This resulted in financial loss of Rs 1,038.97 million due to non-revision of contract fee of 11-Up/12-Dn as calculated below:-

(Rs. in million)

Period		Payable without increase	Increases of Fare		Payable after increase	Paid	Difference
			%	Amount			
15.02.07	14.02.08	331.27	15	49.69	380.96	331.27	49.69
15.02.08	14.02.09	380.96	8	57.14	438.10	331.27	106.83
15.02.09	14.02.10	438.10	0	0	438.10	331.27	106.83
15.02.10	14.02.11	438.10	0	0	438.10	331.27	106.83
15.02.11	14.02.12	438.10	15	65.72	503.82	331.27	172.55
15.02.12	14.02.13	503.82	15	75.57	579.39	331.27	248.12
15.02.13	14.02.14	579.39	0	0	579.39	331.27	248.12
Total					3,689.13	2,650.16	1,038.97

The issue was earlier pointed out vide Audit Para No. 1.18 of Audit Report for the year 2009-10 but no action was taken by the management.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

It is emphasized that responsibility should be fixed for causing loss to the Railways and the amount be recovered from the concerned. Moreover, internal controls may be strengthened to avoid recurrence.

(DP No. 6791)

2.4.8 Non-drawal of completion reports – Rs 589.90 million

Para 1807 of Pakistan Railway Code for the Engineering Department provides that all outstanding debits and credits pertaining to a completed work should, as a rule, be adjusted in the account of the work within three months of the date of completion. The accounts of a completed work should be closed three months after the date of completion and a completion report of the work be drawn.

Audit of the Works Accounts Branch, Rawalpindi in September, 2013 disclosed that the completion reports of 16 completed works valuing Rs 589.90 million were not drawn despite lapse of a period ranging from 01 year to 23 years in Rawalpindi Division.

The matter was taken up with the formation in October, 2013. It was replied that efforts were being made to draw the completion reports as early as possible. Such inordinate delay in drawing completion reports was not acceptable especially when it also affected the accounts of Pakistan Railways due to non-closing of accounts.

The issue was also brought to the notice of the management in May, 2014 but no response was received till finalization of Audit Report.

It is emphasized that responsibility should be fixed for non-drawal of completion reports of completed works despite lapse of a considerable period besides initiating action against the defaulters. Moreover, internal controls need to be strengthened to avoid recurrence.

(DP No. 6318)

2.4.9 Imprudent decision of ECC resulting financial loss to Pakistan Railways – Rs 566.49 million

According to Clause 6.1 of the contract agreement executed between Pakistan Railways and M/s Four Brothers on 18th August, 2011 for outsourcing of Business Express Train, the contractor was bound to deposit the journey fare on daily basis before commencement of the train journey. Furthermore, Clause 11.1 & 11.2 also provides that any dispute which would occur as a result of application/stipulation of agreement would be resolved by a committee comprising nominated Railway Officers and representatives of the contractor. If the dispute is not resolved within 60 days either party can invoke arbitration as per Arbitration Law in Pakistan.

Audit of the record of Chief Commercial Manager, Lahore revealed that on the basis of summaries moved by Ministry of Railways in December, 2012 the Economic Coordination Committee (ECC) during its meeting held on 06th & 08th March, 2013 decided the readjustment of the revenue sharing of Business Express Train between Pakistan Railway and M/s Four Brothers International which were subject to review after one year. Pakistan Railways was to receive guaranteed minimum payment of Rs 2.23 million per day on the basis of 65% occupancy per round trip and the additional revenue collected (if any) would be divided between Pakistan Railways and Contractor in the ratio of 80:20 respectively. This revenue sharing formula was to be implemented w.e.f 1st January, 2013. ECC also placed a moratorium for six months on recovery of arrears from the joint venture partner. The moratorium period had expired on 30th June, 2013 and later on the period was further extended to 7th September, 2013 by the Ministry of Railways. The concession allowed to M/s Four Brothers International by Pakistan Railways with the approval of the ECC was not a prudent decision as the ECC was not an arbitral forum in terms of Clause 11.1 & 11.2 of the agreement. ECC was not authorized to revise the terms of the contract of both parties, especially when the contract was already under implementation.

Furthermore, the decision of ECC was to be operationalized through an addendum to the original agreement which was not done as the

joint venture partner i.e. M/s Four Brothers International failed to provide repayment schedule within the due date. The contractor filed a suit in the Court of Civil Judge Lahore with the request for appointment of arbitrator under Arbitration Act.

The General Manager (Operations) vide his letters dated December, 2013 and January, 2014 requested the Ministry of Railways to submit comprehensive summary to the ECC/Federal Cabinet to withdraw their earlier decision abinitio and allow Pakistan Railways to recover the defaulted amount as per the contractual commitments in the agreement. No summary was submitted to the ECC by the Ministry of Railways. PR suffered loss of Rs 566.49 million during the period from 1st January, 2013 to 14th July, 2014 due to imprudent decision of ECC.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

Audit emphasizes that stringent efforts should be made for withdrawal of ECC decision and outstanding Railway dues be recovered from the contractor. Mechanism for timely recovery may be put in place to avoid recurrence.

(DP No. 6785)

2.4.10 Irregular adjustment by PRACS - Rs 328.39 million

Para-316(a) of Pakistan Government Railway Code for the Accounts Department stipulates that the amounts due to the Railway for services rendered, supplies made, or for any other reason are correctly and promptly assessed and recovered as soon as they fall due.

Audit of the record of Chief Commercial Manager, Lahore revealed that M/s PRACS irregularly adjusted an amount of Rs 328.39 million due to short compositions of the train. The following adjustment made by PRACS management was not justified as there was no provision in the agreement which authorized PRACS for adjustment/deductions:-

(Rs. in million)

Particulars of outstanding	Amount Adjusted
Rohi & Hazara (11-Up/12-Dn & 131-Up/132-Dn)	126.07
Fareed Express (37-Up/38-Dn)	181.79
Bolan Mail (3-Up/4-Dn)	12.49
8 Sets of Dining Cars	8.04
Total	**328.39**

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

It is recommended that adjusted amount should be recovered from PRACS including markup thereon without further loss of time. Financial management controls may be strengthened to avoid recurrence.

(DP No. 6789)

2.4.11 Financial loss due to revision in agreement - Rs 272.39 million

Clause 6.11 of the agreement executed on 13th January, 2006 for Joint Venture between Pakistan Railways (PR) and PRACS for Passenger Facilitation of Rohi and Hazara Express Trains provides that on completion of one year's operation, PRACS would pay PR not only the fixed revenue returns as agreed upon for the first year, i.e. 10% increase over and above the earnings of the year 2004 - 05 but would also go into a revenue sharing formula as a 60:40 basis (60% to PR and 40% to PRACS) beyond the fixed amount. This revenue sharing formula was to be implemented from 15th February, 2007.

The audit of the record of Chief Commercial Manager (CCM), Lahore revealed that on completion of one year train operation the Railway administration revised the Clause 6.11 of the agreement with showing the profit instead of revenue through addendum slip vide CCM letter dated 3rd March, 2007. Further, after revision/change of formula from revenue to profit, PRACS was charging heavy expenditure in different heads of accounts including salaries, TA, Other Allowances, Utilities, Printing and Stationery, Overhead Expenses and cash collection charges. In November, 2012 about Rs 6.80 million were spent on these accounts. This revision adversely affected the receipt of Pakistan Railway

resulting into loss of Rs 272.39 million during February, 2007 to February, 2014.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

Responsibility is required to be fixed for unfavorable revision in the agreement, resulting in loss to PR, besides initiating action against the defaulters. Initial agreement may be restored to safeguard the interest of PR.

(DP No. 6788)

2.4.12 Uneconomical/irregular procurement/execution of material / work – Rs 120.65 million

Rule 9 of Public Procurement Rules-2004 provides that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce, in an appropriate manner, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

Audit of record of the following formations revealed that different kinds of work/material of similar nature were executed/procured in piecemeal manner in complete violation of the above rule:-

(Rs. in million)

Sr. No.	DP No.	Formation Audited	Particulars	Period	Amount
1	6379	Project Director Signal (Lodhran-Shahdara Section)	Civil Work of 31 Railway stations was awarded through 4 separate contracts	July, 2011 to January, 2013	111.36
2	6463	Central Diesel Locomotive Workshop, Rawalpindi	Local purchase of material for special repair of 150 Diesel Electric Locomotives	July, 2013 to August, 2014	4.01

3	6258	Works Accounts Branch, Lahore	Execution of similar nature civil works	July, 2012 to June, 2013	1.85
4	6485	Managing Director RAILCOP, Islamabad	Procurement of AC, Room Coolers, Gas Appliances, Furniture & Fixture etc.	November, 2012 to May, 2013	1.47
5	6397	Project Director Signal (Lodhran-Shahdara Section)	Procurement of ACs, Computers, Printers, Furniture & Fixture etc.	June, 2010 to February, 2014	1.39
6	6475	Works Accounts Branch, Peshawar	Procurement of Computers, Printers, Refrigerators and Water Dispensers	March to June, 2014	0.36
7	6476	Managing Director, RAILCOP, Islamabad	Purchase of ACs, Heaters etc.	July to December, 2013	0.21
Total					120.65

The matter was reported to the management during March to December, 2014. No reply was received against serial No. 4, 6 & 7.

It was replied against serial No. 1 that it was very difficult to manage construction of rooms at 31 Railway stations and 96 level crossings by the single agency at one time and impossible for project management to supervise the construction works at 127 sites at one time. Appointment of a single contractor was not considered appropriate and the work was divided into five phases keeping in view the yearly funds allocation. It was replied against serial No. 2 that about 95% spare parts for special repair of DE Locos were purchased through advertised tender and items having cost upto Rs 0.10 million were purchased through Shopping Committee as per PPRs. It was stated against serial No. 3 that annual repair and special repair had separate scope and the work done located at different sites. The administrative approval in all cases was obtained from Headquarter Office and Divisional Superintendent was competent to sanction the estimates upto Rs 04 million. Against serial

No. 5 management replied that the items of office use like computer, chairs, file cabinet etc. were required to be arranged immediately and the time to be taken in tender process, without basic official requirements could affect the day-to-day work.

Above replies were not acceptable. It is an established principle that more the quantum of work, lesser would be the rates and vice-versa. The quantum of work was required to be assessed at the initial stage to obtain the economical rates. The execution/procurement was made in complete violation of PPRs.

It was informed to the DAC in its meeting held on 5th January, 2015 against serial No. 3 that the works having different nature were executed at different locations. DAC directed the PO to issue instructions to avoid splitting of works in future and execute similar nature works as one work and directed to get the stated facts verified from Audit. No further response was received till finalization of Audit Report.

DAC in its meeting held on 23rd January, 2015 did not consider the reply satisfactory against serial No. 1 and pended the para. Against serial No. 5 DAC showed dissatisfaction on non-adherence of Government rules/policies and directed the PO to follow up PPRA rules properly for making purchases and get the stated facts verified from Audit. No response was received till finalization of Audit Report.

The responsibility for execution of works/procurement of material in piecemeal manner should be fixed and action be initiated against the persons at fault. Internal controls need to be strengthened to avoid recurrence.

2.4.13 Loss due to payment of pay & allowances to idle employees – Rs 57.09 million

Para 1801 of Pakistan Railway General Code provides that every Public officer should exercise the same vigilance in respect of Public expenditure and Public funds as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money.

a) Audit of the Divisional Transportation/Commercial Officers, Peshawar revealed that the work load over Peshawar Division had decreased due to closure of many Goods and Passengers Trains but the staff was not adjusted. The Divisional Transportation Officer also proposed rightsizing/restructuring of traffic staff vide letter dated 3rd January, 2014. This indicated that wasteful expenditure of Rs 26.91 million per annum was incurred on the pay & allowances of 172 idle employees during the year 2013-14.

The matter was reported to the management in December, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6687)

b) Audit of the Station Superintendent Peshawar Cantt. revealed that as per sanctioned strength there were 15 Guards Grade-I but no one was actually available at the station due to suspension of goods trains. On enquiry, it was informed that these guards turned up rarely for duty. This indicated that wasteful expenditure of Rs 11.13 million was incurred on the pay & allowances of idle staff.

The matter was reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

(DP No. 6707)

c) Audit of the record of Station Superintendent Peshawar Cantt, revealed that 10 employees were retained at Goods Office without any work since November, 2011. The last wagon of GITA goods was unloaded on 10th November, 2011. After that operation of Goods Train was suspended due to non-availability of locomotives. This resulted in loss of Rs 7.79 million due to payment of pay & allowances to idle staff.

The matter was reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

(DP No. 6712)

d) Audit of record of the Station Superintendent Quetta revealed that goods traffic had been closed since November, 2011 and there was no business of goods at Quetta Railway Station. Operation of Goods Train was suspended due to shortage/non-availability of locomotives. A period of 35 months had been expired since closure of Goods Train operation but 9 employees were retained at Goods Office without any work. Thus expenditure of Rs 6.50 million incurred on pay and allowances of idle staff during November, 2011 to September, 2014 was wasteful and un-justified.

The matter was taken up with formation in October, 2014. It was replied that matter pertained to higher administration. The matter was also reported to the management in December, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6531)

e) Audit of the record of Project Director, Signal (Lodhran-Shahdrabagh Section) revealed that Oil Engine Inspector (OEI) was hired on deputation @ Rs 0.08 million per month for up-keep & maintenance of Diesel Engine & Generator in operation for the project. The project commenced on 20th May, 2010 and not a single diesel engine was installed at any Railway station. The payment of pay & allowances was made to OEI without any work, which resulted in loss of Rs 3.68 million (Rs 0.08 x 46).

The matter was taken up with the management in September, 2014. It was replied that the services of OEI were hired to assist the management for designing location of rooms and foundation of generators, to be installed at all the sites of signal project buildings. The reply was not acceptable as it was not the duty and responsibility of OEI to design the location of rooms and foundation of generators at the site but it was the responsibility of the contractor.

DAC in its meeting held on 23rd January, 2015 directed the PO that amount spent on survey may be calculated, material input for sight checking, feedback and work done by OEI during last four years

be provided to Audit. No further response was received till finalization of Audit Report.

(DP No. 6390)

f) Scrutiny of record of the Director Education in August, 2014 revealed that on 12th April, 2012 the General Manager/ Development agreed in principle with the proposal of Director Education for not giving salary to teaching staff employed on contract basis as they did not perform duty during vacations. It was observed that teachers employed on contract basis for a period of 89 days were paid salaries during summer vacations of 2014, although they did not perform any duty. Contract employees were paid salaries during summer vacations due to poor management and lack of interest of administration. The staff if paid should have been utilized for short courses in these schools. This resulted in unjustified payment of salaries amounting to Rs 0.75 million to the contract employees.

The matter was reported to the management in November, 2014. It was replied that as a result of telephonic conversation of the then Director, Schools with General Manager, Development, it was decided not to stop the salaries of staff during summer vacations. The reply was not satisfactory as the payment of salaries was not required to be made to contract employees appointed for 89 days and their services were required to be terminated during summer vacations.

(DP No. 6453)

g) Audit of the Directorate of Information Technology revealed that out of three vehicles two were returned to the Deputy General Manager but strength of drivers was not adjusted due to which two surplus drivers were drawing pay & allowances without any work. This resulted in unjustified incurrence of expenditure of Rs 0.33 million on the pay & allowances of two surplus drivers during the year 2013-14.

The matter was reported to the management in December, 2014 but not reply was received till finalization of Audit Report.

(DP No. 6585)

It is emphasized that responsibility should be fixed for payment of salaries to idle employees and during summer vacations. A comprehensive policy/plan should have been formulated for proper utilization of staff. Moreover, internal controls need to be strengthened to avoid recurrence.

2.4.14 Loss due to extra expenditure on consumption of HSD oil - Rs 51.20 million per annum

Clause 3.3 of the agreement executed between Pakistan Railways and PRACS on 13th January, 2006 for passenger facilitation provides that PRACS would be responsible for passenger facilitation on 11-Up/12-DN, including booking of passengers, parcels & luggage at stopping stations according to the agreement. Furthermore, according to Mechanical Department of Pakistan Railways, the train consumes 22 liters oil per minute for extra stoppage of train.

Audit of the record of Chief Commercial Manager (CCM), Lahore revealed that the Railway administration allowed two minutes stoppage at 14 Railway Stations to 11-Up/12-Dn i.e. Hazara Express in addition to stoppages provided in the agreement, whereas no written request of the contractor of train was available in the record of CCM Office for additional stoppage of train. This resulted in incurrence of extra expenditure on consumption of HSD oil of Rs 51.20 million per annum (22x113.85x2x14x2x365), which was loss to that extent.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

Audit emphasizes that matter should be investigated at an appropriate level to fix responsibility for allowing additional stoppage of train without recovery of extra expenditure besides initiating action against the defaulters. Management controls may be strengthened to avoid recurrence.

(DP No. 6792)

2.4.15 Irregular expenditure due to wrong utilization of staff – Rs 49.43 million

According to the General Manager Personnel letter No.831-E/692 (APO-IV) dated 30th May, 2009 no employee should be allowed to be utilized on jobs other than his own category. Further, the staff appointed for the purpose should be utilized in the same place/capacity for which recruited/appointed.

Audit of the following formations revealed that various employees of different departments were being utilized in other offices instead of their permanent place of posting:-

(Rs. in million)

Sr. No.	DP No.	Formation	No. of employees	Period	Amount
1	6211	Divisional Commercial Officer, Sukkur	42	February 2012 to January 2013	12.00
2	6316	Divisional Mechanical Engineer, Sukkur	20	September 2009 to June 2013	11.70
		Station Superintendent, Sukkur	18		
		Station Master, Nawabshah	17		
3	6366	Divisional Mechanical Engineer-II, Lahore	88	February 2013 to January 2014	10.56
4	6524	Divisional Transportation/ Commercial Officer, Rawalpindi	6	August, 2003 to August, 2014	7.60
5	6534	Station Superintendent, Quetta	13	July, 2013 to June, 2014	2.89
6	6341	Divisional Signal Engineer, Rawalpindi	8	January 2012 to February 2013	1.13
7	6483	Station Master, Jhelum	1	April 2007 to	1.02

				September 2014	
8	6525	Divisional Transportation/ Commercial Officer, Rawalpindi	2	March, 2010 to August, 2014	1.03
9	6294	Senior Superintendent Railway Police, Karachi	3	August 2012 to September 2013	1.00
10	6458	Station Master, Jhelum	4	August 2013 to September 2014	0.50
				Total	**49.43**

This was pointed out to the management during December, 2013 to January, 2015. No reply was received against serial No. 4, 5, 7, 8 & 10.

It was replied against serial No. 1, 2, 3 and 6 that the staff was utilized in different offices in the interest of Railways with the approval of higher authorities. However, on objection of Audit, the staff was put back to their posts/duties. It was replied against serial No. 9 that the Inspector General Police was competent to shift/transfer any Pakistan Railways Police employee to anywhere within the territorial jurisdiction of Pakistan Railways Police on temporary basis.

The above replies were not acceptable as the staff was required to be utilized at its original place of posting and no one was competent to issue the order for the utilization of staff in other offices.

DAC in its meeting held on 5th January, 2015 directed the PO against cases at serial No. 1 & 2 to obtain the post facto approval of the competent authority, put back the staff at their original place of posting and submit the compliance report to Audit within 15 days. Against serial No. 9 it was directed the PO to provide the documentary evidence that IG Railway Police was competent to utilize the staff against the codal provision and stated facts be got verified from Audit. In compliance to DAC directive a copy of schedule of powers of Inspector General Railway, Police was provided. An examination of the same revealed that IG, Police had full powers regarding issuance of instructions & orders about administration of Railway police to that extent as not inconsistent

with rules & regulation. It meant that IG was not competent to utilize manpower other than place of posting.

It is emphasized that practice of utilization of staff at other than its original place of posting should be stopped immediately besides fixing the responsibility. Moreover, management controls need to be strengthened to avoid recurrence.

2.4.16 Un-authorized expenditure due to engagement of staff in excess over sanctioned strength – Rs 48.87 million

Para 111 of Pakistan Railway Establishment Code provides that the number of posts sanctioned for each grade in a department shall in no case be exceeded without the sanction of authority competent to create a post, either permanent or temporary, in the grade. Further, it was provided in Deputy Chief Personnel Officer (Coord) letter dated 9th April, 2003 that Restructuring and Rightsizing Book of 2003 was a final authentic document for manpower in Pakistan Railways and no change to this authorization would be made.

Audit of record of the following formations revealed that 147 employees were working in excess of the sanctioned strength:-

(Rs. in million)

Sr. No.	DP No.	Formation Audited	Period of Audit	Staff working in excess of sanctioned posts	Amount
1	6467	Chief Engineer / Civil Lahore	September, 2013	19	26.09
2	6446	Director Education, Lahore	August, 2014	12	4.79
3	6498	Project Director/RAILCOP, Lahore	April, 2014	19	3.66
4	6724	Project Director, Reconstruction of assets damaged during flood-2010	November, 2014	11	3.58
5	6620	Divisional Transportation/ Commercial Officer, Lahore	August, 2014	13	3.26
6	6675	Station Superintendent Keamari East Wharf	September, 2014	04	1.68
7	6528	Station Superintendent Quetta	October, 2014	02	1.64
8	6415	Regional Manager, PRACS, Karachi	April, 2014	5	1.50

9	6293	Senior Superintendent Railway Police, Karachi	October, 2013	60	1.48
10	6523	Divisional Transportation/ Commercial Officer, Rawalpindi	September, 2014	01	0.91
11	6527	Station Superintendent Quetta	October, 2014	01	0.28
Total				**147**	**48.87**

This resulted in unauthorized expenditure of Rs 48.87 million per annum on the pay & allowances of staff working without authorization.

The matter was reported to the management during April to January, 2015. No reply was received against serial No. 1, 3 to 7, 10 & 11.

Against serial No. 2 it was replied that Divisional Superintendent, Multan was asked to revive the posts of teaching staff and General Manager, Manufacturing & Services had also taken up the matter with the Ministry of Railways, to which response was awaited. Against serial No. 8 it was replied that no staff was utilized in excess of the sanctioned strength except 01 Train Manager who was utilized against the post of Assistant Train Manager due to shortage of staff. Against serial No. 9 it was replied that Pakistan Railways Police staff was deployed at vulnerable points only as stop-gap arrangement. Moreover, the Inspector General Police was competent to shift/transfer the staff anywhere within the territorial jurisdiction of Pakistan Railways Police.

The replies were not convincing as the staff was required to be kept within the sanctioned limit as mentioned in the Restructuring and Rightsizing Book of 2003 until the revision of sanctioned posts.

DAC in its meeting held on 5th January, 2015 against serial No. 9 directed the PO to provide the documentary evidence that IG Railway was competent to utilize the staff over and above sanctioned strength and

stated facts be got verified from Audit. In compliance to DAC directive a copy of schedule of powers of IG Railway, Police was provided. An examination of the same revealed that IG, Police had full powers regarding issuance of instructions & orders about administration of Railway Police to that extent as not inconsistent with rules & regulations. It meant that IG was not competent to utilize manpower in excess of sanctioned strength.

The responsibility needs to be fixed for unauthorized expenditure on staff working without sanctioned strength and immediate action should be taken for regularization of these employees.

2.4.17 Extra expenditure against the contractual clause – Rs 43.34 million

Clause-17 (a) of the agreement dated 17th August, 1998 executed between Pakistan Railways (PR) and Islamic International Medical College & Trust (IIMCT), Rawalpindi provides that Railway will reduce the budget allocation for the Hospital to fifty percent (50%) for the financial year 2001-02. This allocation will be maintained for five years (upto 2006-07) and will be revised further beyond 2006-07 with mutual consent of the parties.

As per agreement entered into with the IIMCT, an amount of Rs 24.80 million was required to be allocated to the PR Hospital, Rawalpindi for expenditure during the years 2002-03 to 2006-07. It was observed that PR allocated an amount of Rs 63.40 million to the Hospital during this period. Actual expenditure incurred was Rs 68.14 million. This resulted in incurrence of extra expenditure of Rs 43.34 million (Rs 68.14 million – Rs 24.80 million).

The matter was pointed out to the formation in February, 2014. It was replied that the allocation of budget was an administrative matter which would be referred to higher authorities. However, the observation of Audit was based on facts.

The issue was also brought to the notice of management in July, 2014. It was replied that PR had to give medicines according to budget allocation of each financial year for the procurement and treatment of Railway employees and their families.

The reply was not acceptable as expenditure was incurred over & above the contractual obligation, especially in the circumstances of weak financial health. IIMCT was required to bear the extra expenditure.

Audit emphasizes that matter should be investigated to fix responsibility for incurrence of extra expenditure, besides initiating action against the defaulters. Further, internal controls may be strengthened to avoid recurrence.

(DP No. 6351)

2.4.18 Irregular utilization of Railway funds – Rs 37.27 million

In pursuance to the Gazette Notification No. 5 dated 9th March, 1934, a Child Welfare Association (CWA) was created under the North Western Railways for providing antenatal and maternity services to the families of Railway employees. The functions of the CWA were to supervise and direct the activities of all Child Welfare Societies (CWS) to be formed on the Railways, consisting of Railway employees and their adult dependents. According to Clause 22 of the Rules of Association, no contribution was to be made to Association from the Railway revenues.

The funds for running the Association were to be obtained from the Railway Staff Benefit Fund, from individuals, and from other sources.

Audit observed that no Child Welfare Societies (CWS) were formed at all over the Railways system in its true spirit and the entire expenditure relating to the "Child Welfare Association (CWA)" was being charged to the Railway revenues since 1961 without any Gazette Notification. This resulted in irregular utilization of Railway funds of Rs 37.27 million during the last five years 2008-09 to 2012-13.

The issue was pointed out to the management in March, 2014 but no reply was received till finalization of Audit Report.

It is recommended that the matter should be investigated to find out reasons for charging the CWA's expenditure to Railway revenues irregularly and action be initiated against the defaulters. Financial management controls may be strengthened to avoid recurrence.

(DP No. 6217)

2.4.19 Unauthorized/ irregular procurement of vehicles – Rs 33.09 million

The Finance Division vide Office Memorandum dated 17th August, 2011 and 24th July, 2012 imposed ban on purchase of physical assets including all types of vehicles. Ban on purchase of vehicles will also be applicable to development expenditure. Further, Rule 12 (2) of Public Procurement Rules-2004 (PPRs) provides that all procurement opportunities over two million rupees should be advertised on the Authority's website in the manner and format specified by regulations by the authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

Audit of the following formations revealed that 21 vehicles were procured during ban and without generating fair competition, as required under the PPRs:-

Sr. No.	DP No.	Formation Audited	Particulars	Period	Amount (Rs. in million)	Remarks
1	6395	Project Director Signal (Lodhran-Shahdra), Lahore	14 Vehicles	-	26.54	02 vehicles permanently transferred to MoR and Deputy General Manager
2	6358	REDAMCO, Islamabad	06 Vehicles	March, 2013	5.14	Cost includes booking & commission charges
3	6425		01 Vehicle	May, 2010	1.41	
				Total	**33.09**	

The matter was reported to the management in August & September, 2014. No reply was received against serial No. 2 & 3.

It was replied against serial No. 1 that not a single vehicle purchased for the project was being misused and the movement register of each vehicle was being maintained. The vehicles were urgently required for carrying out site inspections, transportation of material and the visits of foreign delegation. The reply was not acceptable as the vehicles were purchased during ban without approval of the Cabinet Division. The transfer of 02 vehicles to different offices clearly proved that these vehicles were procured unnecessarily without any demand and justification.

DAC in its meeting held on 23rd January, 2015 directed the PO against serial No. 1 to provide a copy of exemption granted by the Finance Division for procurement of these vehicles during ban to Audit for verification. No compliance of DAC directive was received till finalization of Audit Report.

It is emphasized that the matter should be got regularized from the Cabinet Division at the earliest besides fixing responsibility for unauthorized procurement of vehicles.

2.4.20 Unauthorized procurement of medicines - Rs 21.00 million

In terms of Clause-6 of the revised agreement dated 10th June, 2004 executed between Pakistan Railways (PR) and the Islamic International Medical College & Trust (IIMCT), the IIMCT was bound to provide medicines to entitled Railway patients as per approved PR Drug Formulary. Moreover, Chief Medical & Health Officer, Lahore vide letter dated 2nd January, 2013 directed the IIMCT to involve Deputy Medical Superintendent, Railways Hospital as member of the medicines Purchase Committee.

Audit of the Railway Hospital Rawalpindi revealed that IIMCT purchased medicines worth Rs 21.00 million during the period from July, 2012 to December, 2013 according to their own Drug Formulary which was not got approved from the Railway management. The said

procurement of medicines was required to be made after obtaining the approval of Drug Formulary from Railway authorities. Moreover, the management of IIMCT did not agree to involve the Deputy Medical Superintendent, Railway Hospital as member of the Medicines Purchase Committee.

It indicated that Railway management completely failed to watch the interest of Railway patients and no action was taken against the IIMCT for non-compliance of their contractual obligations.

The matter was reported to the formation in February, 2014. It was replied that the medicines purchased by IIMCT were according to their own Drug Formulary.

The reply was not acceptable as neither any action was taken against the IIMCT for non-compliance of their contractual obligations, nor contract was terminated.

Responsibility needs to be fixed by making appropriate inquiry in the matter besides taking action against all concerned.

(DP No. 6355)

2.4.21 Unauthorized utilization of station earnings – Rs 17.04 million

Para 25.42 of Pakistan Railway Commercial Manual (PRCM) provides that the appropriation of departmental receipts to departmental expenditure or any other purpose is strictly prohibited, except for payment of wages, pay and pension to a limited extent and for urgent departmental expenditure necessitated by floods, earthquakes and accidents with the approval of Railway Board and consultation of FA & CAO. In any other case, prior approval of the President of Pakistan is required.

Audit of record of the following formations revealed that an amount of Rs 17.04 million was spent from station earnings in complete disregard to the above provision:-

(Rs. in million)

Sr. No.	DP. No.	Formation audited	Purpose	Period	Amount
1	6196	Divisional Commercial Officer, Sukkur	Procurement of HSD oil	Dec, 2011 to Nov, 2012	16.13
2	6517	Divisional Commercial/ Transportation Officer, Rawalpindi	i) Payment of electric bills ii) Repair of generator	March, 2013	0.90 0.01
				Total	**17.04**

The matter was taken up with the management in December, 2013 as well as December, 2014. It was replied against serial No. 1 that General Manager Operations granted permission for one time purchase of HSD oil from open market to avoid the stoppage of trains. The reply was not acceptable as the above procurement was not permissible under the rules. No reply was furnished against serial No. 2.

DAC in its meeting held on 5th January, 2015 expressed concern for incurrence of expenditure from station earnings against serial No. 1 and directed the PO to submit the appropriate reply within a week, duly vetted by the FA & CAO Revenue, Lahore after obtaining the approval of MoR as required under rules, along with documentary evidence of the adjustment through transfer certificate. The compliance of DAC directive was awaited till finalization of Audit Report.

It is emphasized that irregular expenditure should be got regularized from the competent authority and internal controls be strengthened for effective implementation of rules & procedures.

2.4.22 Loss due to irregular appointment of TLA staff – Rs 11.16 million

As per instructions issued by the General Manager Operations vide letter dated 23rd May, 2009 no new staff should be engaged on TLA against sanctioned strength/regular vacancies. Further, Finance Division

vide its letter dated 27th July, 2012 issued instructions that there would be no recruitment on contract/contingent/daily basis w.e.f. 1st July, 2012.

a) Audit of the Divisional Signal Engineer, Multan revealed that several appointments were made on TLA basis during January, 2011 to June, 2013 in complete disregard of instruction issues by General Manager, Operation and Finance Division. This resulted in unauthorized incurrence of expenditure of Rs 5.95 million.

   The matter was reported to the management in December, 2014 but not reply was received till finalization of Audit Report.

   (DP No. 6492)

b) Audit of the record of Works Accounts Branch, Lahore revealed that the services of 62 TLA employees working as patroller, gatekeeper and gangman were regularized. After regularization, those employees were posted elsewhere by the concerned department and new persons were appointed against patrollers and gatekeepers. This caused further financial load of Rs 5.21 million per annum on Pakistan Railways.

   The matter was reported to the management in April, 2014. It was replied that the posts of night patrollers were not sanctioned over the system of the Railways and they were engaged on temporary basis as and when required. The posts of 84 night patrollers and 24 gate keepers were regularized as gangmen. The recruitment of TLA was, therefore, necessary to complete the strength of night patrollers and gate keepers.

The reply was not acceptable as the fresh appointments of the TLA were made against 62 employees after their regularization in the shape of recoupment of night patrollers and gate keepers as stated in the reply. Those appointments were against the instructions issued by Finance Division vide their letter dated 27th July, 2012. DAC in its meeting held on 21st November, 2014 directed the PO that sanctioned strength and justification of newly appointed TLA staff may be provided to Audit within one week. No response was received till finalization of Audit Report.

(DP No. 6256)

Audit emphasizes that the responsibility should be fixed for irregular appointments of TLA staff causing loss to Pakistan Railways, besides initiating departmental action as well as recovery of the loss from the defaulters. Moreover, human resource management controls may be strengthened to avoid recurrence.

2.4.23 Irregular appointments of officers / staff – Rs 7.63 million

Rule 11 Part-III of initial appointments under Serial No. 1 Chapter 2 of Establishment Code provides that initial appointments to posts in Basic Pay Scales 1 to 15 and equivalent, shall be made on the recommendations of the Departmental Selection Committee after the vacancies have been advertised in newspapers. Further, Chapter-II regarding recruitment/appointments, seniority and promotions Serial No. 133 of Establishment Code provides that post for contract appointment should be advertised and selection should be made by the Selection Committee as per recruitment rules. Besides, as per existing policy and rules, approval of Prime Minister is required for appointment in MP-II

scale. As per General Manager/Development letter dated 29th April 2013, the Chairman Pakistan Railways restricted the appointment of teachers in PR schools/colleges on regular basis or from Railway Fund in all categories till further orders.

i) Audit of the office of Superintendent Pakistan Railway Police, Rawalpindi in October 2013, disclosed that 09 constables & 01 Naib Qasid were appointed by Ex-Superintendent Railway Police (SRP), Rawalpindi during September, 2009 without observing proper procedures/rules of recruitment. Subsequently, these employees were removed from service on the orders of Inspector General Police, Pakistan Railway Lahore with the remarks that these appointments were made by misusing the official position by Ex-SRP as Public servant through forgery/tempering in appointment orders. An appeal was lodged by 07 employees in Federal Service Tribunal, Islamabad, as a result of which, these employees were reinstated in the service with the direction to conduct the denovo proceedings against the appellants. Thereafter, denovo proceedings were completed wherein it was proved that their appointments were made in complete violation of rules/procedures i.e. without any advertisement in newspapers and other physical and written test required for the recruitment. They were, therefore, awarded the major penalty of dismissal from service. An FIR was also lodged against Ex-SRP/RWP on 4th April, 2012. This resulted in irregular expenditure of Rs 2.87 million on account of pay and allowances.

   The matter was reported to the management in April, 2014. It was replied that a letter was written to the Secretary/Chairperson,

Ministry of Railways on 21st May, 2014 with the request to approach the Establishment Division for recovery of Rs 2.87 million from the gratuity/pension of the responsible.

DAC in its meeting held on 5th January, 2015 directed the PO to pursue the case vigorously in the best interest of Railway and final outcome be intimated to Audit. No response was received till finalization of Audit Report.

(DP No. 6286)

ii) Ten (10) constables were appointed by Senior Superintendent Railway Police, Rawalpindi on contract basis during the period from November, 2009 to April 2012, without observing the rules/procedures of contract appointment. This resulted in irregular expenditure of Rs 1.96 million on account of pay and allowances.

The matter was reported to the management in April, 2014. It was replied that a letter had been written to the Secretary/Chairperson, Ministry of Railways on 21st May, 2014 with the request to approach the Establishment Division for recovery of Rs 1.96 million from the gratuity/pension of the employee. Progress of recovery was awaited till finalization of Audit Report.

DAC in its meeting held on 5th January, 2015 directed the PO to pursue the case vigorously in the best interest of Railway and final outcome be intimated to Audit. No response was received till finalization of Audit Report.

(DP No. 6296)

iii) Eight (08) constables were appointed by the Superintendent Railway Police, Peshawar on the direction of the then Federal Minster for Railways as conveyed by SSP, Peshawar vide his letter

dated 2nd June, 2011, although those constables did not qualify the requisite conditions and were declared unfit by the Recruitment Committee. Those appointments were made after obtaining relaxation/condonation of IG/PRP, vide letter dated 9th June, 2011 which resulted in unauthorized expenditure of Rs 1.37 million per annum on account of pay and allowances.

The matter was reported to the management in May, 2014. It was replied that the ten (10) candidates made request for the grant of relaxation/condonation in their deficiencies, which was granted by the Inspector General Railway Police, Lahore by exercising the powers of Rule-8 of PRP Rules 1980. The reply was not acceptable as those appointments were made on the recommendations of the then Federal Minster for Railways. The IG PRP was not competent to relax any rules for initial appointments & Rule-8 of PRP Rules did not apply in that case.

DAC in its meeting held on 5th January, 2015 decided to lay down the matter before PAC.

(DP No. 6311)

iv) Audit of REDAMCO, Islamabad in October-November, 2013 revealed that the services of a Deputy Director, Marketing (MP-II) were terminated by the Ministry of Railways, (Railway Board) vide their notification dated 15th April, 2010. Subsequently, the said officer was recommended for extension in his contract period for further 02 years, vide summary sent to the Prime Minister on 29th October, 2010 but the extension was not granted. Thereafter, officer was appointed as Manager Estate in Head Office, Islamabad vide letter dated 12th December, 2012 without adopting the required procedure and approval of the Prime Minister. This resulted in unauthorized expenditure of Rs 0.70 million on account of pay & allowances.

The mater was reported to the formation in November, 2013. It was replied that matter would be submitted before Board of Directors. Issue was also brought to the notice of the management

in August, 2014 but no response was received till finalization of Audit Report.

(DP No. 6361)

v) Scrutiny of record of the Director Education in July-August, 2014 revealed that a post of Assistant Director Technical was created unauthorizedly without any justification, whereas there was no provision of this post in the sanctioned strength of Directorate of Education. An employee was appointed against the post on 2nd March, 2012 in PR Boys Axis College Lahore as Assistant Director Technical on 89 days contract basis @ Rs 12,000 per month without observing the rules/procedure. The contract of the employee was extended after every 89 days and he remained in the service till date of inspection. This resulted in unauthorized expenditure of Rs 0.34 million during the period from March, 2012 to June, 2014 on the pay of Assistant Director Technical.

The matter was taken up with the management in November, 2014. It was replied that the services of Assistant Director Technical were terminated on the objection of Audit. The reply was not acceptable as unauthorized expenditure was required to be regularized with the approval of the Prime Minster of Pakistan and responsibility was also required to be fixed.

(DP No. 6455)

vi) Audit of record of the Superintendent Railway Police, Peshawar in November, 2013 revealed that 39 constables were appointed against the permission granted by Ministry of Railways vide letter dated 13th January, 2011 for appointment of 30 constables in Peshawar Division. Additional 09 constables were de-listed as per

direction issued by the Deputy Inspector General, Pakistan Railway Police, Lahore vide letter dated 6th September, 2011. Seven (07) out of nine (09) constables filed an appeal in the Federal Service Tribunal Islamabad for restoration of their services. The court disposed off the said appeal on 20th December, 2011 with the direction to take up the matter with the Ministry of Finance for sanction of more posts to facilitate those constables.

The matter was reported to the management in May, 2014. It was replied that a letter had been written to the Director General Pakistan Narcotics Control Board, Islamabad to refer the matter to the Establishment Division for recovery of government money of Rs 0.20 million paid to the constables during July to September, 2011 and departmental action against the Director, Anti-narcotics Force, Rawalpindi who appointed 09 excess constables during his posting as Superintendent Railway Police, Peshawar.

The reply was not acceptable as the Railway had to bear extra financial burden in the shape of retention of those constables on the direction of the Federal Service Tribunal, Islamabad. Neither the loss was recovered from the responsible officer, nor departmental action taken against him.

DAC in its meeting held on 5th January, 2015 directed the PO to pursue the case vigorously with Anti-Narcotics Control Board, Islamabad for recovery and expedite post facto approval from Finance Division through MoR.

(DP No. 6310)

vii) Seven (07) teachers were appointed by Director Education against PR Fund on contract basis in violation of orders of the Chairman Railways during the period from December, 2013 to April, 2014. Unauthorized appointment of teachers resulted in irregular expenditure of Rs 0.19 million.

The matter was reported to the management in November, 2014. It was replied that due to dire need of science teachers, the said appointments were made as replacement of staff. The reply was not acceptable as those appointments were made without observing the rules/procedures and in violation of General Manager's orders.

(DP No. 6456)

Matter needs to be probed into to fix responsibly for irregular appointments. Expedient efforts should be made to recover the loss from the persons held responsible. Moreover, the internal controls need improvement to avoid recurrence.

2.4.24 Loss due to acceptance of works at higher rates – Rs 6.43 million

Para 807 (1) of State Railway General Code stipulates that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

a) Audit of the record of Chief Civil Engineer, Lahore in September, 2013 revealed that a work regarding Improvement of existing A-Class Level Crossing No. 100 as Class-I & Conversion as dual carriage way by providing a new class-I, Level Crossing was awarded to M/s Manj Brothers & Co. Sargodha at the rate 155% above CSR-2003 with total cost of Rs 4.77 million in November, 2012.

Audit observed that above work was awarded at higher rates as compared to a similar nature work regarding up-gradation of 1x2" Class-II Level Crossing 141-A at KM-203/13-14 into 2x24' Class –II manned Level Crossing for dual carriage way at Pakpattan, awarded at the rate of 90% above CSR-2003, vide agreement dated 25th October, 2012 to M/s Asghar & Co, Multan. This resulted in loss of Rs 1.18 million (Rs 1.82 million x 65%) due to acceptance of works at higher rates in clear violation of cannons of financial propriety.

The matter was reported to the formation in October, 2013. It was replied that the work was awarded through open tenders with the approval of General Manager/Operations on the recommendations of principal officers Tender Committee. The difference of rate accepted was due to change of site of work as Pakpattan was about 300 km away from Chakjhumra Railways Station where labour rates were very low as compared to Chakjhumra.

The reply holds no convincing ground as no rate analysis was carried out prior to award of contract.

The matter was also reported to management in November, 2014 to which no reply was received till finalization of Audit Report.

(DP No. 6468)

b) Various agreements regarding supplying, stacking, and loading into Railway wagons/trucks 2" size mechanically crushed stone ballast from different quarries all over Pakistan were awarded to different contractors at different rates ranging from Rs 175 per % cft to Rs 250 per % cft during May, 2010 to February, 2013.

Audit observed that above works were awarded at higher rates as compared to similar nature works completed @ Rs 42 per% cft at Kolpur quarry in May, 2010. This resulted in loss of Rs 5.25 million due to acceptance of works at higher rates.

The matter was reported to the management in November, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6470)

Action should be taken against the Tender Committee responsible for rate analysis prior to record their recommendations, besides recovery of the loss from the defaulters.

2.4.25 Irregular expenditure on re-employment after superannuation - Rs 5.37 million

Item No. 8 (i) of Government of Pakistan, Establishment Division U.O. memo dated 25th January, 2002 read with U.O. memo dated 27th July, 2002, provides that engagement of retired officers, in service of Government entities, requires prior permission of Government invariably, i.e. Establishment Division. Besides, Establishment Division letter dated 28th January, 1989 stipulates that re-employment beyond the age of superannuation in all cases requires the approval of the Prime Minister.

The scrutiny of the record of the following formation revealed that 05 retired officers/officials were appointed having the age of more than 65 years for the project work. This resulted in irregular expenditure of Rs 5.37 million on re-employment after superannuation on contract basis as detailed below:-

(Rs. in million)

Sr. No.	DP. No.	Formation Audited	Name & Designation	Date of appointment	Period	Amount
1	6580	Ministry of Railways	Naseem Ahmad, AEN Doubling of Track	October, 2012	October, 2012 to October, 2014	3.53
			Saleem Zafar, AEN Doubling of Track			
2	6392	Project Direct Signaling	S. Qayyum Abbas Naqvi Signal Inspector	3rd Jan, 2011	January, 2011 to February, 2014	1.01
			Mukhtar Ahmed Assistant Way Inspector	17th Sep, 2010		0.76
			Abeer Ahmed	2nd Dec,		0.07

			Khan Head Clerk	2013		
					Total	**5.37**

The matter was reported to the management in September & December, 2014. No reply was received against serial No. 1.

It was replied against serial No. 2 that due to prolonged gap caused by non-availability of experienced staff, the retired employees having good deal of experience in the respective fields were engaged on 89 days basis at the minimum pay. The engagement of such personnel was need of the project.

In fact the above retired employees were appointed in clear violation of the rules. Necessary approval of the Prime Minister was required for the engagement of retired employees.

DAC in its meeting held on 23rd January, 2015 directed the PO against serial No. 2 to provide justification for appointment clarifying that appointment of staff was within ambit of rules. Approval of the competent authority may be obtained for regularization of appointments under intimation to Audit. The compliance of DAC directive was not received till finalization of Audit Report.

Responsibility is required to be fixed for irregular re-employment of the employees besides initiating action against the defaulters. Moreover, necessary approval of the Establishment Division/Prime Minister should be obtained to regularize the expenditure and internal controls be strengthened to avoid recurrence.

2.4.26 Unauthorized grant of Cash Award- Rs 4.81 million

As per Finance Division's instructions contained in "System of Financial Control and Budgeting dated September, 2006", it has been provided for grant of honorarium "that Ministries/Divisions have been delegated full powers up to the level of Section Officer or equivalent". It is further stated that "no expenditure should be incurred on honoraria in

excess of the specific provision made for this purpose in the sanctioned budget grant"

Audit of the record of Ministry of Railways (Railway Board), Islamabad in October, 2014 revealed that total expenditure on "Cash Award"/ Honoraria under the head A06103 for the financial year 2013-14 was booked as Rs 5.45 million against the budgetary provision of Rs 0.64 million only, thus excess expenditure of Rs 4.81 million was incurred during the financial year.

The matter was reported to the formation in October and also to the management in December, 2014 but no reply was received till finalization of Audit Report.

Audit recommends that responsibility should be fixed for incurring excess expenditure over the budgetary allocation besides regularization of the same from the Ministry of Finance. Financial controls may be strengthened to avoid recurrence.

(DP No. 6578)

2.4.27 Irregular allotment of Railway accommodation to non-Railway employees–Rs 4.35 million

In pursuance to the Gazette Notification No. 5 dated 9th March 1934, a Child Welfare Association (CWA) was created under the North Western Railways. Clause 14 of the Rules of the Association stipulates that the staff of the Association, Societies and Centers shall not be considered to be the Railway employees for any purpose.

Audit observed that against the terms and conditions of their employment, Railway bungalows/flats were allotted to eight (08) doctors of CWA which were not admissible to them being non-railway employees. Furthermore, almost all the Lady Health Visitors and others staff posted in 35 (thirty five) Child Welfare Centers over the system were either residing

in the Centers or occupied houses in Railway colonies. The recovery of House Rent, Electric Charges, Water Charges, Sui gas charges etc. was not being made. This resulted in loss of Rs 4.35 million due to irregular allotment of Railway accommodation to non-railway employees.

The issue was pointed out to the management in April, 2014. It was replied that Clause-14 of Gazette Notification No.5 dated 9th March, 1934 provided that employees of Child Welfare Association were considered non-railway employees only for pensionary benefits and meager amount of salary we paid to the Doctors and staff of CWA. The president and member of the CWA did not allot any accommodation to the doctors/staff of CWA and Railway accommodation was allotted by the Divisional Superintendent (DS) concerned.

DAC in its meeting held on 15th September, 2014 directed the General Manager/Operations to hold a meeting with PO and DS concerned to resolve the issue and furnish proper reply. No further response was received till finalization of Audit Report.

Audit emphasizes that the matter should be investigated to fix responsibility for irregular allotment of Railway accommodations to the employees of the Child Welfare Association. Besides, immediate steps be taken to recover the standard rent along with utility charges. Assets management controls may be strengthened to avoid recurrence.

(DP No. 6218)

2.4.28 Procurement of material from unregistered firms/suppliers without sales tax invoices resulting in loss to Public Exchequer – Rs 3.67 million

As per Finance Division's notification No. 5 (1) - TR. 96 dated 21st May, 1998 it is obligatory for all the public sector departments and organizations including DFIs to make purchases of only tax paid goods. All government departments, public sector organizations including DFIs are required to insist on production of sales tax invoices whenever they buy taxable goods.

Audit of the record of the following formations revealed that material valuing Rs 21.79 million was procured from unregistered GST firms/suppliers without sale tax invoices, resulting in loss of Rs 3.67 million to Public Exchequer on account of GST as detailed below:-

(Rs. in million)

Sr. No.	DP No.	Formation Audited	Period	Total value of Purchase	GST
1	6504	Central Diesel Locomotive Workshop Rawalpindi	March, 2013 to August, 2014	7.40	1.23
2	6433	REDAMCO, Islamabad	June, 2012 to July, 2013	6.60	1.12
3	6488	Project Director, Rehabilitation Moghalpura	June, 2012 to July, 2013	2.72	0.46
4	6394	Project Director Signal (Lodhran-Shahdara), Lahore	May, 2010 to January, 2014	2.40	0.41
5	6243	Works Account Branch, Lahore	July, 2012 to June, 2013	2.35	0.40
6	6233	Divisional Accounts officer, Lahore	September, 2011 to July, 2012	0.32	0.05
Total				**21.79**	**3.67**

The matter was taken up with the management during March, 2014 to December, 2014. No reply was received against serial No. 2.

It was replied against serial No. 4 that Sale Tax in respect of retailers was not in practice on the entire Marketing system. The Accounts Officer Project was asked to make deduction in all such cases. The reply was not acceptable as the procurement of material from GST registered firms was mandatory and no relaxation in this respect was granted by the FBR till date.

It was replied against serial No. 5 that items pointed out by the Audit were petty purchases and no shopkeeper would pay GST on these because GST on these items had already paid by the manufacturers/ importers. The reply was not acceptable as purchases were made from shopkeepers not registered for GST incomplete disregard to the instructions of the Finance Division.

It was informed to the DAC in its meeting held on 15th September, 2014 against serial No. 6 that necessary purchase of petty items was made to make emergency repair & maintenance for smooth train operation. The DAC directed the PO to get the stated facts verified from Audit and discontinue the practice of purchase of goods from non-registered GST firms/retailers and implementation of rules/government polices be ensured. No compliance was received till finalization of Audit Report.

DAC in its meeting held on 23rd January, 2015 showed concern on the situation and directed the PO against serial No. 4 to discontinue the practice of purchase of goods from non-registered GST firms/retailers and ensure implementation of rules/government policies.

The matter needs to be investigated to fix responsibility for procurement of material from unregistered GST firms/suppliers in contravention of rules/procedures issued by the Federal Board of Revenue. Moreover, internal controls may be improved to avoid recurrence.

2.4.29 Loss due to unjustified waiver of journey fare - Rs 3.19 million

According to Clause 6.1 of the agreement executed between Pakistan Railways and M/s Four Brothers on 18th August, 2011 for outsourcing of Business Express Train, the 2nd party will be bound to deposit the journey fare on daily basis before commencement of the train journey. Clause 3.1 of the agreement also provides that the first five years term will start from the first day of train operation.

Audit of the record of Chief Commercial Manager, Lahore revealed that management of Business Express Train i.e. M/s Four Brothers did not deposit journey fare of first day of train operation. This was unjustified and against the contract agreement executed between Pakistan Railways and M/s Four Brothers. Resultantly, Pakistan Railway sustained a loss of Rs 3.19 million due to wrong and undue decision of Ministry of Railways.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

It is emphasized that matter should be investigated to fix responsibility, besides effective recovery of the loss from the responsible officers. Moreover, management controls may be strengthened to avoid recurrence.

(DP No. 6784)

2.4.30 Irregular leasing of Railway land – Rs 3.12 million

Para 807 of Pakistan Government Railway Code for the Engineering Department stipulates that all Railway land should be managed on commercial lines and Railway administration should endeavour to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

Audit of REDAMCO, Islamabad, in October-November, 2013 revealed that bids for leasing out 267 square yards prime land located at Sukkur Road, Rohri were called and opened on 30th June, 2009. Executive Committee of Railway Board in its meeting held on 13th July, 2009 approved the highest bid @ 11,700 per square yard, for 33 years lease. The process of lease was suspended on the directives of Sindh High Court Sukkur Bench, issued on 13th September, 2011. Subsequently, the case was decided in favour of Pakistan Railway as informed by the Divisional Superintendent, Sukkur, vide letter dated 10th February. 2012. Thereafter, the said piece of land was leased out to the above party at the same rate vide lease agreement dated 17th April, 2012, for lease premium of Rs 3.12 million for 33 years.

Audit observed that above piece of land was unjustifiably placed for auction, being disputed and under litigation. Meanwhile, the prices of property escalated during the above period. The fresh bids were, therefore, required to be called for obtaining the best value of land as per prevailing market prices. This resulted in irregular leasing out of Railway land for Rs 3.12 million.

The matter was reported to the management in September, 2014. No reply was received till finalization of Audit Report.

Audit requires inquiry in the matter besides fixing responsibility.

(DP No. 6426)

2.4.31 Inclusion of defective clause in the agreement resulting loss to PR –Rs 2.99 million

In terms of Clause-2 (b) of the revised agreement dated 10th June, 2004 executed between the Islamic International Medical College & Trust (IIMCT) and Pakistan Railways (PR), the IIMCT was bound to provide treatment to the indoor entitled patients of Railway including Surgery, Dialysis, Cancer therapy, Chemotherapy, Radiotherapy, Cardiac Surgery, Neurosurgery, provision of orthopedic implants, stents, meshes, DCR tubes, CT scan, MRI and laboratory investigations, not available in the Railway hospital.

Audit of the Railway Hospital, Rawalpindi revealed that in contradiction of Clause-2(b), another Clause-3 was included in the revised agreement which restricted the liability of IIMCT up to Rs 4 million for the above mentioned treatments and rest of the expenditure would be borne by the Railway in the shape of reimbursement of medical charges. Due to inclusion of this clause, PR had to bear extra expenditure of Rs 2.99 million on account of reimbursement of medical charges during the period from August 2010 to June 2013.

The matter was pointed out to the formation in February, 2014. Medical Superintendent Railway Hospital, Rawalpindi replied that the Clause 2(b) and Clause 3 were contradictory and restricted the amount for reimbursement by IIMCT and which was insufficient to meet with the requirements of entitled Railway patients.

The reply was not tenable as the contradictory Clause 3 was not excluded from the agreement and PR had to bear extra expenditure in the shape of reimbursement of medical charges. The issue was also reported to the MoR in August, 2014 but no response was received till finalization of Audit Report.

Audit stresses that Railways interest should be given top priority while making agreements. In the subject matter responsibility needs to be fixed for inclusion of defective clause in the agreement and appropriate action be taken against the persons held responsible.

(DP No. 6356)

2.4.32 Unauthorized appointment of staff in Railway schools – Rs 2.77 million

Rule 11 Part-III of initial appointments under Serial No. 1 Chapter 2 of Establishment Code provides that initial appointments to posts in basic pay scales 1 to 15 and equivalent, shall be made on the recommendations of the Departmental Selection Committee after the vacancies have been advertised in newspapers. According to Para 5 (a) (i) of minutes of meeting of the Executive Committee of Railway Board held on 6th January, 2003, the Divisional Superintendents must ensure that posts being operated, on temporary basis, fall within the sanctioned strength. Further, Para 111 of Pakistan Railway Establishment Code provides that the number of posts sanctioned for each grade in a department shall in no case be exceeded without the sanction of authority competent to create a post, either permanent or temporary, in the grade.

Scrutiny of the record of Director Education in July - August 2014 revealed that 31 employees were appointed in excess of the sanctioned strength in the St. Andrews Railway High School, Lahore on contract basis for 89 days without observing proper procedures/rules of recruitment. This resulted in unauthorized expenditure of Rs 2.77 million during the year 2013-14.

The matter was reported to the management in September, 2014. It was replied that the sanctioned strength mentioned in the observation was the stage when the school was started from 1st Class. During the Educational Services Limited (ESL) tenure some extra classes and subjects were introduced.

The reply was not acceptable as the recruitment of staff was made without observing the rules/procedures and in excess of the sanctioned strength.

The matter needs to be investigated at an appropriate level to fix responsibility for appointment of staff without observing rules/procedures in excess of the sanctioned strength besides initiating action against the defaulters. Management controls should be strengthened to avoid recurrence.

(DP No. 6447)

2.4.33 Irregular expenditure in excess of sanctioned estimate – Rs 2.25 million

Para 1048 of Pakistan Government Railway Code for the Engineering Department provides that expenditure in excess of a sanctioned estimate should not ordinarily be left over for regularization by post-facto sanctions. The orders of the competent authority should be obtained on the probable excesses at the earliest possible stage before the additional expenditure is incurred.

Audit of the Works Accounts Branch, Rawalpindi conducted in September, 2013 revealed that an expenditure of Rs 11.77 million was incurred against the sanctioned estimate of Rs 9.52 million, for the work of 4.00 kilometers Complete Track Renewal on Lalamusa - Rawalpindi section under Permanent Way Inspector, Jhelum, during the period from November, 1990 to November, 1992. Besides, the Completion Report was also not drawn and verified by the Accounts Office. This resulted in irregular expenditure of Rs 2.25 million in excess of sanctioned estimate.

The matter was reported to the management in December, 2013. It was replied that estimate amounting to Rs 9.52 million was sanctioned by the competent authority, whereas work was completed at a cost of

Rs 11.77 million, resulting in an excess of Rs 2.25 million. Assistant Executive Engineer, Jhelum was asked to submit revised estimate for regularization of expenditure.

The reply was not acceptable as 23.64 % excess expenditure was incurred without prior approval of the competent authority.

Responsibility is required to be fixed for the irregular expenditure in excess of sanctioned estimate. Post-facto sanction may also be obtained from the competent authority. Management should ensure the implementation of codal provisions to safeguard the interest of the organization.

(DP No. 6194)

2.4.34 Unauthorized grant of Special Allowance to the officers & staff of Accounts –Rs 2.23 million

Finance Division Office Memorandum dated 6th March, 2013 authorized the grant of Special Allowance @ 20% of running basic pay from 1st March, 2013 to all the officers and staff working in the Federal Ministries/Divisions only. However, this allowance was not allowed to all such other entities, which were already being paid any additional allowances and other facilities.

It was observed during compliance audit of Ministry of Railways (Railway Board), Islamabad in October, 2014 that employees of Controller General of Accounts and Auditor General of Pakistan posted at Ministry of Railways were drawing Special Allowance @ 20% in addition to Audit & Accounts Allowance @ 20% from 1st March, 2013 which was not entitled to them. The grant of Special Allowance in addition to Audit & Accounts Allowance was internally approved by the Member Finance. This resulted in unauthorized grant of Special Allowance of Rs 2.23 million to the officers & staff of Accounts Department during 1st March, 2013 to 31st October, 2014.

The matter was taken up with the formation in October, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

Audit recommends that payment of Special Allowance @ 20% to officers & staff of Accounts Department should immediately be stopped besides initiating recovery from them. Financial controls may be strengthened to avoid recurrence.

(DP No. 6725)

2.4.35 Irregular monetization/transfer of operational vehicles – Rs 2.13 million

Board of Directors of PRACS in their meeting held on 26th July, 2012 decided to implement the Monetization Policy of transport w.e.f. 1st January, 2012 for BPS-20 and above serving Government officers on transfer to PRACS. Further, according to Monetization Policy issued by Cabinet Division vide letter dated 12th December 2011, the Civil Servants in BPS-20 to BPS-22 who were provided the official vehicles, were entitled for the purchase of those vehicles which remained under their use.

Audit of the record of Managing Director, PRACS, Rawalpindi in March-April, 2014 revealed that two operational vehicles valuing Rs 2.13 million were monetized/transferred in favour of the under-mentioned officers, although the vehicles were not under their use. Moreover, the depreciated cost of those vehicles was not recovered/received from the concerned officer.

Sr. No.	Name & Designation of Officer	Model/Vehicle No.	Amount (Rs. in million)
1	Mr. M. Junaid Qureshi, Director/BOD PRACS	GW-109 Toyota Corolla, XLI 2010	1.29
2	Mr. Zahoor-Ul-Haq, Executive Director Procurement, PRACS	LEG-1401 Suzuki Cultus VXR, CNG 2010	0.84
		Total	**2.13**

The matter was reported to the management in October, 2014. It was replied that these vehicles were monetized to the serving officers of Pakistan Railways under rules/policy for Monetization of Transport Facility for Civil Servants (BPS-20 to BPS-22) with the approval of Secretary/Chairman Railway. Further, Mr. Junaid Qureshi purchased the Toyota Corolla vehicle in his capacity of General Manager/Operation.

The sale of operational vehicles under the monetization policy to PRACS officers was not admissible. The Board of Directors had allowed adoption of the policy for the purpose of monetary benefit only to PRACS officers. Besides, the vehicles were not in the use of above named officers. The Chairman/Secretary Railways was also not competent to monetize vehicles in favour of any officer against the monetization policy.

Audit emphasizes that matter should be investigated to fix responsibility for irregular monetization of vehicles besides initiating action against the defaulters. The monetization of vehicles should be got regularized with the approval of Cabinet Division. Internal controls may be strengthened to avoid recurrence.

(DP No. 6429)

2.4.36 Unauthorized/ unjustified grant of deputation allowance-Rs 2.03 million

In terms of Finance Division Office Memorandum dated 4th July, 2007, deputation allowance is granted to all officers/officials of Ministries/Divisions/Departments who have been transferred and posted on deputation basis or under Section 10 of Civil Servants Act, 1973, to a post in a department or service altogether different from the one to which they permanently belong. Moreover, the Establishment Division Office Memorandum dated 10th December, 2007 provides that "The period of deputation shall be three years extendable by two years, with the approval of the competent authority".

It was observed during compliance audit of Ministry of Railways (Railway Board), Islamabad in October, 2014 that some officers/staff of Railway Accounts Department posted at MoR were drawing deputation allowance which was not admissible to them in terms of above instructions. Some of them stayed on deputation beyond five years, which also required regularization. The services of regular employees of Railway Accounts Department could be utilized anywhere within Pakistan Railways including MoR. This resulted in unauthorized/unjustified grant of deputation allowance of Rs 2.03 million during the period from December, 2011 to October, 2014.

The matter was taken up with the formation in October, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

Audit recommends that payment of Deputation Allowance @ 20% to officers and staff of Accounts Department should be stopped besides initiating recovery from them. Financial controls may also be strengthened to avoid recurrence.

(DP No. 6726)

2.4.37 Unauthorized expenditure/reimbursement of POL – Rs 1.36 million

Para 807(1) of Pakistan Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Furthermore, Para 1801 provides that means should be devised to ensure that every Railway servant realizes fully that he will be held personally responsible for any loss sustained by Government through negligence on his part.

(i) Audit of the record of Project Director, Signal (Lodhran-Shahdarabagh section), revealed that an amount of Rs 0.99 million was irregularly/unjustifiably spent on POL of official vehicles, as detailed below:-

- Vehicle No. LOV-8228 was allocated to the project. The vehicle was transferred/shifted to DGM on 12th October, 2012 irregularly. An amount of Rs 0.37 million was spent on POL from project budget, whereas, the vehicle was not utilized for the project work.
- Vehicle No. LEG-11-1049 was purchased for the operation of project. The vehicle was transferred to Ministry of Railways (MoR) irregularly / unjustifiably. The project management had spent an amount of Rs 0.19 million on POL irregularly.
- Amounts of Rs 0.38 million and Rs 0.05 million were spent on POL of vehicles No. LEG-10-2052 and LEG-10-1794 but no record of maintenance/operation of vehicle was prepared and provided to Audit.
- An amount of Rs 0.006million was spent on motor cycle No. 5726 which was not operated/owned by the project.
- No log books of any vehicle were maintained/provided to Audit,
- In some cases cash memos of fuel purchased was not available in the record,
- Movement register of any vehicle was not maintained.

The matter was reported to the management in September, 2014. It was replied that project vehicles were utilized in connection with project activities such as site survey, inspection and supervision of site works. Vehicle LOV-8228 was utilized in the project and thereafter transferred to DGM as per orders of GM/Operations. LEG-11-1049 and LEG-10-2052 were transferred/utilized in MOR. Log Books/Movement Registers were also maintained.

The reply was not tenable as the vehicles in question were purchased for the execution of project but the same were transferred to other offices and not utilized for the project. Similarly, the POL was also charged to the project irregularly and no Log Book was provided to Audit for verification.

It was informed to the DAC in its meeting held on 23rd January, 2015 that no vehicle was transferred to any other office and all vehicles procured for the project remained in the use of project works. DAC directed the PO that details of vehicles, Log Books and all relevant record may be got verified from Audit. No compliance of DAC directive was received till finalization of Audit Report.

(DP No. 6391)

(ii) Audit of REDAMCO, Islamabad in October, 2013 revealed that Manager, Advertising & Selling Right (A & SR) was drawing conveyance allowance as admissible under the rules @ Rs 5,000 per month. An amount of Rs 0.37 million was also reimbursed to him as POL charges for personal use, which was not justified.

The mater was reported to the management in August, 2014 but no response was received till finalization of Audit Report.

(DP No. 6359)

It is emphasized that responsibility for unauthorized expenditure / reimbursement of POL should be fixed, besides initiating action against defaulters. Management controls be strengthened to avoid recurrence.

Performance

2.4.38 (i) Un-authorized occupation of Railway land Rs 3,463.16 million

(ii) Loss of potential earnings of rental charges – Rs 89.01 million

Para 803 of Pakistan Government Railway Code for the Engineering Department provides that "it is duty of Railway administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment".

Audit of the Directorate of Property & Land revealed un-authorized occupation of Railway land valuing Rs 3,463.16 million and loss of potential earnings on account of rental charges of Rs 89.01 million as detailed in the following paragraphs:-

a) Audit of the Civil Engineering Department, Rawalpindi in August, 2014 revealed that Railway land valuing Rs 2,153.43 million was un-authorizedly occupied by the people.

The matter was reported to the management in December, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6545)

b) Audit of the Property & Land Branch, Peshawar revealed that Railway land valuing Rs 548.79 million was encroached during 2013-14, measuring 4959 marlas due to negligence of Railway administration.

The matter was reported to the management in November, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6482)

c) Audit of the Deputy Director Property & Land, Rawalpindi revealed that land measuring 15.97 acres was encroached by the Highway Department, Intelligence Bureau Housing Society and different Town Municipal administrations. Railway administration failed to protect Railway land in its possession and subsequently

failed to retrieve the said land. This resulted in unauthorized occupation of Railway land valuing Rs 500.98 million and annual loss of rental charges of Rs 75.15 million.

The matter was reported to the management in December, 2013. It was replied that Divisional Superintendent had taken up the matter with the concerned departments for payment of lease charges of land occupied by them un-authorizedly. Railways administration failed to protect its valuable assets.

(DP No. 6208)

d) Audit of the Deputy Director Property & Land, Rawalpindi revealed that 40 shops were illegally constructed by the people on the Railway land measuring 24.95 Kanals near Katchehry Level Crossing, Sargodha in the year 2001. This resulted in unauthorized occupation of Railway land valuing Rs 249.60 million and loss of rental charges of Rs 28.08 million during January, 2000 to December, 2002.

The matter was reported to the management in December, 2013. It was replied that anti-encroachment operation was planned in March, 2012 to seal the shops but it could not succeed due to political interference. The Director Property & Land directed to recover the outstanding rental charges @ Rs 5 per square feet (sft) from January, 2000 to September, 2009 with 25% increase every 3 years and @ Rs 25 per sft from October, 2009 to December, 2012. The occupants did not accept the decision and lodged case in the Lahore High Court which was pending for finalization. In fact the management failed to retrieve the Railway Land from the encroachers in the early stages through different Law enforcement agencies, resulting in court cases.

DAC in its meeting held on 5th January, 2015 directed the PO that strenuous efforts be made to get the stay vacated through Director General, Legal and retrieve the Railway land from the encroachers. DAC further directed that details of stay cases against the Railway land may also be provided to the Ministry of Railways. No further response was received till finalization of Audit Report.

(DP No. 6204)

e) Audit of the Property & Land Branch, Peshawar revealed that Khyber PakhtonKhawa Police unauthorizedly occupied Railway quarters, rest houses and station buildings of closed section, measuring 295,215 sft during August, 1992 to May, 2008. Neither the buildings were got vacated nor agreements for regularization of un-authorized occupations were executed despite elapse of more than 22 years. This resulted in loss of Rs 53.67 million on account of rental charges of the buildings.

The matter was taken up with the management in November, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6448)

f) Audit of the Deputy Director Property & Land, Lahore revealed that out of 27 kanals of Railway land at Gujranwala City, only 4.17 kanals land was leased out to a successful bidder of Landa Bazar @ Rs 2.7 million per annum for the period from December, 2011 to November, 2012. The remaining land was un-authorizedly occupied by the managers of the Landa Bazar. Had entire land been auctioned, PR could have earned additional amount of Rs 34.49 million during December, 2011 to March, 2014. Thus, PR suffered loss of potential earnings of Rs 34.49 million.

The matter was taken up with the management in October, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6435)

g) Audit of the Property & Land Branch, Peshawar revealed that 10.52 acres agriculture land valuing Rs 6.68 million at Babri Banda Railway station was auctioned on 29th October, 2007. The highest bid of Rs 3500 per acre per annum was accepted in favour of Malik Muhammad Mansoor Khan, Kohat who deposited the bid money amounting to Rs 18,400 whereas, the said piece of land could not be handed over to the licensee due to encroachment by another person. Railway administration failed to retrieve the encroached land. This resulted in encroachment of land valuing Rs 6.68 million and loss of potential revenue of Rs 0.24 million.

The matter was taken up with the management in January, 2015 but no reply was received till finalization of Audit Report.

(DP No. 6659)

h) Audit of the Assistant Executive Engineer, Sibi revealed that 10.56 acres residential Railway land valuing Rs 3.68 million in Loco & Traffic Colony Sibi was encroached by the civilians. Railway administration failed to retrieve the land and recover the rental charges from the encroachers. This resulted in un-authorized occupation of Railway land valuing Rs 3.68 million.

The matter was taken up with the management in May, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6315)

i) Audit of the Divisional Commercial Officer, Lahore in August, 2014 revealed that Railway land measuring 2.8 kanals was leased out to Mr. Ajmal for parking stand at Raiwind Railway Station vide letter dated 17th May, 2014 for a period from 16th May, 2014 to 15th May, 2015 @ Rs 1.80 million. The contractor had un-authorizedly occupied extra land measuring 3.2 kanals. This resulted in loss of Rs 0.69 million from 16th May, 2014 to 15th September, 2014 on account of rent of extra occupied land.

The matter was taken up with the management in December, 2014 but no reply was received till finalization of Audit Report.

(DP No. 6623)

j) Audit of the record of Property & Land Branch, Peshawar in April, 2014 revealed that Loco Shed building at Kohat was unauthorizedly occupied by a highest bidder of the auction held on 24th November, 2009 without execution of agreement and approval of competent authority. This resulted in loss of Rs 0.16 million from 24th November, 2009 to 30th November, 2014.

The matter was reported to the management in November, 2014 but no response was received till finalization of Audit Report.

(DP No. 6473)

It is recommended that all encroachments should be got vacated at the earliest and efforts be made to execute proper agreement with the highest bidder, besides recovery of rental charges from the concerned. Moreover, monitoring of Railway assets and properties may be improved to avoid recurrence.

2.4.39 Loss of potential earnings due to non-completion of project in time – Rs 2,333.69 million

As per PC-I of the Project of Rehabilitation, Upgradation & Conversion of 400 coaches, the year-wise schedule of outturn of coaches was 40, 176 and 184 coaches for the years 2006-07, 2007-08 and 2008-09 respectively.

Audit of accounts of the Managing Director, Carriage Factory Islamabad revealed that management failed to achieve the scheduled outturn of coaches due to which these coaches were not put into operation in time to generate revenue. Progress of the project was not as per schedule and only 300 coaches were turned out up to June, 2014. It indicated that earnings were lost in each year since 2006-07. Thus poor performance of management caused loss of potential earnings of Rs 2,333.69 million.

The matter was reported to the management in October, 2014. It was replied that the outturn was not as per schedule due to insufficient funds allocation and cash release during the financial crunch in 2009-10 and 2010-11. Another factor which delayed the outturn was load shedding of sui gas and electricity. Out of 400, only 308 coaches had been turned out upto November, 2014.

The reply was not satisfactory as delay of 5 years in turning out of scheduled coaches was not justified in any case.

It is emphasized that responsibility should be fixed for not achieving the targets. All out efforts are required to complete the remaining portion of the project at the earliest.

(DP No. 6441)

2.4.40 Loss of potential earnings due to inordinate delay in repair of locomotives – Rs 1,955.86 million

Fleet of diesel electric locomotives is scheduled to undergo repairs periodically in order to keep the same in a fit condition. The Maintenance

Regulation dated 6th September, 2007 allows the following period for repair:

Sr. No.	Description	Periodicity	Time Allowed
1.	Class-II Repairs a)for AGE -30	04 Yearly or 800,000 KMs, or 13000 MWH whichever is earlier	24 days
	b)for all classes (Except AGE -30 & DPU-30/20	03Yearly or 600,000 KMs, whichever is earlier	
2.	Class-I Repairs a)for AGE -30	08 Yearly or 1,600,000 KMs, or 26000 MWH whichever is earlier	32 days
	b)for all classes (Except AGE -30 & DPU-30/20	06Yearly or 1,200,000 KMs, whichever is earlier	

During audit of accounts of the Mechanical Department it was noticed that locomotives were repaired late, resulting in loss of potential earnings amounting to Rs 1,955.86 million, in the following cases:

i) In Central Diesel Locomotives Workshop, Rawalpindi, the C-I & II repair of 54 locomotives was completed with the delay ranging from 2 to 1821 days. This resulted in loss of potential earnings of Rs 1,693.68 million.

The matter was taken up with the management in November, 2014. It was replied that the maintenance of DE locomotives, according to the laid down schedule, was not possible till all the needed prerequisites were not fulfilled by the organization. The delay in repair of DE locomotives occurred due to inadequate supply of spares required to meet with the day-to-day maintenance. The reply was not acceptable as it was the responsibility of the management to provide the spares according to the requirements to avoid the delay in repair of locomotives.

(DP No. 6461)

ii) In Loco Shops Moghalpura, Lahore, the C-I repair of 29 locomotives was completed with the delay ranging from 9 to 239

days. Thus, PR suffered loss of potential earnings of Rs 262.18 million.

The matter was taken up with the management in December, 2013 but no reply was received till finalization of Audit Report.

(DP No. 6201)

It is emphasized that repair of locomotives should be given top priority to improve earnings of Pakistan Railways.

2.4.41 Non-disposal of scrap – Rs 1,895.21 million

Para 2403 of Pakistan Government Railway Code for the Stores Department provides that the Store Department should arrange for the regular collection of all scrap from consuming departments and for its disposal to the best advantage of the Railway. If the scrap is to be disposed of by public auction, arrangements should be made for its collection at convenient points for the purpose of such sales.

Audit of the following formations revealed blockage of capital of Rs 1,895.21 million due to non-disposal of scrap:-

(Rs. in million)

Sr. No.	DP No.	Formation	Description	Amount
1	6506	Chief Controller of Stores, Lahore	45075 metric ton scrap	1,814.72
2	6729	Divisional Mechanical Engineer, Peshawar	58 Broad Gauge and 28 Narrow Gauge condemned Wagons	40.91
3	6555	Civil Engineering Department, Rawalpindi	Released material	37.46
4	6732	Divisional Mechanical Engineer, Peshawar	Condemned Turntable and wagons	2.12
			Total	1,895.21

The matter was reported to the management in December, 2014 and January, 2015 but no reply was received till finalization of Audit Report.

Audit emphasis to fix responsibility for unnecessary retention of material causing blockage of capital and action should be taken for beneficial disposal of scrap.

2.4.42 Non-recovery of electrical power crossing charges - Rs 1,121.70 million

As per General Manager Operations, Pakistan Railways, letter dated 28th January, 2013 revised rates of overhead/underground electrical power crossing charges were circulated to all Railway divisions with the advice to get all unauthorized electric crossings regularized by concerned electricity distribution companies after observing necessary formalities and depositing of required crossing charges at revised rates.

Scrutiny of the record of Electrical Department reveled that there were 804 unauthorized electric crossings of different electric supply companies. These companies were required to get proper approval for each electric crossing after paying prescribed crossing charges. Pakistan Railways sustained loss of Rs 1,121.70 million due to non-recovery of electrical power crossing charges as detailed below:-

Sr. No.	DP No.	Railway Division	Number of electrical power crossings	Amount (Rs. in million)
1	6290	Peshawar	525	649.80
2	6337	Sukkur	155	252.90
3	6281	Karachi	96	154.50
4	6636	Rawalpindi	28	64.50
Total			**804**	**1,121.70**

The matter was taken up with the management during April to December, 2014. It was replied against serial No. 2 that the case had already been referred to Ministry of Railways with the request to take up the issue with Ministry of Water & Power for the recovery of Railway dues.

DAC in its meeting held on 21st November, 2014 discussed the paras at serial No.1 & 3 and directed to speed up the efforts for recovery and intimate the outcome to Audit.

DAC in its meeting held on 5th January, 2015 against serial No. 2 directed the PO that meeting with WAPDA authorities may be held at GM level to resolve the issue at the earliest. No further response was received till finalization of Audit Report.

It is emphasized that matter should be given top priority for recovery of all outstanding electrical power crossing charges under intimation to Audit.

2.4.43 Less recovery of electricity charges – Rs 959.65 million

Para 316 (a) of Pakistan Government Railway Code for the Accounts Department stipulates that the amounts due to Railway for services rendered, supplies made, or for any other reasons, are correctly and promptly assessed and recovered as soon as they fall due.

Audit of Electrical Department revealed that Pakistan Railways purchased electricity in bulk, valuing Rs 1,224.95 million, during the period from July, 2011 to September, 2013. PR recovered an amount of Rs 265.30 million from the consumers. An amount of Rs 959.65 million was less recovered, as detailed below:-

(Rs. in million)

Sr. No.	DP No.	Formation	Period	Amount paid for electricity purchased	Amount recovered from the consumers	Recovery (%)	Amount less recovered
1	6280	DEE/RTL & Power, Karachi	July 2012 to June 2013	414.89	79.53	19.17	335.36
2	6278	DAEE/RTL & Power, Rawalpindi	July 2011 to June 2013	320.75	90.11	28.09	230.63
3	6338	DAEE Sukkur	July 2012 to June 2013	232.65	28.34	12.18	204.31
4	6297	DAEE/RTL & Power, Peshawar	July 2011 to September 2013	118.16	30.12	25.49	88.05
5	6206	DEE Multan	July 2012 to June 2013	106.29	28.46	26.78	77.83
6	6227	CA Lahore Division	July 2012 to June 2013	32.21	8.74	27.12	23.47
	Total			**1,224.95**	**265.30**	**21.66**	**959.65**

The matter was taken up with the management during December, 2013 to July, 2014.

It was replied that electricity was purchased at Bulk Supply Tariff and it was sold to domestic consumers at Domestic Tariff. The loss was due to difference in tariff which was beyond the control of Electrical Department. PR was making all out efforts to hand over the Railways colonies to WAPDA/KESC for direct billing.

The reply was not acceptable as the recovery was only 21.66 % of amount paid to WAPDA/KESC for purchase of electricity. This resulted in loss of Rs 959.65 million.

DAC in its meetings held on 15th September, 2014 against serial No. 5 & 6 directed the PO that the differential loss on account of tariff and electricity theft may be worked out and intimated to Audit. The work of switching over electric supply of residential colonies to WAPDA may also be got completed at the earliest.

DAC in its meeting held on 21st November, 2014 directed against serial No. 1 & 2 directed the PO to install meters at 2 pilot stations to ascertain the actual loss. It was further directed that the bulk consumers of electricity like Stations, Water Supplies and Signalling System would be metered for improvement of the system. Strenuous efforts may be made to hand over the colonies to WAPDA to avoid further loss

DAC in its meeting held on 5th January, 2015 against serial No. 3 & 4 directed the PO to install the sub meter in the Mayo Garden to assess the actual consumption of electricity by segregating the service buildings situated in the Mayo Garden. Strenuous efforts may be made to hand over the Railway colonies to WAPDA for direct billing.

No compliance was received against the DAC directives till finalization of Audit Report.

Audit emphasizes that compliance of DAC directives should be ensured at the earliest and strenuous efforts be made for handing over eclectic supply of Railway colonies to WAPDA/KESC.

2.4.44 Loss due to en-route detention of trains – Rs 623.94 million

Rule 39 (a) of General Rules for Pakistan Railways with Subsidiary Rules provides that all points, signals, electric instruments and other apparatus shall be kept in proper working order and the Station Master or cabin staff shall report immediately to the proper authorities, and to the person or persons incharge of maintenance, any case in which the apparatus is defective and also when the defect has been rectified.

Pakistan Railways suffered loss of Rs 623.94 million due to en-route detention of trains on account of failure of signals, electric

instruments, Power Plants, Coaches and Provision of HSD Oil, Lube Oil etc. as detailed below:-

(Rs. in million)

Sr. No.	DP No.	Formation Audited	Period	Detention minutes	Amount
1	6333	Divisional Signal Engineer, Karachi	January, 2012 to October, 2013	122,720	296.98
2	6569	Divisional Commercial/ Transportation Officer, Karachi	July, 2013 to June, 2014	57,236	135.99
3	6520	Divisional Commercial/ Transportation Officer, Rawalpindi	July, 2013 to June, 2014	50,839	123.03
4	6686	Divisional Commercial/ Transportation Officer, Peshawar	January,2013 to December, 2013	22,080	53.43
5	6212	Divisional Assistant Electrical Engineer (Railway Train Lighting) Multan	June, 2012 to August, 2013	3,268	7.91
6	6282	Divisional Electrical Engineer (Railway Train Lighting) Karachi	January, 2012 to September, 2013	1,688	4.08
Total				**257,831**	**623.94**

Pakistan Railways had to bear a loss of Rs 2,420 per minute in case of en-route detention of train for one minute as depicted in poster for fuel economy got printed and circulated by Divisional Mechanical Engineer.

The matter was reported to the management during April, 2014 to January, 2015. No reply was received against serial No. 2 to 5.

It was replied against serial No. 1 that routine failures of signalling system were being attended to by the signalling staff within the shortest possible time, whereas abnormal detentions of trains generally occurred due to heavy rain, electric load shedding etc. The en-route trains suffered

detentions until rectification of failure. Entire procedure took sufficient time and caused extra consumption of fuel. Against serial No. 6 it was replied that Electrical Department was putting all possible efforts i.e. rehabilitation of coaches, switching over from 110 Volts to 220 Volts for standardizing the system, introduction of improved Chinese inter car couplers etc. to improve the situation and minimize the detentions.

The reply against serial No. 1 was not satisfactory because trains suffered en-route detentions due to improper maintenance of signalling system causing loss of Rs 296.98 million. The reply against serial No. 6 was also not satisfactory because many trains were detained for more than 30 minutes but neither matter was inquired nor action taken to avoid heavy detentions.

DAC in its meeting held on 5th January, 2015 against serial No. 6 directed the PO to provide comparative figures of detention of trains en-route for subsequent period showing improvement to Audit and AGM / Mechanical was nominated as coordinator. In compliance of DAC directive statement showing the comparison between the year 2013 & 2014 submitted by the AGM Mechanical revealed that several trains were detained for 1863 minutes till November, 2014 as compared to previous year train detention which was 2567 minutes till November, 2013. These figures did not show the drastic reduction in en-route detention.

Each case of heavy detention needs to be inquired to fix responsibility besides taking action against the persons found at fault.

2.4.45 Non-disposal of surplus stores – Rs 497.49 million

Para 118 of Pakistan Government Railway Code for the Stores Department provides that moveable surplus stores comprise items which have not been issued for a period of 24 months, but which, it is anticipated, will be used in the near future. Dead surplus stores comprise items which have not been issued for 24 months and which, it is considered, are not likely to be utilized on any Railway within the next two years. Besides, Para 1713 of Pakistan Government Railway Code for the Engineering Department provides that Surplus Stores should be transferred to other works or returned to Stores Depot.

Audit of the following formations revealed blockage of capital of Rs 497.49 million due to non-disposal of surplus stores:-

(Rs. in million)

Sr. No.	DP No.	Formation	Description	Amount
1	6505	Chief Controller of Stores, Lahore	3088 items were lying unutilized in different depots of Pakistan Railways as on 30th June, 2013	420.56
			Material pertaining to the Steam Locomotives was lying unutilized in stores	10.36
2	6685	Depot Store Keeper, Sukkur	Bridge material lying in store since long	48.83
3	6613	Project Director 87-KMs Complete Track Renewal and Replacement of metal sleepers	6676 sleepers lying unutilized for more than one year	12.02
4	6697	Divisional Assistant Signal Engineer, Peshawar	Signalling material not issued for more than two years	3.60
5	6542	Civil Engineering Department, Rawalpindi	Material not issued for more than two years	2.12
			Total	**497.49**

The matter was reported to the management in December, 2014 and January, 2015 but no reply was received till finalization of Audit Report.

Audit emphasis to fix responsibility for unnecessary retention of material causing blockage of capital and action should be taken for beneficial disposal of surplus stores.

2.4.46 Loss due to procurement of spare parts at higher rates - Rs 268.55 million

Para 807 (1) of Pakistan Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Audit of the Chief Mechanical Engineer/Loco revealed that Railway administration executed an agreement on 28th September, 2009 with M/s DONG FANG Electric Corporation and Dalian Locomotives & Rolling Stock Company Limited China for procurement of 1142 different items of spare parts of Chinese DPU-20/30 locomotives. The prices of 325 items out of 1142 were on higher side as compared to the Last Purchase Rate (LPR) of 2007 to 2010. Moreover, LPR of 766 items was not available in Mechanical Department.

Audit observed that above maintenance contract was executed without comparing with the market prices of these spare parts resulting in loss of Rs 268.55 million (US$ 2.92 million) to PR.

The matter was reported to the management in May, 2014. It was replied that the matter was under investigation with NAB.

DAC in its meeting held on 5th January, 2015 directed the PO to pursue the matter with NAB and intimate its status to Audit. No compliance was received till finalization of Audit Report.

Audit emphasizes to fix responsibility for procurement of spare parts at higher rates causing heavy loss to the PR.

(DP No. 6309)

2.4.47 Loss of potential earnings due to delay in turn out of coaches – Rs 163.58 million

Periodical Overhauling (POH) and Nominated Repair (NR) of rolling stock was required to be carried out within the prescribed period.

Scrutiny of record of the Works Manager Carriage & Wagon Shops, Moghalpura, Lahore revealed that twenty (20) coaches received in the Shops for periodical overhauling during July to December, 2012 were not turned out till July, 2013 due to delay in overhauling. This resulted in loss of potential earnings of Rs 163.58 million.

The matter was taken up with the management in December, 2013. It was replied that the Stores Department was responsible who failed to supply the material required for periodical overhauling of the coaches. The reply was not tenable as timely arrangement of material was the responsibility of Railway management

DAC in its meeting held on 5th January, 2015 directed the PO to provide comparative statement for subsequent period showing the improvement in the process, for verification to Audit. No progress was reported till finalization of the Audit Report.

Audit emphasizes to fix responsibility for unnecessary detention of coaches causing loss of potential earnings. Internal controls need to be strengthened to avoid recurrence.

(DP No. 6192)

2.4.48 Wasteful expenditure without achievement of annual targets - Rs 70.54 million

The Production targets of following vital items were fixed for the year 2012-13 for Loco Shop, Moghalpura:-

Sr. No.	Particulars	Target Fixed (No.)
1	Break Blocks V-775	20,000
2	Break Blocks DE 2991	5,000
3	Break Blocks ZBFC	1,000
4	Spring Bearing TM-761	1,000

Audit of the Works Manager, Loco Shops, Moghalpura revealed that an expenditure of Rs 70.54 million was incurred during the year 2012-13 on account of Pay & Allowances, Overtime and Piece Work Profit

without any production. It depicted improper planning and mismanagement resulting in wasteful expenditure of Rs 70.54 million.

This was pointed out to the management in April, 2014. It was replied that due to non-availability of hard coke, production in Foundry Shop remained suspended. The labour of the Shop was engaged in shifting of Shop refuse from Foundry Yard to the Ash Yard. The reply was not satisfactory because timely arrangement of required material for production was the responsibility of the management. The utilization of labour for just dumping work did not justify payment to them for zero productivity.

DAC was informed in its meeting held on 5th January, 2015 that an inquiry committee was constituted. DAC directed the PO to expedite the process and complete the inquiry within one week under intimation to Audit. No compliance was received till finalization of Audit Report.

It is recommended that responsibility should be fixed for incurrence of heavy expenditure of Rs 70.54 million without any production.

(DP No. 6298)

2.4.49 Loss due to defective clause of contract –Rs 66.82 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Audit of the record of Chief Commercial Manager, revealed that M/s PRACS paid an amount of Rs 8.06 million on account of using Dining Car of 11-Up/12-Dn @ Rs 1.00 million per annum during the period from 15th February, 2006 to 14th August, 2014 as per Clause 6.2 of the agreement executed between PR and M/s PRACS on 13th January, 2006.

Audit observed that the Dining Car of 45-up/46-Dn was licensed out on 01st August, 2007 for 04 months @ Rs 1.77 million extendable for 06 months on 10% increase. At present the same was contracted out @ Rs 14.73 million per annum. Pakistan Railway sustained a loss of Rs 66.82 million for the period from 15th February, 2006 to 14th August,

2014 due to defective clause of the agreement in respect 11-Up/12-Dn as detailed below:-

(Rs. in million)

Period		45-Up/46-Dn	11-Up/12-Dn	Difference
From	To			
15.02.2006	14.02.2007	5.48	1.00	4.48
15.02.2007	14.02.2008	5.48	1.00	4.48
15.02.2008	14.02.2009	6.01	1.00	5.01
15.02.2009	14.02.2010	6.61	1.00	5.61
15.02.2010	14.02.2011	6.61	1.00	5.61
15.02.2011	14.02.2012	7.28	1.00	6.28
15.02.2012	14.02.2013	13.14	1.00	12.14
15.02.2013	14.02.2014	14.45	1.00	13.45
15.02.2014	14.08.2014	9.82	0.06	9.76
			Total	**66.82**

The above situation indicated that undue benefit was given to M/s PRACS which caused financial loss of Rs 66.82 million to PR.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

Responsibility is required to be fixed for making unfavourable agreement, resulting in loss to PR, besides initiating action against the defaulters. Agreement may be revised to safeguard the interest of Pakistan Railway and internal controls be strengthened to avoid recurrence.

(DP No. 6793)

2.4.50 Unnecessary procurement resulting in blockage of capital - Rs 61.51 million

Para 131 (1) of Pakistan Railway Code for the Stores Department provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Railway authorities procured material valuing Rs 61.51 million without proper planning which resulted in blockage of capital.

a) Audit of accounts of the Joint Director, Procurement Pakistan Locomotive Factory (PLF), Risalpur revealed that material valuing Rs 51.34 million was procured during December, 2008 to June, 2013 for two projects of procurement/manufacturing of 75 and 5 Diesel Electric Locomotives but the projects were not started till August, 2013 (date of inspection). The project of 75 DE locomotives was subsequently cancelled. This resulted in blockage of capital of Rs 51.34 million due to unnecessary purchase of material.

The matter was reported to the management in May, 2014. It was replied that the material was purchased for manufacturing spare-parts for other divisions of Pakistan Railways and the same was properly utilized. Although the expenditure of Rs 51.34 million was booked for the ongoing two projects due to non-availability of other account but a credit of Rs 398.14 million was given to both the projects. The reply was not satisfactory because funds allocated for projects could not be utilized for revenue works.

DAC in its meeting held on 5th January, 2015 showed concern for utilization of the project funds to incur expenditures on revenue works and directed the PO to make proper adjustment of amount against revenue head. DAC further directed to approach Ministry of Railways for the allocation of revenue funds to PLF, Risalpur for arranging the payment of pay & allowances on regular basis. No compliance was received till finalization of Audit Report.

(DP No. 6307)

b) Audit of the accounts of Managing Director Carriage Factory Islamabad, revealed that 30 Train line switch gear control panels for Diesel Generating (DG) valuing Rs 10.17 million, were purchased from M/S Quick Expo, Islamabad vide Purchase Order dated 12th April, 2013. These switch gear control panels were required for installation in DG sets which were not purchased due to non-finalization of the procurement case of DG Sets. This indicated that the material was procured before time due to poor planning and mismanagement which caused blockage of capital of

Rs 10.17 million. The same was deteriorating due to climatic conditions and also the warranty period had expired.

The matter was reported to the management in October, 2014. It was replied that contract for procurement of 30 DG Sets was cancelled on 23rd September, 2013 due to failure of the firm. The material would be utilized shortly in the execution of the project.

The reply was not acceptable as the procurement of Train line switch gear control panels was unjustified without availability of DG sets.

(DP No. 6440)

It is recommended that responsibility should be fixed for unnecessary procurement of material causing blockage of capital.

2.4.51 Loss of revenue due to closure of vending stalls – Rs 43.39 million

Para 807 of Pakistan Government Railway Code for the Engineering Department provides that all Railway land should be managed on commercial lines, and administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

Audit of the following formations disclosed loss of revenue amounting to Rs 43.39 million due to closure of 277 vending stalls:-

(Rs. in million)

Sr. No.	DP. No.	Formation Audited	Period of closure	No. of vending stalls	Amount
1	6566	Commercial & Transportation Department, Karachi	2001 to Aug, 2014	84	17.15
2	6621	Divisional Commercial Officer Lahore	Jan, 2004 to Mar, 2014	144	13.88
3	6518	Commercial & Transportation Department, Rawalpindi	Oct, 2010 to Aug, 2014	21	7.39

4	6682	Station Master Khanpur	Apr, 2000 to Nov, 2011	28	4.97
			Total	**277**	**43.39**

The matter was reported to the management in December, 2014 and January, 2015 but no reply was received till finalization of Audit Report.

It is recommended that matter may be inquired into for fixing the responsibility for not auctioning the stalls resulting in incurring heavy loss to PR. Furthermore, an efficient and transparent mechanism should be evolved for prompt and competitive auctioning of these stalls in future.

2.4.52 Non-disposal of condemned locomotives – Rs 40.95 million

Para 2401 of Pakistan Government Railway Code for the Stores Department stipulates that there accumulates on every Railway a large quantity of material of different kinds which is no longer useful for the purpose for which it was originally purchased or obtained and which is best disposed of either by auction sale at the best rates that can be obtained or by other special means.

Audit of accounts of the Chief Mechanical Engineer/Loco revealed that 13 Diesel Electric Locomotives were deleted from books on account of overage and beyond economical repair upto November, 2012. The process of condemnation of these locomotives was not finalized till August, 2013 (date of inspection). Thus, non-disposal of condemned locomotives resulted in blockage of capital amounting to Rs 40.95 million.

The matter was taken up with the management in December, 2013 but no reply was received till finalization of Audit Report.

It is emphasized that process of disposal of condemned locomotives may be finalized at the earliest to earn revenue.

(DP No. 6195)

2.4.53 Unauthorized utilization of Railway assets and non-recovery of rental charges – Rs 40.16 million

As per instructions issued by the Divisional Superintendent (DS), Rawalpindi on 27th April, 2000, Islamic International Medical College Trust (IIMCT) was allowed to take over the building of T.B. Ward (Sanatorium) Rawalpindi for renovation and development into Chest diseases Dermatology and Physiotherapy Unit. Further, Para 316 (a) of Pakistan Government Railway Code for the Accounts department

stipulates that the amounts due to Railway for services rendered, supplies made, or for any other reasons, are correctly and promptly assessed and recovered as soon as they fall due.

Audit of the Medical Superintendent, Railway Hospital Rawalpindi revealed that management of IIMCT was utilizing the above mentioned T.B Ward (Sanatorium) as nursing hostel in complete disregard of the above instructions as evident vide DS Rawalpindi letter dated 4th August, 2011. This resulted in unauthorized utilization of Railway assets and non-recovery of rental charges of Rs 40.16 million during the period from May, 2000 to February, 2014. The issue was earlier taken up through Draft Para No. 5661 in October, 2012. The DAC in its meeting held on 28th January, 2013 directed the PO that the vacation notice may be served and the matter be followed up for the recovery of amount but neither the outstanding rental charges were realized from the IIMCT nor the T.B. ward (Sanatorium) was got vacated from them.

The matter was again reported to the management in July, 2014. It was replied that the observation made by Audit was based on facts. The matter had already been brought into the notice of higher Railway authorities. The reply was not satisfactory as neither any action was taken by the Railway management against IIMCT nor efforts were made to realize the Railway dues despite DAC directives.

It is emphasized that the T.B. ward (Sanatorium) should be got vacated from IIMCT without further delay together with recovery of outstanding rental charges. Action should also be taken against those failing to secure Railway's interest.

(DP No. 6353)

2.4.54 Unauthorized handing over of Railway land resulting into loss on account of rental charges-Rs 26.21 million

Para 31.30(b) of Pakistan Railway Way & Works Manual provides that all leases or licenses shall be covered by agreements.

Scrutiny of record of the Deputy Director Property & Land, Rawalpindi revealed that a piece of Railway land measuring 105.90 marlas near Chaklala Railway Station was handed over to Joint Staff Headquarters, Rawalpindi in January, 2007 without executing agreement. This resulted in unauthorized handing over of Railway land valuing more

than Rs 31.77 million and loss of Rs 26.21 million on account of rental charges for the period January, 2007 to June, 2013.

The matter was taken up with the management in May, 2014 but no reply was received till finalization of this report.

It is recommended that proper lease agreement should be executed with the Joint Staff Headquarters, Rawalpindi and all charges be recovered without further delay. Action should also be taken against the person(s) responsible for unauthorized handing over of valuable Railway land.

(DP No. 6205)

2.4.55 Loss of potential earnings due to unnecessary detention of wagons –Rs 21.33 million

Para 1402 of Pakistan Railways Code for the Traffic Department (Commercial) provides that the period between the time when vehicles pick up a load and the time when, having made a trip, they are ready to pick up another load, is the turn-round. The quicker the turn-round, the fewer the vehicles required. On completion of safe and quick transit of loaded wagons by the Operating Department, it is up to the traffic or commercial staff to arrange for the quick unloading of wagons and their prompt release. This should be done by exercising a close supervision over the loading and unloading operations through the Wagon Transfer Register.

Scrutiny of record of the following formations revealed that PR suffered loss of potential earnings of Rs 21.33 million due to unnecessary detention of 21,184 wagons:-

(Rs. in million)

Sr. No.	DP No.	Formation Audited	No. of Wagons	Period	Days of detention	Amount
1	6608	Station Superintendent Lahore	19606	November 2011 to October 2014	49 to 1368	10.60
2	6457	Station Master, Wazirabad	84	November 2012 to September 2014	31 to 668	9.10
3	6529	Station Superintendent Quetta	1351	January 2013 to June 2014	44 to 563	1.07

4	6539	Station Superintendent Rawalpindi	143	July 2013 to June 2014	03 to 27	0.56
Total			**21184**			**21.33**

The matter was taken up with the management in November & December, 2014. No reply was received till finalization of this report.

It is emphasized that responsibility should be fixed for unnecessary detention of wagons causing loss of potential earnings.

2.4.56 Un-economical/impractical clause of agreement of Fareed Express resulting in financial loss - Rs 13.62 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Audit of the record of Chief Commercial Manager, Lahore revealed that defective compensation Clause 4.2 (i) was included in an agreement executed between PR and M/s PRACS for commercial management and passenger facilitation of 37-Up/38-Dn Fareed Express Train on 16th February, 2010 without keeping in view the ground realities of oil crisis which are reproduced below:-

> "Pakistan Railway will endeavor to maintain punctuality in case of late start of train from originating station. Beyond 02 hours rebate of 10% of the bid amount for that trip will be given"

Railway management failed to maintain punctuality of trains and M/s PRACS claimed an amount of Rs 13.62 million for the period from 15th April, 2010 to 31st December, 2011 on account of rebate of 10% of the bid money for the delayed trips. Had Railway management been more vigilant while framing the agreement keeping in view all aspects, an amount of Rs 13.62 million could have been saved.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

It is recommended that matter should be investigated to fix responsibility for inclusion of defective clause in the agreement resulting in loss to PR and action be initiated against the defaulters. Management controls be strengthened to avoid recurrence.

(DP No. 6795)

2.4.57 Loss of potential earnings due to illegal subletting of Railway assets – Rs 13.37 million

In terms of Clause-31 of revised agreement dated 10th June, 2004 between Pakistan Railways and Islamic International Medical College & Trust (IIMCT) Rawalpindi, land and building of the said hospital are and shall remain the exclusive property of Pakistan Railways. The 2nd party shall not assign or sublet the said premises or any part thereof to any third party. However, the 2nd party can allow utilization of land and building or any part of the said premises for creation of medical ancillary services for the hospital with prior approval of the Divisional Superintendent (DS). Further, in terms of Medical Superintendent (MS), Railway Hospital, Rawalpindi, letter No.17-Med/E/Misc/IIMCT dated 16th June, 2004, it was clarified by the administration of IIMCT that the pharmacy was entirely a welfare project and no rent would be charged for the pharmacy.

Audit of the Medical Superintendent, Rawalpindi revealed that hospital premises was illegally sublet by the IIMCT to private contractors, which caused loss of potential earrings of Rs 13.37 million to the PR, as detailed below:-

a) Two cafeterias and a parking stand were established by the IIMCT in the premises of hospital which were being run by the private contractors on commercial basis without any approval of the Railway authorities. A joint verification and measurement was carried out, on 6th May, 2014, by Audit Team and Inspector of Works, Rawalpindi, which revealed that 24,683 sft land was rented out by the IIMCT to the private contractors. Thus, PR was deprived of potential earnings of Rs 12.21 million during January to December, 2013.

   The matter was reported to the management in June, 2014. It was replied that IIMCT was directed to provide the approval of cafeterias but nothing was done. The reply was not acceptable as

the railway administration failed to take over the possession of illegal subletted cafeterias and parking stands besides recovery of the loss.

(DP No. 6334)

b) IIMCT sublet the pharmacy of the hospital to a private contractor M/s. Healers Pharmacy @ Rs 10,000 per month w.e.f.1st June, 2004. The establishment of the pharmacy was allowed by the DS Rawalpindi, vide letter dated 19th June, 2004. IIMCT authorities signed the agreement with M/s. Healers Pharmacy for subletting the pharmacy, in violation of agreement entered into. Thus, PR deprived of potential earnings of Rs 1.16 million during June, 2004 to February, 2014. The issue had already been taken up through Draft Para No. 5662 in October, 2012, subsequently printed as MFDAC Para. The DAC held on 27th & 28th December, 2012 directed the PO to take immediate action to lease out the pharmacy through open auction and report within one week but no further action was taken up till date.

The matter was again reported to the management in August, 2014. It was replied that the observation made by Audit was based on facts.

(DP No. 6354)

It is recommended that possession of cafeterias, parking stand and hospital pharmacy should be taken over from IIMCT for open auction together with recovery of rental charges for the period of illegal subletting of the facilities.

2.4.58 Loss of potential earnings due to non-finalization of auction process – Rs 11.44 million

Para 807 of Pakistan Railway Code for the Engineering Department provides that all Railway land should be managed on commercial lines and each Railway administration should endeavour to develop the resources of, and put to profitable use, any areas in its occupation which, though not eligible for disposal, are lying idle and can be put to profitable use.

Scrutiny of record of the Deputy Director Property & Land, Lahore revealed that 15 shops at Kot Lakhpat Railway Station were auctioned on 14th February, 2011 for 10 years, subject to enhancement of rent @ 5% after the expiry of each year, extendable for another 5 years. The bids of 15 individuals having value of Rs 2.65 million were accepted. Subsequently, the Director Property & Land, vide his letter dated 27th August, 2011, did not agree for leasing out the shops and directed not to submit any proposal for leasing out Railway land at Kot Lakhpat Station. 50% bid money was, therefore, refunded to the bidders. This resulted in loss of potential earnings of Rs 11.44 million (for the period 2011-2014).

The matter was reported to management in October, 2014 but no reply was received till finalization of this report.

It is emphasized that these shops may be auctioned to avoid further loss besides initiating action against the person(s) responsible for not deciding for the auction of said shops.

(DP No. 6437)

2.4.59 Loss due to free provision of reservation counters to PRACS – Rs 11.33 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Audit of record of the Chief Commercial Manager, Lahore revealed that Clause 5.2 was included in the agreement executed between Pakistan Railways and PRACS on 13th January, 2006 for passenger facilitation which provided that "PR would provide space free of cost to PRACS for reservation/booking staff in the existing reservation offices at Karachi City, Karachi Cant, Hyderabad, Rohri, Khanpur, Multan, Jhang, Rawalpindi, Lalamusa, Haripur Hazara, Havelian and any other station, whereas Railway administration provided the space for the same purpose to M/s Air Rail Services and M/s Four Brothers @ Rs 10,000 per month.

Had Railway management been more vigilant while framing the agreement, an amount of Rs 11.33 million could have been earned.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

It is recommended that matter should be investigated to fix responsibility for executing unfavourable agreement resulting in loss to PR besides initiating action against the defaulters. Management controls also need strengthening to avoid recurrence.

(DP No. 6798)

2.4.60 Unjustified payment of profit - Rs 11.27 million

As per Clause 2.4 of agreement dated 1st January, 2009, executed between Pakistan Railways (PR) and M/s RAILCOP for the "field maintenance and operation of track machines over the Railway system", M/s RAILCOP was required to repair, maintain, and operate all the track machines of PR and ensure availability of 75% track machines (10 out of 13) in good working condition. A track machine shall be considered as not-available/in-effective if it remains out of order for more than 4 days. Further, Clause 6.6 states that "the performance for the Financial Year 2007-08 shall be considered as the datum for assessment of the performance of RAILCOP. The performance of machines shall be higher initially at least by 25% than the datum in terms of availability and working hours after handing over to RAILCOP".

Audit observed that out of 13 track machines, only 1 to 7 (07% to 54%) machines remained effective each month during July, 2009 to June, 2013 as compared to the benchmark of 75%. Similarly, the actual performance (kilometers packed) remained 14% to 28% below the minimum target. Audit, therefore, considered that the payment of profit (8%) amounting to Rs 11.27 million to the RAILCOP from July, 2009 to June, 2013 (in addition to the actual cost) was unjustified because performance of the contractor was far less than the benchmark.

The matter was taken up with the management in March, 2014. It was replied that performance in most of the years was satisfactory, whereas performance in some years was normal due to less availability of time, staff and spare parts. The reply was not satisfactory because performance figures calculated by the management were not as per agreement.

Audit recommends that responsibility should be fixed for unjustified payment of profit inspite of unsatisfactory performance of the contractor and said amount be recovered under intimation to Audit.

(DP No. 6273)

2.4.61 Non-replacement of defective material - Rs 8.99 million

According to Warranty Certificate of the Purchase Orders, the contractor warrants that the stores will be in accordance with the particulars mentioned in the Purchase Orders and free from defects in material and workmanship. The contractor shall replace the material free of cost which at the time of receipt by the consignee under normal use prove defective in material or workmanship or fail to comply with the required performance.

Audit of the District Controller of Stores (Shipping), Karachi revealed that material valuing Rs 8.99 million was found defective by the consumers and returned to the DCOS, Shipping, Karachi for replacement which was lying in the Godown. Non-replacement of defective material within warranty period not only caused loss of Rs 8.99 million but also non-achievement of projected targets.

The matter was reported to the management in April, 2014. It was replied that 15 Starting Motors were handed over to the contractors for repair on 27th.September, 2014. Security deposit amounting to Rs 1.0 million of M/s Rail Product International, Lahore, was forfeited and firm was urged to deposit landed cost of material Rs 7.12 million but no response was received. Another firm agreed to deposit cost of 25 shafts amounting to Rs 0.24 million.

The DAC in its meeting held on 21st November, 2014 directed the PO to submit updated position along with copies of Bank Guarantee of the firm to Audit for scrutiny and requested the MoR to take-up the matter for finalization of issue. The compliance of DAC directive was awaited.

It is recommended that all out efforts should be made for replacement of defective material or recovery of its cost.

(DP No. 6292)

2.4.62 Loss on account of late payment surcharge to SNGPL – Rs 8.49 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

It was noticed that an amount of Rs 8.49 million was paid to Sui Northern Gas Pipeline Limited (SNGPL) on account of Late Payment Surcharge.

a) Audit of the Central Diesel Locomotive Workshop Rawalpindi revealed that an amount of Rs 7.74 million had been paid on account of LPS since 2007. This indicated that extra/avoidable expenditure was incurred on account of LPS due to failure of management.

   The matter was reported to the management in November, 2014 but no reply was received till finalization of this report.

   (DP No. 6460)

b) Audit of the Works Accounts Branch Peshawar revealed that defective Sui Gas meter of Running Room Loco Shed, Peshawar Cantt was replaced by the SNGPL in March, 2009. After installation of new meter, a bill of Rs 0.29 million was received for the month of April, 2009 which was on higher side, therefore, no payment was made by the Railway management and bill accumulated to Rs 0.60 million till October, 2009. Thereafter, Sui gas department disconnected the Sui gas connection of running room on 16th November, 2009. Finally, an amount of Rs 1.35 million was paid by the Pakistan Railway to SNGPL on account of arrear upto October, 2009 vide Cheque dated 1st January, 2014. Had the Railway administration been more vigilant while taking up the matter with sui gas department, a loss of Rs 0.75 million in the shape of extra payment could have been avoided.

   The matter was reported to the management in November, 2014 but no reply was received till finalization of this report.

(DP No. 6459)

It is recommended that responsibility may be fixed for not arranging payments of sui gas bills in time causing heavy loss to the PR. Arrangements should be made for making payment of utility supplies on top priority to avoid late payment surcharge.

2.4.63 Loss of potential earning due to closure/non-auction of parking stands - Rs 8.29 million per annum

Para 807 of Pakistan Government Railway Code for the Engineering Department provides that all Railway land should be managed on commercial lines, and administration should endeavour to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use. Such land is called "available" land.

Scrutiny of the record of the Divisional Commercial Officer, Lahore revealed that various parking stands at different stations over Lahore Division remained closed during the period from May, 2003 to April, 2014 due to non-extension in existing contracts or non-auctioning. It was poor planning and mismanagement. This resulted in loss of Rs 8.29 million per annum to Pakistan Railways.

The matter was taken up with the formation in August, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

Audit emphasizes that responsibility should be fixed for not taking the prompt action regarding renting out the Parking Stands besides initiating action against the responsible. Land management controls may be strengthened to avoid recurrence.

(DP No. 6625)

2.4.64 Loss due to extra expenditure- Rs 7.06 million per annum

According to Clause 4.6 of the agreement executed between Pakistan Railways and M/s Four Brothers International Limited, the 2nd party was required to pay Rs 10,000 additionally per month to Pakistan Railways (PR) for each stoppage. Furthermore, according to Mechanical Department of Pakistan Railways the train consumed 22 liters oil per minute for extra stoppage of train.

Audit of record of the Station Manager, Lahore revealed that two minutes stoppage was allowed by PR at Hyderabad and Rahim Yar Khan Railway Stations for Pak Business Express Train. Railway administration was recovering amount of Rs 20,000 per month from M/s Four Brothers instead of Rs 608,333 on account of actual consumption of oil by the train. This resulted in loss of Rs 7.06 million per annum to PR.

The matter was reported to the management in December, 2014 but no reply was received till finalization of Audit Report.

Audit emphasizes that clause of the agreement should be revised on the basis of actual expenditure on consumption of oil for extra stoppages and amount of loss be recovered from the firm.

(DP No. 6601)

2.4.65 i) Unauthorized leasing out Railway land - Rs 4.78 million
ii) Loss due to non-realization of Railway dues -Rs 1.07 million

Para 1801 of Pakistan Railway General Code provides that "means should be devised to ensure that every Railway servant realizes fully & clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part".

The audit of the Property & Land Branch, Peshawar in April, 2014 revealed that 5.62 acres land was leased out @ Rs 4,500 per acre per annum to Malik Mansoor Khan vide acceptance letter dated 10th December, 2007. Audit observed that the following irregularities were committed while leasing out the land:-

1. Auction was held for 5.62 acre land, whereas in the agreement 6.62 acre land was leased out to the above lessee resulting extra handing over of 01 acre land valuing Rs 0.72 million without approval of the competent authority.

2. Lease period of 03 years extendable further for 03 years was mentioned in the auction notice, whereas the lease agreement was executed with the above lessee for a period of 10 years extendable for further 05 years in clear violation of the auctioned notice as well as PPRA Rules.

3. 3.94 kanal land had been further leased out by the lessee on commercial basis for establishing hotel, cloth shop, taxi stand and coach stand etc. since August, 2012. Neither any action was initiated by the management against the lessee as per terms &

conditions, nor commercial rent amounting to Rs 1.07 million was recovered from the above lessee.

This resulted in unauthorized leasing of Railway land valuing Rs 4.78 million and loss due to non-realization of commercial rent amounting to Rs 1.07 million.

The matter was reported to the formation in April, 2014 and also to the management in December, 2014 but no reply was received till finalization of Audit Report.

Audit emphasizes that the responsibility should be fixed for giving undue favour to the contractor causing loss to Pakistan Railways besides recovering the amount involved.

(DP No. 6491)

2.4.66 Loss of potential earning due to inordinate delay in handing-over the possession of auctioned land/khokha shops - Rs 5.77 million

Para 818 of Pakistan Railway Code for the Engineering Department provides that (i) the interest of the Central Government and of the Railway administration is adequately safeguarded (ii) the rent obtained will provide a margin of profit.

Audit of the Deputy Director Property & Land, Lahore revealed that possession of the auctioned land/khokha shops was handed over to the successful bidders at Qila Shiekhupura and Sialkot with delay of 01 to 06 years. Thus, Pakistan Railways suffered loss of potential earnings of Rs 5.77 million on account of rental charges during the period November, 2004 to November, 2012 due to poor management.

The matter was reported to the management in October, 2014 but no reply was received till finalization of this report.

It is recommended that responsibility should be fixed for delay in handing over of land/khokha shops to the successful bidders.

(DP No. 6432)

2.4.67 Loss due to non-refund of security money by the NHA –Rs 3.36 million

According to Article 3 of Memorandum of Association of Railway Constructions Pakistan Limited (RAILCOP), the company was established to earn profit from different activities like advisory, surveys, designing, structural works etc.

Audit of accounts of the Managing Director RAILCOP, Islamabad revealed that 5% security money amounting to Rs 3.36 million was deducted by the National Highway Authority (NHA) from the running bills of RAILCOP against the work of "Improvement /Widening of existing underpass at Lawrencepur". The work was completed on 27th June, 2008 but RAILCOP management failed to get the refund of security from National Highway Authority despite lapse of more than 05 years after the expiry of maintenance period on 26th June, 2009.

The matter was reported to the management in November, 2014 but no reply was received till finalization of this report.

It is emphasized that immediate action should be taken for refund of security money from National Highway Authority.

(DP No. 6477)

2.4.68 Wasteful expenditure on Pay & Allowances of Mayo Garden School staff – Rs 2.73 million

Para 807(1) of Pakistan Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Scrutiny of record of the Director Education revealed that in PR Mayo Garden Girls High School there were only eleven (11) Railway and twenty three (23) Non-Railway students in October, 2013. During the year 2013-14 the school earned an amount of Rs 44,217, whereas an expenditure of Rs 2.77 million was incurred on the pay and allowances of the teaching and non-teaching staff. This was caused due to poor management of schools by the administration. There were many other PR schools in near vicinity like Moghalpura, Engine Shed, GT Road etc. where students of Mayo Garden School could have been transferred. Transport facility of PR was also available for the students. The loss of Rs 2.73 million could have been avoided by closing the school and transferring the staff and students to other PR schools.

The matter was reported to the management in November, 2014. It was replied that the school provided education to the children of poor Railway employees working in the Bungalows of Mayo Gardens. At present fifty eight (58) Non-Railway and twenty one (21) Railway students were studying in the school. The reply was not satisfactory as strength of students in this school was not sufficient for its further continuation. Thus, heavy expenditure was being incurred on the maintenance of this school without justification.

Audit suggests that staff and students of Mayo Garden School may be transferred to nearby PR schools to avoid further loss.

(DP No. 6451)

2.4.69 Non-attachment of dining cars with trains resulting in potential loss of earnings - Rs 2.59 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully & clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

Audit of the record of Station Manager, Lahore in September, 2014 revealed that Railway administration failed to attach the Dining Cars with 28-Dn, 14-Dn, 2-Dn, 10-Dn, 42-Dn and 44-Dn trains for 158 days during the period from January, 2013 to September, 2014. Resultantly, Pakistan Railways sustained loss of potential earning about Rs 2.59 million (158 x Rs 16,438) due to non-placement of dining cars with the above trains.

The matter was taken up with the formation in October, 2014 and to the management in December, 2014 but no response was received till finalization of Audit Report.

It is recommended that matter should be investigated to fix responsibility for non-placement of dinning cars with trains resulting loss to PR besides initiating action against the defaulters. Mechanism for the management of dinning cars needs to be devised to avoid recurrence.

(DP No. 6600)

2.4.70 Loss due to wrong calculation of departmental charges – Rs 2.42 million

Para 1049 of Pakistan Railway Code for the Engineering Department provides that when work is undertaken by the Engineering Department of Railway for outside parties including other Railways, government departments, public bodies (Municipalities, Port Trust, etc.) and employees of the Railway, departmental charges should be levied to cover the cost of tools and plant and of establishment supervision. The charges leviable will be 12.5% of the total cost of the work (wages and materials), including the cost of land, except where a rate higher than 12.5% is charged to government departments on a reciprocal basis.

Scrutiny of record of the Chief Civil Engineer revealed that the amount of departmental charges at the rate of 12.5% was not calculated correctly and an amount of Rs 2.42 million was recovered less. Thus, wrong calculation of departmental charges caused loss of Rs 2.42 million to the PR.

The matter was reported to the management in November, 2014 but no reply was received till finalization of this report.

It is recommended that responsibility should be fixed for wrong calculation of departmental charges and amount of Rs 2.42 million be recovered from the respective departments.

(DP No. 6466)

2.4.71 Non-recovery of dues on account of security arrangements - Rs 2.07 million

Para 316(a) of Pakistan Railway Code for the Accounts Department stipulates that the amounts due to Railway for services rendered, supplies made, or for any other reasons, are correctly and promptly assessed and recovered as soon as they fall due.

Scrutiny of record of the Station Manager, Lahore revealed that additional staff of Pakistan Railway Police Department was deputed with Pak Business Express Train for security purpose from 15th August, 2013 to 14th January, 2014. An amount of Rs 2.07 million as worked out by the Railways administration on account of pay & allowances of deployed personnel was recoverable from M/s Four Brothers.

The matter was reported to the management in December, 2014 but no reply was received till finalization of Audit Report.

Expedient recovery of dues should be made under intimation to Audit.

(DP No. 6599)

2.4.72 Less recovery of operational charges - Rs 1.88 million

Accordingly to instructions issued by the General Manager (Engineering) on 12th January, 1983, maintenance/operational charges of level crossings should be recovered in advance for five years from the sponsoring agencies before execution of work of level crossing.

Audit of the Works Accounts Branch, Multan disclosed that an amount of Rs 1.88 million was less recovered from the Executive Engineer, Central Civil Division, Pak PWD, Muzaffargarh, on account of maintenance/operational charges of two level crossings opened during 2010 as detailed below:-

(Rs. in million)

Sr. No.	Particulars	Amount recovered for 01 year	Amount to be recovered for 05 years	Amount less recovered
1	Providing Class-II (manned) level crossing at KM-110/2-3 between KOT Sultan-Jaman Shah Railway Stations on Sher Shah-Kundian section.	0.23	1.17	0.94
2	Providing Class-II (manned) level crossing at KM-130/12-13 between Layyah-Durrata stations on Sher Shah-Kundian section.	0.23	1.17	0.94
Total		**0.46**	**2.34**	**1.88**

The matter was reported to the management in June, 2014. It was replied that one year operational and maintenance charges were recovered from Pak PWD in compliance to the relaxation in policy by Prime Minister of Pakistan.

The reply was not acceptable as nothing was mentioned about operational and maintenance charges in the PM Secretariat letter dated 25th January, 2010 quoted by the management. The PM Secretariat had directed only for construction of level crossings/gates.

Action needs to be taken for recovery of remaining operational & maintenance charges from the Pak PWD without further delay.

(DP No. 6332)

2.4.73 Less recovery of rental charges - Rs 1.38 million

Para 316(a) of Pakistan Railway Code for the Accounts Department stipulates that the amounts due to Railway for services rendered, supplies made, or for any other reasons, are correctly and promptly assessed and recovered as soon as they fall due.

Audit of the Property & Land Branch, Peshawar, revealed that competent authority regularized the un-authorized shops No. 5 to 19 at Kundian, subject to payment of rental charges as per Railway policy dated 23rd July, 2001. It was observed that Railway administration calculated incorrect rental charges which were deposited by the lessee. Thus, PR suffered loss of Rs 1.38 million due to less recovery of rental charges for the period 1st January, 1988 to 31st December, 2000 and 16th June, 2010 to 31st December, 2013.

The matter was reported to the management in November, 2014 but no reply was received till finalization of this report.

Responsibility needs to be fixed for wrong calculation of rental charges causing loss to PR and amount of Rs 1.38 million be recovered from the lessee.

(DP No. 6481)

2.4.74 Loss due to non-auction of canteens and fixation of lesser rent – Rs 1.11 million

General Manager/Development had approved the canteen rent of each PR school/college for the year 2011-12 as "Rs 10 x Number of students = Earnings of one day". Earning of at least two days should be the minimum rent of canteen and more than that would be considered appreciable effort of Headmaster/ Headmistress.

Scrutiny of record of the Director Education revealed that canteens of twelve (12) PR schools and colleges having sufficient student strength were not auctioned during the year 2013-14. Further, the rent of two (2) canteens was fixed much less. Thus, PR suffered loss of potential earnings of Rs 0.90 million due to non-auction of canteens and Rs 0.21 million due to less fixation of rent of canteens.

The matter was reported to the management in November, 2014. It was replied that tenders were called for in August, 2014 but the process was not successful. Tenders had again been called for auction of canteens. The reply was not satisfactory because no action was taken against the defaulters fixing lesser rent of canteens causing loss to Railway.

Audit emphasizes to fix responsibility for the loss. Immediate action should also be taken for transparent auction of canteens.

(DP No. 6452)

2.4.75 Non-recovery of over loading charges - Rs 1.10 million

According to Clause 5.13 of the agreement executed between Pakistan Railways and M/s Four Brothers International Limited, in case of detection of overloading beyond the carrying capacity of the luggage vans i.e. 10 Tones, the second party can be fined upto Rs 50,000 in one offense. Upon accumulation of three (03) fines in a year the luggage vans shall be detached. Further, Clause 6.7 provides that Shalimar Express will not be permitted to be loaded beyond 100% carrying capacity.

Audit of record of the Station Manager, Lahore revealed that due to overloading of weight and passengers in Shalimar Express and Business Express trains the Railway administration imposed fine and excess freight charges of Rs 1.10 million upon M/s Air Rail Services and M/s Four Brothers. Amount involved was not recovered despite lapse of more than one year.

The matter was reported to the management in December, 2014 but no reply was received till finalization of Audit Report.

Amount may be recovered expeditiously under intimation to Audit.

(DP No. 6603)

Internal Control Weaknesses

2.4.76 Non-recovery of Railway dues – Rs 1,097.67 million

Para 316(a) of Pakistan Government Railway Code for the Accounts Department provides that amounts due to Railway for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due.

An amount of Rs 1,097.67 million was outstanding against various parties on account of rental charges and other Railway dues as detailed below: -

(Rs. in million)

Sr. No.	DP No.	Name of the formation/ assignment	Amount recoverable on account of	Amount recoverable from	Period	Railway dues
1	6469	Chief Engineer Civil	Maintenance and Operational charges	Government Departments	Upto June, 2013	449.32
2	6190	Deposit works over Multan Division	Maintenance and Operational charges	Government Departments	Upto Nov, 2012	304.38
3	6430	Deputy Director Property & Land, Lahore	Rental Charges	Oil Companies	2009 to Jan, 2014	83.34
				Private parties	2011 to Aug, 2013	8.42
				Food Dept., Punjab	Jul, 2005 to Jun, 2013	38.87
				Pakistan Postal Service Corporation	Jul, 2011 to Jun, 2014	15.36
4	6434	Deputy Director Property & Land, Lahore	Rental Charges	Lessee of Agricultural land	Dec, 2005 to Mar, 2012	4.92
5	6431	Deputy Director	Rental Charges	Khokha Shops	Nov, 1987 to Jan,	4.50

		Property & Land, Lahore			2014	
6	6449	Deputy Director Property & Land, Peshawar	Rental Charges	Post Master General, Khyber PakhtonKhawa	Jul, 2009 to Jun, 2014	10.45
				National Fertilizer Co., Risalpur	Jul, 2013 to Jun, 2014	0.72
7	6312	Deputy Director Property & Land, Rawalpindi	Rental Charges	Khokha Shops	Jan, 2007 to Dec, 2014	4.93
8	6317	Deputy Director Property & Land, Rawalpindi	Rental Charges	M/s Shell Pakistan Ltd	Dec, 2008 to Mar, 2014	3.74
9	6321	Deputy Director Property & Land, Rawalpindi	Rental Charges	Licensees of Agricultural land	2010 to 2014	3.13
10	6203	Deputy Director Property & Land, Rawalpindi	Rental Charges	Licensees of Agricultural land	Jan, 2010 to Nov, 2013	2.38
11	6266	Works Accounts Branch, Lahore	Rent and Penalty	Shop holders	Jun, 2011 to Aug, 2013	0.94
12	6839	Civil Engineering Department Multan	Operational, Maintenance & Rental Charges	Various Departments	Upto Jul, 2014	47.73
13	6540	Works Accounts Branch Rawalpindi	Rental Charges	Postal and Highway Departments	Upto Jul, 2014	41.65
14	6550	Works Accounts Branch	Maintenance Charges of Sidings	Different Govt. and Private	Upto Jul, 2014	34.20

		Rawalpindi		Parties		
15	6660	Property & Land Branch Peshawar	Rental Charges	Shop holders	Jan to Dec, 2014	26.08
16	6561	Commercial & Transportation Dept., Karachi	Rental charges	Cargo Contractors	Aug, 2011 to Mar, 2014	2.50
17	6557	Works Accounts Branch Rawalpindi	Rental Charges	National Bank of Pakistan	Jan, 2012 to Dec, 2014	2.07
18	6556	Civil Engineering Dept. Rawalpindi	Rental Charges	Lessee of Bungalow No. 207 at Malakwal	Nov, 2010 to Apr, 2014	1.92
19	6553	Civil Engineering Dept. Rawalpindi	Rental Charges	Khokha Shops	Upto Dec, 2013	1.54
20	6605	Station Superintendent Lahore	Rental Charges	Vending Contractors	Upto Sep, 2014	1.10
21	6494	Deputy Director Property & Land, Lahore	Rental Charges	Lessee of land (for stacking)	Dec, 2012 to Dec, 2014	1.05
22	6710	Station Superintendent Peshawar	Rental Charges	Habib Bank Limited	Jul, 2014 to Jun, 2015	0.99
23	6706	Station Superintendent Peshawar Cantt.	Rental Charges	Cargo Contractor	Aug, 2011 to Jul, 2014	0.70
24	6543	Works Accounts Branch Rawalpindi	Rental Charges	Licensees of agricultural land	Apr, 2012 to Jul, 2014	0.52
25	6630	Station Superintendent Multan	Rental Charges	Vending Contractors	Jul, 2014	0.22
					Total	**1,097.67**

The matter was taken up with the management during December, 2013 to January, 2015.

No reply was received against serial No. 3, 4, 5, 8 and 11 to 25.

It was replied against:

- Serial No.1 that instructions had been issued to all Divisional Superintendents to launch campaign to recover the outstanding amount.
- Serial No. 2 that an amount of Rs 123.97 million was recovered.
- Serial No. 6 that an amount of Rs 7.29 million was recovered.
- Serial No. 7 that an amount of Rs 1.16 million was recovered.
- Serial No. 9 that an amount of Rs 2.36 million was recovered.
- Serial No. 10 that an amount of Rs 1.31 million was recovered.

The response of the management was not satisfactory as huge amount was outstanding and recovery particulars were also not provided to Audit for verification.

Audit recommends that all out efforts should be made to recover all outstanding dues from the defaulters without further delay and accounts receivable management be improved to avoid recurrence.

2.4.77 Non-recovery of Railway dues from M/s Four Brothers, contractor of Business Express Train – Rs 961.50 million

As per Clause 6.1 of the contract agreement executed between Pakistan Railways and M/s Four Brothers on 18th August, 2011 for outsourcing of Business Express Train, an amount of Rs 3.19 million was required to be deposited by the firm on daily basis before commencement of the journey of the train. Any delay in payment will entail penalty of 5% of the amount. Pakistan Railways was authorized to suspend the train operation if amount was not deposited till the sixth day.

Audit of the record of Chief Commercial Manager, Lahore revealed that management of Business Express Train did not pay the Railway dues according to contractual obligations. An amount of Rs 915.68 million was less deposited by the firm. A penalty of Rs 45.78

million was also accrued thereon during the period from 4th February, 2012 to 14th July, 2014 as detailed below:-

(Rs. in million)

Due per day	To be deposited	Deposited	Deposited Less	5% Interest	Total outstanding
3.19	2,846.40	1,930.68	915.72	45.78	961.50

The issue was also highlighted through Audit Paras No. 2.4.8 & 2.4.48 (i) of the Audit Reports 2012-13 & 2013-14 respectively. The amounts pointed out through above Audit Reports were not recovered till 14th July, 2014 and recoverable amount got accumulated upto Rs 961.50 million.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

Audit emphasizes that all outstanding dues should be recovered from the contractor. Moreover, a proper mechanism should be devised for effective enforcement of the contractual clauses.

(DP No. 6783)

2.4.78 Recoverable amount of Rs 576.52 million from PRACS

Para-316(a) of Pakistan Government Railway Code for the Accounts Department Part-I stipulates that the amounts due to the Railway for services rendered, supplies made, or for any other reason are correctly and promptly assessed and recovered as soon as they fall due.

The audit of the record of Chief Commercial Manager, Lahore revealed that a meeting was held between Pakistan Railways and M/s PRACS on 24th June, 2014 for reconciliation of accounts receivable/ payable. According to minutes of meeting it was decided that PRACS would pay an amount of Rs 576.52 million within one month to Pakistan Railways as detailed below:-

(Rs. in million)

Particulars of out-standing	Out-standing	Amount adjusted	Amount to be paid to PR
Rohi & Hazara	486.89	126.07	360.82
Fareed Express	305.44	181.79	123.65
Bolan Mail	5.51	12.49	-6.98

8 Sets of Dining Cars	103.04	8.04	95.01
Debit raised by CCM on account of burning of Dining Cars and others	4.02	-	4.02
Total	**904.90**	**328.39**	**576.52**

This resulted in to non-recovery of Railway dues from M/s PRACS despite lapse of a period of more than six (06) months till August, 2014 (date of audit inspection).

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

Audit recommends that all out efforts should be made to recover all outstanding dues from PRACS without further delay and Accounts Receivable Management be improved to avoid recurrence.

(DP No. 6787)

2.4.79 Non-recovery of fine and damages –Rs 18.94 million

Para-316(a) of Pakistan Government Railway Code for the Accounts Department Part-I stipulates that the amounts due to the Railway for services rendered, supplies made, or for any other reason are correctly and promptly assessed and recovered as soon as they fall due.

Audit of the record of Chief Commercial Manager, Lahore revealed that amount of Rs 18.94 million was outstanding against the following:-

(Rs. in million)

Sr. No.	DP No.	Particular	Period	Amount	Remarks
1	6796	M/s PRACS	September, 2007	7.39	Damages of Dinning Car
			December, 2011	0.12	Fare of one extra coach
			July, 2014	0.06	Late remittance fee
2	6797	M/s Ittehad Cargo Goods, Karachi	January,2012 to April, 2012	0.36	Rental charges of Parcel Godown
		M/s Ittehad Cargo Goods transport, Lahore	June, 2012 to February, 2013	0.46	Fine for overloading
			May, 2012 to August, 2014	1.24	Rental charges

		M/s Four Brother	31 months	7.14	Fine for overloading
			2012 to 2013	0.57	Rental charges Parcel Godown
		Air Rail Services	May, 2012 to August, 2014	1.02	Rental charges
			December, 2013	0.58	Fine for overloading
			Total	**18.94**	

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no response was received till finalization of Audit Report.

Audit emphasizes that Railway dues should be recovered from the concerned without further loss of time and fool proof system of recovery be evolved to avoid recurrence.

2.4.80 Loss due to burning of coaches – Rs 16.85 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Audit of the Divisional Mechanical Engineer-II Karachi in November, 2014 revealed that one coach was burnt on 4th June, 2014 on line No. 04 near Train Dispatch (TD) Office Hyderabad. Subsequently, two coaches were also burnt on 31st October, 2014 at same location. It indicated that security arrangements were very poor causing heavy loss of Rs 16.85 million to the PR.

The matter was taken up with the management in December, 2014 but no reply was received till finalization of Audit Report.

Responsibility needs to be fixed for not making appropriate security arrangements, especially after burring of first coach in June, 2014.

(DP No. 6581)

2.4.81 Short recovery of accommodation charges from the contractor of Business Express Train - Rs 10.61 million

Clause 3.8 of the agreement executed between Pakistan Railways and M/s Four brothers on 18th August, 2011 for outsourcing of Business Express Train provides that rent for the use of passenger lounges will be paid by the 2nd party i.e. M/s Four Brothers in accordance with Article 6 on agreed terms & conditions.

Scrutiny of record of the Chief Commercial Manager, Lahore revealed that an amount of Rs 10.61 million was recoverable for the period from January, 2012 to February, 2014 on account of rental charges of sites/rooms handed over to M/s Four Brothers for running of Business Express Train at Lahore & Karachi.

The matter was taken up with the formation in November, 2014 and also reported to the management in January, 2015 but no reply was received till finalization of Audit Report.

It is recommended that prompt action may be taken at higher level for early realization of Railway dues. Moreover, internal controls may be strengthened to avoid recurrence.

(DP No. 6786)

2.4.82 Non-recovery of loans & advances – Rs 1.67 million

Para 316 (a) of Pakistan Government Railway Code for the Accounts Department stipulates that the amounts due to Railway for services rendered, supplies made, or for any other reasons, are correctly and promptly assessed and recovered as soon as they fall due.

Audit of the accounts of Managing Director, RAILCOP, Islamabad revealed that an amount of Rs 1.67 million was recoverable from the employees/ex-employees who were granted loans and advances during their stay in RAILCOP. Management failed to recover the loan and advances from the employees or ex-employees who left the RAILCOP, despite lapse of a considerable period. This caused loss due to lack of internal controls and poor management.

The matter was reported to the management in November, 2014 but no reply was received till finalization of Audit Report.

It is emphasized that efforts should be made to realize the outstanding amount without further delay and internal controls be strengthened to ensure recovery of loans and advances in time.

(DP No. 6478)

Others

2.4.83 Encroachment of Railway land resulting in loss to PR - Rs 8.54 million

Item No. 2 (a) of agenda No. 8 of the Minutes of Meeting issued by the Ministry of Railway, Islamabad vide their letter dated 26th August, 2005 stipulates that Railway land not required by Pakistan Railway in near future (after certification by the Division and Headquarter Office) may be leased out to only Government agencies for welfare purpose i.e. construction of schools, hospitals, parks, roads etc. @ 50% of the DC price for that area for 99 years lease on nominal rent of Re 01 per square foot per year.

Audit of the record of Property & Land Branch, Peshawar revealed that Nazim Union Council, Nauthia requested the Federal Minister for Railways on 29th May, 2006 to allow him to retrieve the Railway land near Loco Shed Railway Track Peshawar Cantt from the encroachers for establishment of Children Park. The work of excavation was started by the District Government without intimation of the Railway management. Land up to 400' feet length was excavated but the work was stopped by the IOW Peshawar.

The Divisional Superintendent, Peshawar vide letter dated 24th August, 2008 asked the Nazim to deposit amount of Rs 8.54 million as 50% cost of 17.07 Kanal and for final approval of long term lease. Required amount was not deposited by the Nazim.

Railway management failed to protect the Railway land from the encroachers. This resulted in encroachment of precious Railway land worth Rs 17.07 million. Had the land been leased out properly, PR could earn revenue of Rs 0.56 million during 2006-07 to 2013-14.

The matter was taken up with the management in November, 2014 but no reply was received till finalization of Audit Report.

It is emphasized that all encroachments should be got removed at the earliest, besides recovering the amount of rent from defaulters. Monitoring of Railway assets and properties should be improved to avoid further encroachments.

(DP No. 6480)

2.4.84 Unjustified purchase/re-imbursement of medicines – Rs 5.59 million

In terms of Clause-6 of agreement dated 10th June, 2004 executed between Pakistan Railways and Islamic International Medical College & Trust (IIMCT), medicines shall be provided to Railway entitled patients as per Pakistan Railways Drug formulary. If required IIMCT will try to provide medicines not included in the formulary, to the deserving patients.

Audit of the Medical Superintendent, Railway Hospital Rawalpindi, in January-February 2014, revealed that an amount of Rs 5.59 million was spent on local purchase/re-imbursement of medicines during the year 2012-13, whereas these medicines were required to be provided by the IIMCT. Neither the Pakistan Railway drug formulary was got approved from the Railway management nor the lifesaving & other important drugs were included in the formulary. This resulted in unjustified purchase/re-imbursement of medicines involving amount of Rs 5.59 million.

The matter was pointed out to the formation in February, 2014. It was replied that the observation made by Audit was based on facts. Medicines which were being purchased locally should be included in Hospital Drug Formulary so that same could be provided to Railway patients within the hospital. The matter was also reported to the Ministry of Railways in July, 2014 but no response was received till finalization of Audit Report.

Audit emphasizes that responsibility may be fixed for non-implementation of agreement properly resulting loss to PR. Action should be initiated against the IIMCT management and agreement be implemented in its true letter & spirit for the benefits of Railway patients. Internal controls may be strengthened to avoid recurrence.

(DP No. 6350)

2.4.85 Unauthorized deployment of two constables with Ex-Federal Minister resulting in loss of their precious lives – Rs 3.00 million

Para 602 of Pakistan Government Railway Code for the Accounts Department provides that the officer by whom a pay bill is signed is responsible for the correctness of facts regarding the actual employment on their legitimate duties of the establishment for whom pay is drawn. The internal check of pay bills should accordingly be conducted on this assumption.

Audit of the Superintendent Railway Police, Rawalpindi disclosed that two constables of Rawalpindi Division were deployed to perform

duties with the Ex-Federal Minister for Railways at Peshawar, against their legitimate duties. These constables were martyred (Shaheed) in a suicide bomb blast on 16th April, 2013 at Yakka Tot, Peshawar, while performing their duties in the political campaign of the Ex-Minister for forthcoming elections. This resulted in a great loss of precious lives of these constables and Railway had to pay Rs 3.00 million as compensation.

The matter was reported to the management in April, 2014. It was replied that the law and order situation in the country particularly in Khyber Pakhtun-Khawa province was tense. Since taking over the office of Federal Minister for Railways, he was provided security by the then SRP Rawalpindi owing to serious threat to his life.

The reply was not acceptable as the security was provided to the ex-Federal Minister during his political campaign which was held in May, 2014.

DAC in its meeting held on 5th January, 2015 decided to lay down the matter before PAC.

It is emphasized that the matter should be investigated to fix responsibility for unauthorized deployment of Railway staff of Police department. Further, human resource management also needs to be strengthened to avoid recurrence.

(DP No. 6289)

2.4.86 Irregular expenditure on appointments made by RAILCOP – Rs 1.08 million

Serial No. 133 of Establishment Code regarding Recruitment/ Appointments, Seniority and Promotions provides that post for contract appointment should be advertised and selection should be made by the Departmental Selection Committee as per recruitment rules.

Audit of the Managing Director/RAILCOP, Islamabad in March-April, 2014 revealed that the following 05 employees were appointed in the RAILCOP during the period March to December, 2013 without observing the rules/procedures of appointment.:-

Sr. No.	Name	Designation	Amount Paid (Rs. in million)
1	Muhammad Sadiq Raja	Project Director/Defence Service	0.60
2	Miss Asma Akhtar	Assistant Manager/Finance & Accounts	0.07

3	Abu Bakar Saleem	Assistant Manager/Project	0.24
4	Qaiser Sajjad	Assistant Manager/Accounts	0.04
5	Anwar Zaib	Driver	0.13
		Total	**1.08**

Besides, the officer mentioned at Sr. No. 1 above was provided an official vehicle on which expenditure was incurred by the RAILCOP. This resulted in irregular expenditure of Rs 1.08 million on account of pay and allowances of appointments during March, 2013 to April, 2014.

The matter was reported to the management in December, 2014 but no response was received till finalization of Audit Report.

It is recommended that the matter should be investigated at an appropriate level to fix responsibility for appointment of officers without observing rules/procedures besides taking action against the defaulters. Management controls may be strengthened to avoid recurrence.

(DP No. 6486)

COMPUTERIZED RESERVATION SYSTEM & E-TICKETING

Chapter – 3 Computerized Reservation System & E-Ticketing

3.1 Introduction

This report focuses on two systems of Pakistan Railways i.e. Computerized Reservation and E-Ticketing System. The brief description of the systems is given below:

3.2 Computerized Reservation System

The computerized reservation was started at Lahore and Karachi by Norsk Data (N.D), a Norway company in early nineties (1988-1993). The system was abandoned due to non-availability of support. The reservation and ticketing system was outsourced by Pakistan Railways in 1991 by engaging two companies M/S Innovative and M/S Global. This system was also discarded due to some technical problems and high maintenance costs.

The current reservation system was developed by MIS team of Pakistan Railways in 1996 by using the following:

i) OS SCO UNIX,
ii) Database Oracle 6,
iii) Development Tool JYACC Application Manager (JAM); and
iv) SQL Report

During the first phase reservation system was implemented at Headquarters Reservation Office, Lahore in 1996. After successful functioning of the software it was installed at Karachi Reservation office in 1997.

During the year 2001, the connectivity of Headquarters Reservation Office Lahore with two reservation offices (Rawalpindi, Karachi) was accomplished using PTCL fiber optic infrastructure. This technology is being used at 31 Stations of Pakistan Railways. The facility of passenger return reservation was achieved by modifying application software. In order to facilitate the public about seat availability and other information data has been hosted at the Pakistan Railways Website www.pakrail.com.

The existing hardware was upgraded and the operating system as well as database were replaced with SCO Open Server 5.0.6 UNIX and Oracle 7.1.3 in 2002-03.

The new feature of computerized tickets was introduced in 2002 from Headquarters Reservation Office Lahore in order to provide public

one window facility. This automation facility has been extended and implemented at 42 remote locations all over the network (detailed in Annexure-2).

3.3 E-Ticketing System

The E-Ticketing system was launched in October, 2007 with the help of e-merchant services of Citibank to facilitate the public and internet users. The system was discontinued from January 8, 2008 due to non-acceptance of two clauses 6.3 & 6.7 by Citibank. New proposal was received from MCB in January, 2008 however; no action has been taken till date. There were 121 passengers who reserved their tickets through E-Ticketing system out of which 59 passengers got their tickets cancelled. Therefore, only 64 passengers have travelled so far by availing E-ticketing system.

3.4 Communication and Networking System

The current communication and networking system of Pakistan Railways was operational with the help of the infrastructure leased by PTCL known as DXX leased Circuits. Through these circuits reservation offices were connected to each other on dedicated line which was not connected to internet and presently 42 sites have been interlinked (detailed in Annexure-3).

The network is secure and impenetrable by anyone on the internet. It also caters the requirement of the software as each division has its own server. Each division is connected to the remote stations of that division. These servers are further connected to each other through higher bandwidth DXX Circuits. While this network caters for the requirement of software, its demerit is that if the link of one division is down the inter-connected divisions and then linked remote stations are cut off from the entire network.

3.5 Audit Objectives

The basic objectives of the audit were to:-

i) Review project's performance against intended objectives.
ii) Assess whether project was managed with regard to economy, efficiency and effectiveness.
iii) Review compliance with applicable rules, regulations and procedures.

3.6 Audit Scope and Methodology

The audit covered the significant areas of Pakistan Railways Computerized Reservation and E-Ticketing systems. The system analysis at Headquarters office was carried out and system documentation and records were scrutinized. The data for the year 2009-10 and 2010-11 was used for the analysis. The I.T environment assessment was carried out which includes physical & logical access assessment, change management assessment and network security assessment etc. Different audit methodologies including understanding of the systems, review of cases, field survey, analysis of architecture design, software, networking and I.T controls and interview of key management and operational personnel was carried out during the course of audit.

3.7 Audit Findings

Audit findings relating to system, operational and control deficiencies are enumerated in succeeding paragraphs.

3.7.1 Performance of Computerized Reservation System

A computerized reservations system (CRS) is used to store and retrieve information and conduct transactions of the passengers in best possible manners. The Passenger Reservation and Ticketing System is a Passenger Seat/Berth reservation process. It incorporates a Transaction Processing System (TPS) which deals with checking the seat availability in a certain train on any specified date and class. The seat or berth is reserved for the Passengers and the passenger's information is recorded.

The following deficiencies were observed in the reservation system:

i. The system did not cover all types of passenger ticketing, including Printed Card Ticket (PCT), Blank Paper Ticket (BPT), Excess Fare Ticket (EFT), and Monthly Season Ticket (MST).It has not been able to produce complete accounting and statistical information relating to passenger traffic. It was incapable of maintaining relational database for the production of various reports as well as on line queries. There were lot of manual checks and controls and PR has not been able to generate even a single final report from this system (Detailed in Annexure-4).

ii. The system was unable to produce system generated ticket rather printed ticket cards, which were pre-numbered and were placed

into the printer and passenger information was printed on this ticket card.

iii. The system was unable to calculate the refund percentage which was entered in the system manually.

iv. The system picked only one location two times and the other location was ignored if the reservation officer logged on from Railway Headquarter and then logged on from Railway Station Lahore. The figures of daily cash summary did not, therefore, match with the cash in hand. (detailed in annexure-5)

v. Only 11 percent passengers reserved their seat through computerized reservation during the year 2009-10 and 2010-11. This depicted that Pakistan Railways had yet to take 89% of the passengers on board (detailed in Annexure-6).

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that the tickets were booked through Computerized Reservation and Ticketing System 30 days in advance. Therefore, tickets types like BPT, EFT & MST were not covered in this system. The objection raised by Audit about manually entering the percentage was then being taken care of.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee pended the Para with the directive that all stake holders i.e. FA&CAO/Revenue & CCM etc. should be taken on board and system be improved as per needs of the day.

In compliance of DAC directive, correspondence with FA & CAO / Revenue and CCM was provided to Audit for verification. It was noticed that the practical steps were not taken for improvement of the system.

Audit recommends that necessary steps should be taken for improving the performance of system.

3.7.2 Performance of E-Ticketing System

Pakistan Railways started E-Ticketing to buy train tickets online on all trains from Rawalpindi, Lahore and Karachi and vice versa, without having the need of going to the railway station. The purpose of E-ticketing was to save time and hassle.

Audit observed that the E-ticketing system was started from November 2007 with the collaboration of M/S Citibank. The system remained operational only for three months due to non-acceptance of two clauses (detailed in annexure-7) and Citibank closed the E-Ticketing

System on January 29, 2008. Expenditure incurred for the inauguration of E-Ticketing worked out to Rs 0.10 million (Annexure-8) had gone waste and no feasibility was ever made to evaluate the cost and benefits of the project. After closing the system from Citibank, MCB submitted their proposal for providing E-ticketing gateway, however, no action had been taken by the management and the system had been closed for the last five years without any reason.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that E-Ticketing was stopped due to some issues with the Citibank. The up-gradation of reservation & ticketing system was under process.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed the PO that documentary evidence of the efforts made be provided to Audit within a week which has not so far been received.

In compliance of DAC directive, the copies of "Request for Proposals" and unsigned tender notice were provided to Audit. The bidding documents were not shown to Audit. The tender was initiated in April 2014 but it had not yet been finalized.

The matter may be investigated at appropriate level for not exploring gateway from other banks and non-finalization of proposal of MCB even after the lapse of more than five years. The progress of the up-gradation of reservation particularly in respect of E-ticketing be intimated to Audit.

3.7.3 Deficient Acquisition of Hardware and Communication Network

Acquisition and maintenance of hardware including the communication network is a vital phase in implementation of computerized system. For the system to function effectively, it is imperative to ensure that the hardware procured is compatible. Ad-hoc implementation results in mismatches with a possible impact on system efficiency.

Audit observed that if the communication link of one division was down the inter-connected divisions and their linked remote stations were cut off from the entire network. The Communication Network as shown below depicted that seven divisions were interdependent:

Divisions	Directly Connected to	Indirectly Connected to
Karachi	Lahore, Quetta,	Peshawar, Rawalpindi, Multan

	Sukkur	
Lahore	Karachi, Rawalpindi, Multan	Quetta, Peshawar, Sukkur,
Multan	Lahore	Karachi, Quetta, Rawalpindi, Peshawar, Sukkur
Peshawar	Rawalpindi	Lahore, Multan, Quetta, Karachi, Sukkur
Quetta	Karachi	Lahore, Multan, Rawalpindi, Peshawar, Sukkur
Rawalpindi	Lahore , Peshawar	Karachi, Multan, Sukkur, Quetta
Sukkur	Karachi	Lahore, Multan, Rawalpindi, Peshawar, Sukkur

The four divisions i.e. **Multan, Peshawar, Quetta & Sukkur**, were dependent on Lahore, Rawalpindi, & Karachi respectively. There had been no other option for these divisions to maintain communication link. These had to be in working condition all the time. When the respective division's link was down, they were cut off from the entire Computerized Reservation System. The position of disconnection of communication network was presented below:

			Out of Forty (40)
Divisions	**If one(1) Division Down**	**Connect with Location**	**Disconnect with Locations**
Karachi	Lahore	13	**27**
Lahore	Karachi	27	**13**
Multan	Lahore	7	**33**
Peshawar	Rawalpindi	8	**32**
Quetta	Karachi	1	**39**
Rawalpindi	Lahore	8	**32**
Sukkur	Karachi	7	**33**

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that in order to comply with the recommendation of Audit CEN/Telecom had been approached to provide two additional connections to connect Multan with Sukkur and Quetta with Peshawar division.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed the PO to deposit the Demand Notice under intimation to Audit, but no action has so far been taken.

In compliance of DAC directive, the copy of demand notice dated July, 2013 for DXX circuits was provided but evidence of the payment was not shown to Audit.

Pakistan Railway (PR) should strengthen its communication network and ensure it to be centralized. In case of up-gradation, compatibility with existing systems needs to be ensured. Corrective actions need to be taken immediately to avoid any communication network breakdown.

3.7.4 Deficient Software Acquisition and maintenance

Software acquisition and maintenance needs to be based on following principles:

i. Procurement policy should be designed to deal with current technologies and future requirements consistent with best practices.
ii. A framework to plan and coordinate software requirements, effective & efficient procurement support function should be in place and
iii. Identification of after sale services requirement/support to users and system developers be made.

Further, Oracle provides online support for any problems encountered by users but support is available only for latest versions. Ifa Company purchases old version or implement old version either no support is available or limited support is provided by Oracle experts.

Audit observed that during the year 1996, when PR was working on Oracle 6, newer version of Oracle 7 was introduced and was fully working all over the world. During 2002 CRS switched to Oracle 7.1.3while at that time latest version of Oracle 9i was available in the market with full support of internet and other advanced features. Therefore, at the time of initiation of CRS latest versions of software had not been obtained which created a lot of problems and hindrances in implementation of computerized reservation system and E-ticketing.

The matter was taken up with management in April, 2012. It was replied in July, 2013 that the Oracle version was upgraded from Oracle version 6 to Oracle 7.1.3 in 2004. The Oracle 9 was also available at the time, but up-gradation and compatibility with front end JAM (Jyacc Application Manger) was not technically possible. Regarding up-gradation

of Reservation & Ticketing system, proposal was floated for approval of the competent authority.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed the PO to implement the recommendations of Audit without further loss of time.

The recommendations were not implemented and it was stated by Director IT that these would be implemented after up-gradation of the system.

Pakistan Railways Computerized Reservation System should be improved/upgraded with latest IT resources. While planning the procurement of any IT system, PR needs to obtain the user requirement, ensure timely procurement and compatibility with existing systems.

3.7.5 System Design Deficiencies

The design phase comprises of detailed architecture of all modules. The Systems Architectural Design is built around a Database in a multi-user environment. The Database is accessed by a limited number of users from dumb terminals (system design diagram Annexure-9)

Audit noticed several system design deficiencies in the existing Software:

a) Adjustment of late train departure time:

It was noticed that the actual train departure time was not updated on the system. This might cause complexity and wrong refund management.

b) Interface was not user friendly:

It was noticed that the booking clerk would open two screens at the same time. He had to go back and then open the required screen. There was no option in the system to open two or more screens at the same time.

c) Cancellation and Refund of Tickets:

It was noticed that the amount of all the cancellation and refund of tickets was entered manually. There was no provision in the software to calculate refund automatically according to the percentage and timing. Further, these manual corrections were not entered in the system. This caused errors in the earnings report which should be sorted out as soon as possible.

d) Absence of bilingual (English & Urdu) printing of ticket:

It was noticed that the ticket printing was only in English Language. There was no provision to print tickets in our national language as most of the passengers could not read English.

e) System not integrated with external booking agencies:

It was noticed that the software was not linked with the external booking agencies like Post office, NADRA, PRACS or other city booking agencies.

f) Seat Plan:

There was absence of active seat maps, graphical seats and placement selection.

g) Reports:

It was observed that the reports were exported in PDF format only, which were useless for the analysis of the data. There should be provision in the system to export all outputs in word, Excel etc.

h) User management:

There was no restriction for user to login from a different location. For example, while sitting in Headquarter one could login from Lahore Station. This resulted in wrong figures of revenue of the locations and non-reconciliation of the cash in hand. The situation had been faced by the locations frequently and was very confusing.

The matter was taken up with management in April, 2012. It was replied in July, 2013 that the:-

a) The system was developed, as per user's instructions. The objection raised was not communicated by the Commercial department.

b) The existing text based system was developed in 1996 by using JAM which was not GUI (User friendly).

c) The objection raised was being taken care of. The work is in progress.

d) The existing reservation and ticketing did not support bilingual tickets, which was not desired at the time of development of the system.

e) Due to incomparability of the software, the link was not possible.

f) It was text based system. It could not support graphic interface.

g) The existing reporting tool (RPT) did not support such feature.

h) The cash received was always accurate with the computer generated cash summary.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed the PO that the improved system may be got verified from Audit.

The recommendations were not implemented and it was stated by Director IT that these would be implemented after up-gradation of the system.

Audit, therefore, recommends that:

i. Actual train departure time should be mentioned.

ii. While up-grading the system, this aspect should be taken care of.

iii. This should be rectified immediately to avoid wrong cancellation and refund of tickets.

iv. The option of bilingual tickets should now be incorporated.

v. Regarding item No. e, f, & g it was replied that the system did not support such features which was evident that the system was obsolete and was not able to provide necessary support as per current requirements.

vi. The reply was not tenable against serial No. (h) as there were instances of difference of reported figures of revenue.

3.7.6 General Controls deficiencies

General controls are those controls which regulate the environment in which the IT operations are run. These cover areas like IT practices pertaining to system documentation, IT security and information protection, change management policies, disaster recovery and business continuity planning.

Audit observed that essential documents of PRCRS such as system documentation, operational manual, training manual etc. were not available at all the locations. The risks associated with non-maintenance of sound documentation include:

- Unauthorized working practices being adopted by IT staff, like late night working after office hours.

- Increase in the number of errors made by IT Staff like a lot of manual checks and corrections in the reports,
- The risk of system non-availability and increase in down time in the absence of technical documentation which would help troubleshooting,
- Change management problems like fare updating deficiencies.

During the review of Headquarter and Lahore Station reservation offices, it was observed that there were instances of unauthorized working practices, different system functionalities, errors in functioning of the system which remained unresolved for long period of time.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that the system documentation had been prepared since long. The training practice is being adopted in IT Directorate to familiarize the concerned user.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed to get the stated facts verified from Audit.

In compliance of DAC directive, the soft copy of system documentation was provided. However, it was found that same was not quite complete and comprehensive to meet with the end user requirements.

Audit, therefore, recommends that the system documentation and operational manuals should be made available at every location to facilitate troubleshooting.

3.7.7 Inadequacy of Security Policy and Physical access control

The organization has an obligation to ensure security for IT and related assets including data, applications, infrastructure and personnel to ensure confidentiality, integrity and availability of the information and communication systems. IT and related assets should be physically safeguarded with spatial reference to servers and other critical systems with access only to specifically authorized personnel.

Audit observed that:

- Access to all the locations, where the server was kept, was neither restricted nor monitored through electronic security systems. This rendered the entire PRCRS vulnerable to disruption by outsiders and unauthorized elements.

- CCTV systems were yet to be implemented.
- There was a risk of system non-availability and increase in down time in the absence of technical documentation.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that the observation had already been circulated to all divisions for strict compliance.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the DAC directed the PO to implement the recommendations of Audit without further loss of time under intimation to Audit.

In compliance of DAC directive, a copy of the letter circulated to Divisions in July, 2013 for enhancement of security was provided. However, the recommendations still remained to be implemented.

Audit, therefore, recommends that

i. The actions taken for the implementation of recommendations and progress of the matter be intimated to Audit.

ii. PR needs to draw comprehensive IT policy including IT security policy with adequate documentations. A credible threat assessment mechanism should be developed and adequate physical access controls be instituted to safeguard PRCRS assets, especially the server at all the locations.

3.7.8 Irregularities in Management of Various Quotas

Various quotas for accommodation are prescribed by PR from time to time. The accommodation in some trains is earmarked specifically for security personnel, Railway staff, and medical teams etc, which have to be managed effectively.

It was observed that various quotas for accommodation in trains were not properly managed and not automatically taken back as per rules. These quotas were part of reservation system and resulting in decrease in availability of seats in various trains to the general public. This not only resulted in loss of revenue to the Railways but also provided scope for malpractices in seat/berth allotment during the journey.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that all quotas were allocated and managed by the Commercial department.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed to get the stated facts verified from Audit.

In compliance of DAC directive, verification was carried out by Audit which revealed no improvement in the management of various quotas.

Audit, therefore, recommends that:

i. PR should strengthen its control mechanism and build suitable validation checks in the system to ensure that accommodation under various quotas were not misused.

ii. PR should ensure that unused accommodation in these quotas will be taken back to the general pool systematically to optimise utilisation.

3.7.9 Deficient Fare Management System

A dynamic passenger reservation system is based on the policies of the Government. The framework of rules undergoes changes and these need to be incorporated into the system in time. A sound change management procedure ensures that the requisite changes are made into the software in an authorised, accurate and timely manner.

It was observed that the increases in passenger fares were announced approximately fifteen (15) days before the applicable date, but the request was forwarded from CMM office a day before. The IT staff waited till end of the day and then over-writes the fares on the system table. Due to this practice, all the passengers, who wanted to travel after the applicable date, reserved their seats on old rates as the software had no provision to book seats on new fares. This practice caused huge loss to Pakistan Railways. Audit was unable to calculate the exact figure of loss due to non-availability of data.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that:-

i. Due to software incompatibility, the Fare Management System developed in Oracle 10g cannot be integrated with the existing reservation and ticketing system due to technical incompatibility. This feature will be integrated with the newly developed system.

ii. Current Reservation & Ticketing System did not support seasonal, promotional and holiday tickets. For these reasons this feature was not incorporated in the Fare Management System.

iii. Old fare tables were always stored when new fares were implemented. Over writing of fares were already prohibited.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed to get the stated facts verified from Audit.

The recommendations were not implemented. It was stated by the Director IT that same would be incorporated in the proposal for up-gradation of the system.

Audit, therefore, recommends that:

i. System should be fully integrated with fare calculation system,

ii. It must be capable to define and manage fares for any concession or any seasonal, promotional and holidays offers,

iii. Fares should be changed on one click and previous fare table should be part of the software and over writing must be prohibited.

3.7.10 Disaster Recovery and Business continuity Plan

A structured disaster recovery plan is essential to reduce the risks arising from unexpected disruption of the critical systems and to have continuity in business activities. The disaster recovery plan usually includes provision for off-site storage of valuable data and also backup server at an alternative location to continue the business operations, in the event of a major disaster at the main server site.

Audit observed that:

- There was no structured and documented disaster recovery policy for PRCRS.
- There was no alternate site with reserve servers for transacting reservation related business in case of a physical or manmade disaster.

- There was no back up available on sites. The entire data backup was maintained in IT department.
- Fire alarm detection system was not installed at many locations.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that in order to meet with the disaster, IT department had already planned for recovery procedure. The backup server was placed at each location.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the DAC directed the PO to provide revised reply for verification by Audit.

In compliance of DAC directive, it was replied that the disaster recovery plan was incorporated in the project of the up-gradation and would be implemented after the completion of the project. Periodic backups were taken for smooth working of the system.

Audit emphasizes that Pakistan Railways should develop a structured disaster recovery policy. Backup system may be developed for business continuity as well as data storage. All the locations should be adequately protected from damage through fire, water etc.

3.7.11 Application Controls Deficiencies

Application controls ensure that the transactions are carried out according to the business rules of the organization by the authorised persons. These controls contain validation checks to cover input, processing and output operations of the systems. Further, the main objective of the PRCRS is to bring transparency to the entire process of booking of tickets and to make available seats to bona fide passengers according to extent Railways Rules.

Audit observed that a number of validation controls were either absent or deficient in the system, which adversely affected the objective of transparency in seat availability to the passengers as detailed below:

- Transactions were made beyond the time of booking from different terminals.

- Validation checks were weak and tickets were booked on fictitious details, indicating a risk of proxy booking in advance and thereby decreasing the availability of seats to genuine passengers.
- The application software did not have validation checks to ensure compliance with the rules governing break journey.
- Trains and stations are incorrectly defined in the system, thereby preventing reservation of accommodation against them. The status of the late running of trains was not set promptly leading to incorrect refunds to passengers.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that:-

i. A separate module was required to be developed in order to control the transaction within a time limit. Upgraded system will incorporate such feature, as recommended.

ii. Computer could never judge whether passenger details were real or fictitious. In upgraded system these checks other than passenger details will be implemented with greater controls.

iii. The validity checks of break journey had already been implemented in the Reservation & Ticketing system.

iv. The trains and their respective stoppages were very correctly defined into the system. The refund procedures were being computerized. The recommendation of Audit to incorporate the late running of train timing will also be incorporated in newly developed refund system.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed to get the stated facts verified from Audit

It was found during verification that checks to block the transections after working hours were implemented but same were removed due to certain reasons. The deficiencies pointed out, however, still existed.

Audit, therefore, recommends that

i. PR should strengthen its control mechanism to prevent transactions taking place outside the specified hours as this increases the risk of unauthorised booking.

ii. PR should build adequate checks into the system software to prevent reservation on fictitious and incomplete details to increase credibility and confidence in the system.

3.7.12 Deficient control on Passes, free vouchers etc.

Passes and free vouchers are issued as privilege to the Pakistan Railways and other defined government employees. Employee cards are issued to avail these benefits.

It was observed that PRCRS was unable to verify the authenticity of passes and vouchers. There were no pre-checks defined in the system for checking the authenticity. The booking clerk took copy of the vouchers which had never been reconciled with the issuing department. Even if wrong pass or voucher number was punched no system existed to check and rectify the mistake.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that a letter had been written to Commercial department to provide the detail of Card Passes to IT Directorate for verification at the time of booking. Verification of privilege Passes/PTOs will be implemented in the system after the successful run of card passes.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed the PO that physical verification be got carried out.

In compliance of DAC directive, the verification was carried out which revealed that the deficiencies in the control of passes still existed

The recommendations regarding free vouchers, passes should be implemented for the verification of these at the time of reservation.

3.7.13 Absence of Revenue Reconciliation Module with respect to Bank Accounts

Daily cash collected should be reconciled with the bank deposit. In case of excess/shortage of cash, system should highlight and record these facts.

It was observed that shortage of cash for the period 2003 to 2007 was not recorded in the system. The following amount was receivable from different parties/employees.

Period/Person	Error Sheet No.	CR. No.	Mar-12
			11,310
	10,21,35,46		99,969
9-Jul-03		664650	1,000
16-Jul-03		664665	2,350
21-Jul-03		669670	7,400
29-Jul-04		818104	7,000
11-Jul-06		974204	7,500
11-Jul-06		110284	28,500
6-Aug-07		95325 & 26	1,000
Obaidullah	68 to 72		315,480
		Total	**481,509**

Similarly cash used for the purchase of HSD oil from the cash balance of H.Q and Lahore Station during December 2011 was not recorded in the system.

(Amount in Rupees)

Date	HQ	Lahore Station	Total Cash Used for HSD Oil
16-Dec-11	887,075	-	887,075
16-Dec-11	-	541,150	541,150
28-Dec-11	4,000,000	-	4,000,000
29-Dec-11	-	1,880,000	1,880,000
29-Dec-11	5,330,000	-	5,330,000
30-Dec-11	-	3,000,000	3,000,000
Total	**10,217,075**	**5,421,150**	**15,638,225**

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that objection raised did not fall in scope of work.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee pended the Para till receipt of reconciliation report from F.A & C.A/Revenue. The reconciliation report was not received till finalization of Report.

Audit, therefore, recommends that:

i. The revenue reconciliation module should be incorporated in the system to avoid these irregularities and unauthorised utilization of cash.

ii. The matter may be investigated at appropriate level to find out causes and to fix the responsibility.

iii. Internal controls should be improved to avoid such recurrence.

3.7.14 Existence of Un-official Website named "Pakistanrail.com"

It was noticed during the audit that an unofficial website named Pakistanrail.com was found when search was made through Google. The site was updated with a lot of contents and information about Railways. This could become a potential threat to Railways. With the introduction of E-Ticketing system, this could misguide the intended passengers.

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that a notice was displayed on the official website that "pakistanrail.pk" is not an official website and PR was not responsible for any contents of this website. However, an attempt to stop this website was being initiated from this Directorate.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed to get the stated facts verified from Audit

Audit verification revealed that the notice was not displayed on the official website and two more unofficial websites viz "Railpk" and "Pakistan Railway" also appeared when search was made through Google.

Audit therefore, recommends that the matter should be taken up with the PTA to stop this unofficial website.

3.7.15 Impact of Existing Computerized Reservation System on Earnings

The CR system has a direct impact on the earnings of organisation. An effective CRS provides timely and accurate information to intended travellers, enhances customer's satisfaction increases the scope and in turn increases the earnings.

The reservation system of Pakistan railways was not computerized in true sense. It had a large number of deficiencies and bottlenecks like:

a. Only 31 stations out of 808 were computerized,

b. There was no provision for other types of tickets like BPTs, EFTs, MSTs and MRs,

c. Inefficient fare management system when the fare was enhanced,

d. Irregularities in the management of different quota,

e. Non-provision in the system to account for refunds and cancellations,

f. Generation of reports was limited with a lot of manual checks and corrections,

g. No control over the recognition of passes and free vouchers,

h. absence of revenue reconciliation and recognition module

These deficiencies had adverse effects on the earnings of the organisation, not only causing loss of revenue but also providing loopholes leading to the malpractices in the reservation of seats/ berths, incorrect revenue recognition and incorrect revenue reports being presented to management.

The following analysis presented the position of six months earnings through CRS and amount booked in accounts by FA & CAO and reflected upon the reliability of the PRCRS system.

(Amount in Rupees)

CASH SUMMARY (Railway HQ & Lahore Station) October 2011 to March 2012				
Months	**Computerized**	**Forward to**	**Difference**	**Remarks**

	Figures	FA & CAO		
Oct-11	45,542,778	57,595,290	**(12,052,512)**	Short Booking
Nov-11	72,748,267	67,709,126	**5,039,141**	Excess Booking
Dec-11	68,142,964	71,018,123	**(2,875,159)**	Short Booking
Jan-12	46,141,185	57,169,657	**(11,028,472)**	Short Booking
Feb-12	54,876,274	53,903,355	**972,919**	Excess Booking
Mar-12	55,718,073	60,784,509	**(5,066,436)**	Short Booking
	343,169,541	**368,180,061**	**(25,010,520)**	

Total Short Bookings	(31,022,580)
Total Excess Bookings	6,012,060
	(25,010,520)

The matter was taken up with management in April, 2012 and it was replied in July, 2013 that no system was perfect. There were always possibilities of enhancement. 38 locations were presently computerized. Railways administration prioritized the sites for computerization depending upon its earning. The data reflected in the table was true as far as the computer figures were concerned. However, Commercial department was responsible for revenue deposited to the office of FA&CAO/Revenue.

The matter was discussed in DAC meeting held on 23rd September, 2013 wherein the committee directed the F.A & C.A.O/Revenue & CCM that the matter may be resolved at the earliest. No action was taken to resolve the issue relating to reconciliation of revenue.

Audit, recommends that effortsshould be made to reconcile the difference of figures in the books of IT department and FA & CAO revenue. There is always room for improvement which should be looked into for providing better facilities to the travelling and intended passengers.

3.7.16 Impact of non-availability of E-Ticketing System on Earnings

Electronic ticketing provides a mechanism for booking of tickets on line through the use of internet. It facilitates intended travellers to plan their journey through internet. This has been used successfully in different countries including India and the trend towards E-ticketing is increasing day by day with the increased use of internet and increased bandwidth.

Pakistan Railways although introduced that facility in 2007 but was not able to maintain it for a longer period and it lasted only for three months. Although, its impact on earnings was minor at that time however, if continued could have been improved with the passage of time.

This technology is reliable, cost effective and will result in increase in number of intended travellers. There are five million credit cards and approximately 18.5 million internet users in Pakistan and they are potential customers. Therefore, E-Ticketing should immediately be launched without any further loss of time.

The matter was taken up with management in April, 2012 and it was stated that it was highly recommended that E-Ticketing may be initiated. The case of up-gradation of Reservation and Ticketing System was put up and was in the process of finalization.

3.8 Conclusion

The Passenger Reservation System is a prominent example of how Information Technology can be leveraged to provide transparency and convenience to users on a very large scale and is a pioneering e-governance initiative in the country. However, an IT enabled system on such a vast scale, also requires rigorous controls to sustain operations and to ensure that it is being run as intended, and complying with all the relevant rules and regulations. The system was found to have a few major design deficiencies and the areas of concern related to system based and manual controls.

These leave the system open to the risk of misuse adversely affecting the seat/berth availability to general passengers. The system also had design deficiencies which caused inconvenience to the passengers. Moreover, crucial areas covering security of the system and data, system and process documentation, database management, change management and user privilege management processes were either inadequate or poorly

addressed. Absence of a structured disaster management policy coupled with associated work practices exposes the system to serious risk of disruption, in case of a physical disaster.

Responsibility for development of strong control environment and internal control procedures lies with the management of the entity. An error can arise or fraud perpetrated where there is a weak control or no control at all. A strong tone at the top management as well as detailed control procedures can deter occurrence of errors and frauds.

Annexure-1

Detail of Paras included in MFDAC

(Rs. in million)

Sr. No.	DP No.	Subject	Amount	Nature of Observation
1.	6191	Unjustified/wasteful expenditure of Rs 0.53 million due to purchase/ repair of unnecessary items from deposit work	0.53	Mismanagement
2.	6197	Non-recovery of Rs 2.93 million on account of fraud cases of employees	2.93	Negligence
3.	6199	Irregular payment due to non-verification of ballast train – Rs 25.99 million	25.99	Violation of Rules
4.	6216	Loss of Rs 23.09 million due to non-revision of rate of luggage van	23.09	Mismanagement
5.	6219	Performance of Child Welfare Centers against the terms and conditions of child welfare association resulting in non-achieving of its objectives.	-	Mismanagement
6.	6223	Loss of Rs 20.58 million per annum due to hiring/appointment of TLA staff unjustifiably	20.58	Mismanagement
7.	6224	Loss of Rs 0.50 million per annum due to irregular/fictitious expenditure on pay of TLA staff at PWI, Raiwind	0.50	Mismanagement
8.	6228	Loss of Rs 0.90 million due to non-recovery of electric charges from commercial users	0.90	Recoverable
9.	6229	Non-adjustment/charging of Rs 1.08 million of electric charges to Service Buildings in Faisalabad	1.08	Negligence
10.	6230	Irregular payment of Rs 28.87 million to the contractors without conducting inspection of ballast	28.87	Violation of Rules
11.	6235	Irregular expenditure of Rs 233.25 million over and above the budget allotment for the year 2012-13	233.25	Mismanagement
12.	6236	Loss of Rs 3.77 million due to irregular	3.77	Mismanageme

		payment to the TLA staff		nt
13.	6238	Irregular expenditure of Rs 430,500 due to purchase of banned durable goods	0.43	Violation of Rules
14.	6240	Non-completion of work within time schedule valuing Rs 12.82 million	12.82	Mismanagement
15.	6244	Irregular expenditure of Rs 0.29 million due to procurement of material from other than 1st lowest quotationer	0.29	Violation of Rules
16.	6246	Irregular expenditure of Rs 0.25 million on the purchase of IT-Equipment	0.25	Violation of Rules
17.	6247	Suspected misappropriation of Rs 0.19 million by producing bogus cash memos	0.19	Violation of Rules
18.	6249	Non-reconciliation of liability and works registers	-	Violation of Rules
19.	6250	Irregular/unjustified adjustment of Rs 8.21 million through journal slips	8.21	Violation of Rules
20.	6251	Loss of million of rupees to the Railway due to short composition of ballast trains	-	Mismanagement
21.	6252	Loss of Rs 20.19 million due to execution of substandard deposit works	20.19	Mismanagement
22.	6253	Irregular preparation of estimate due to non-inclusion of credit of released material of Rs 12.56 million	12.56	Mismanagement
23.	6257	Loss of Rs 3.32 million due to unjustified execution of work other than departmental labour	3.32	Mismanagement
24.	6285	Irregular issue of HSD oil valuing Rs 1.35 million	1.35	Violation of Rules
25.	6300	Unauthorized issue of HSD oil – Rs 2.73 million	2.73	Violation of Rules
26.	6305	Un-necessary procurement of uniform cloths resulting blockage of capital – Rs 0.22 million	0.22	Mismanagement
27.	6328	Misappropriation / wrong utilization of permanent way material – Rs 245.44 million	245.44	Mismanagement
28.	6347	Unauthorized acceptance of material without testing – Rs 33.75 million	33.75	Violation of Rules

29.	6357	Illegal amendments in the agreement resulting loss to PR 43.74	43.74	Violation of Rules
30.	6360	Non-disposal of scrap/released material – Rs 0.36 million	0.36	Mismanagement
31.	6365	Loss of Rs 0.50 million per annum due to mis-utilization of manpower (TLA)	0.50	Mismanagement
32.	6393	Loss of Rs 3.58 million due to detention of trains as a result of delay in execution of a project	3.58	Mismanagement
33.	6400	Irregular expenditure of Rs 0.62 million on local purchase of different kind of material without post facto approval of competent authority	0.62	Violation of Rules
34.	6401	Loss of Rs 0.31 million due to purchase of defective photocopier machine and incurrence of expenditure on repair and maintenance within warranty period	0.31	Mismanagement
35.	6402	Irregular/fictitious expenditure of Rs 0.17 million on account of imprest due to bogus cash memos	0.17	Violation of Rules
36.	6404	Loss of Rs 0.32 million due to non-finalization of purchase order within validity period	0.32	Mismanagement
37.	6409	Unjustified / avoidable expenditure of Rs 10,720.38 million due to provision of un-necessary CBI signaling system at 31 railways station	10720.38	Mismanagement
38.	6420	Loss of million of rupees due to provision of excessive and unjustified vehicles in Karachi Regional office PRACS	-	Mismanagement
39.	6421	Loss of million of rupees due to shortage/fictitious disposal of computers and its allied accessories	-	Mismanagement
40.	6422	Non-recovery/adjustment of official/ personal advances – Rs 0.98 million	0.98	Recoverable
41.	6424	Non-recovery of PRACS dues – Rs 282.84 million	282.84	Recoverable
42.	6428	Loss of Rs 0.82 million due to irregular / unjustified recruitment / appointment of staff above the age of 65 years	0.82	Violation of Rules
43.	6436	Loss of million of rupees due to	-	Mismanageme

		substandard execution of civil work at 14 Railway station buildings		nt
44.	6438	Irregular expenditure of Rs 10.69 million without budget allotment	10.69	Violation of Rules
45.	6439	Irregular expenditure of Rs 13.13 million incurred in excess of budget allotment	13.13	Violation of Rules
46.	6442	Non-realization of Rs 0.34 million on account of rental charges from cargo contractor at Gujranwala station	0.34	Recoverable
47.	6443	Cost over Run" amounting to Rs 186.25 million on Project of Rehabilitation, up gradation & Conversion of 400 Coaches	186.25	Mismanagement
48.	6464	Loss of Rs 0.29 million due to irregular purchase from Cash Imprest	0.29	Violation of Rules
49.	6465	Extra expenditure of Rs 3.32 million due to acceptance of higher rates	3.32	Mismanagement
50.	6484	Wasteful expenditure incurred by RAILCOP on foreign tour – Rs 0.61 million	0.61	Mismanagement
51.	6487	Non-realization of RAILCOP dues – Rs 701.05 million	701.05	Recoverable

Annexure - 2

Name of Divisions of PR with Number of Stations

Karachi (5)	Quetta (2)	Sukkur (9)	Multan (8)
1- Karachi City 2- Karachi Cantt 3- Karachi Current. 4- Drigh Road 5- Hyderabad	1- Quetta 2- Sibi	1- Sukkur 2- Rohri 3- Sadiqabad 4- Rahim Yar Khan 5- Khanpur 6- Larkana* 7- Nawab Shah 8- Mehrabpur 9- Jacobabad*	1- Bahawalpur 2- Multan Cantt. 3- Khanewal 4- Chichawatni 5- Sahiwal 6- Shorkot Cantt. 7- Jung Sadar* 8- Pakpatan**

Lahore (12)	Rawalpindi (6)	Peshawar (5)
1- Lahore HQ 2- Lahore Station 3- Lahore Cantt. 4- Gujranwala 5- Gujrat 6- Narowal 7- Sialkot 8- Raiwind	1- Rawalpindi 2- Margala 3- Lalamusa 4- National Assembly (Islamabad) 5- Jhelum 6- Sargodha	1- Peshawar 2- Attock City 3- Jahangira 4- Nowshera 5- Mianwali**

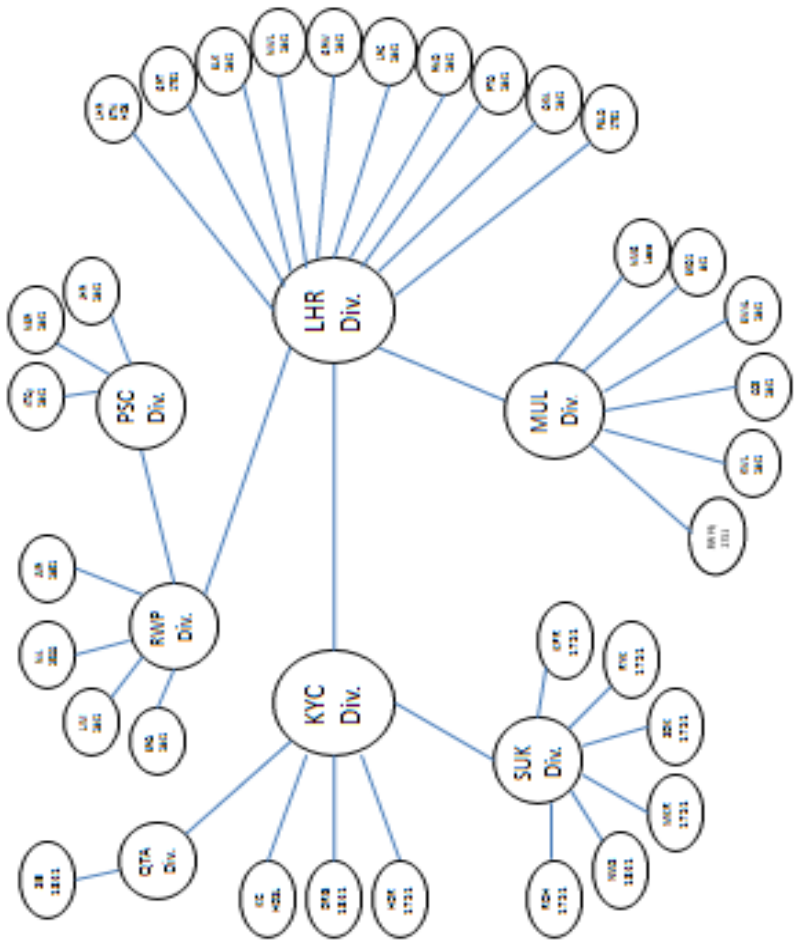
9- Okara 10- Pattoki 11- Faisalabad 12- Kasur**		

*Started but damaged due to fire during public riots in 2007

**Software is ready in all aspect but delayed due to equipment and civil works.

Annexure – 3

Networking Diagram of communication system



Annexure – 4

Cash Summary (Railway HQ & Lahore Station) March 2012

		As Reported to FA & CAO		As per Computerized System		As per Daily Sheets in Reservation Offices
		A		B		C
Classifications:	E/C	1,126,270		-		
	U/C	9,900		-		
	Lahore Station	22,302,575		22,291,505		22,410,248
	Head Quarter	40,831,705		40,842,795		42,409,225
	Credit Card	33,500		33,500		33,500
		64,303,950		**63,167,800**		**64,852,973**
Refund:	Lahore Station	(2,425,684)		(2,348,580)		(2,381,164)
	Head Quarters	(2,480,264)		(2,497,255)		(2,502,055)
		(4,905,948)		**(4,845,835)**		**(4,883,219)**
M/R:		**217,660**				
Government Passengers	Lahore Station	32,070		-		32,070
	Head Quarters	11,710		-		11,710
	Lahore Station	86,800		-		86,800
	Head Quarters	416,940		-		416,940
		547,520		**-**		**547,520**
Railways Sundry(UBL)		**246.659**		**246.659**		**246.659**
E/B		**1.000**		**-**		
O/S		**621,079.731**		**-**		**621,080**
Total		**60,784,509.39**		**58,322,211.66**		**61,138,600.39**

			D=A-B		E=B-C		F=A-C
Classifications:	E/C		1,126,270		-		1,126,270
	U/C		9,900		-		9,900
	Lahore Station		11,070		(118,743)		(107,673)
	Head Quarter		(11,090)		(1,566,430)		(1,577,520)
	Credit Card		-		-		-
			1,136,150		(1,685,173)		(549,023)
Refund:	Lahore Station		(77,104)		32,584		(44,520)
	Head Quarters		16,991		4,800		21,791
			(60,113)		37,384		(22,729)
M/R:			(217,660)		-		217,660
Government Passengers	Lahore Station		(32,070)		(32,070)		-
	Head Quarters		(11,710)		(11,710)		-
	Lahore Station		(86,800)		(86,800)		-
	Head Quarters		(416,940)		(416,940)		-
			(547,520)		(547,520)		-
Railways Sundry(UBL)			-		-		-
E/B			1		-		1
O/S			(621,080)		(621,080)		-
Total			(310,221.73)		(2,816,388.73)		(354,091.00)

Annexure-5

Difference in Daily Cash Summaries:

USER: Mrs. Nuzhat	Sr. No.	Date	Location	Reservations	Total Earning	Total Refund	Net Earnings
Location wise Reported	9	09.03.12	LHQ	44	16,670	-	16,670
	3	09.03.12	LHR	160	94,600	440	94,160
Summary Reported	10	09.03.12	LHQ	204	111,270	440	110,830
	11	09.03.12	LHR	204	111,270	440	110,830

USER: Saimalal	Sr. No.	Date	Location	No of Reservation	Total Earning	Total Refund	Net Earnings
Location wise Reported	11	12.03.12	LHQ	11	10,340	-	10,340
	5	12.03.12	LHR	111	63,520	440	63,080
Summary Reported	15	12.03.12	LHQ	11	10,340	440	9,900
	16	12.03.12	LHR	11	10,340	440	9,900

Annexure - 6

Percentage of Reservations with respect to Overall Passengers

Number of Reservations			
		2009-10	**2010-11**
As per Year Book	**ACC Sleeper**	51,567	39,891
	ACC Sitter	271,225	219,477
	ACC Lower	895,670	834,517
	First Class Sleeper	33,695	33,011
	Economy Class	52,324,325	48,539,997
	Second Class	20,850,809	14,803,282
	ACL Business	496,172	433,292
		74,923,463	**64,903,467**

		2009-10	**2010-11**
As per PRCRS data	**July**	814,587	789,019
	August	622,417	451,999
	September	593,469	513,426
	October	755,303	674,364
	November	723,047	695,025
	December	795,546	673,242
	January	579,923	588,085
	February	625,716	566,007
	March	747,746	692,567
	April	697,720	660,298
	May	610,240	596,458
	June	754,101	709,118
		8,319,815	**7,609,608**
	Percentage	**11.10%**	**11.72%**

Annexure - 7

Clauses of city bank which are unacceptable for Railways

As per clause 6.3:

"The merchant shall submit all card transactions effected by card members with the merchant to Citibank for settlement. Citibank shall not be liable to pay the Merchant for any fraudulent or ay unauthorized card transaction for which the, merchant shall not be reimbursed by Citibank and for which the Merchant shall bear the entire loss without recourse to Citibank. Citibank shall during the term of this agreement and in accordance with its prevailing practice at the relevant time, process the Merchant's request for payment."

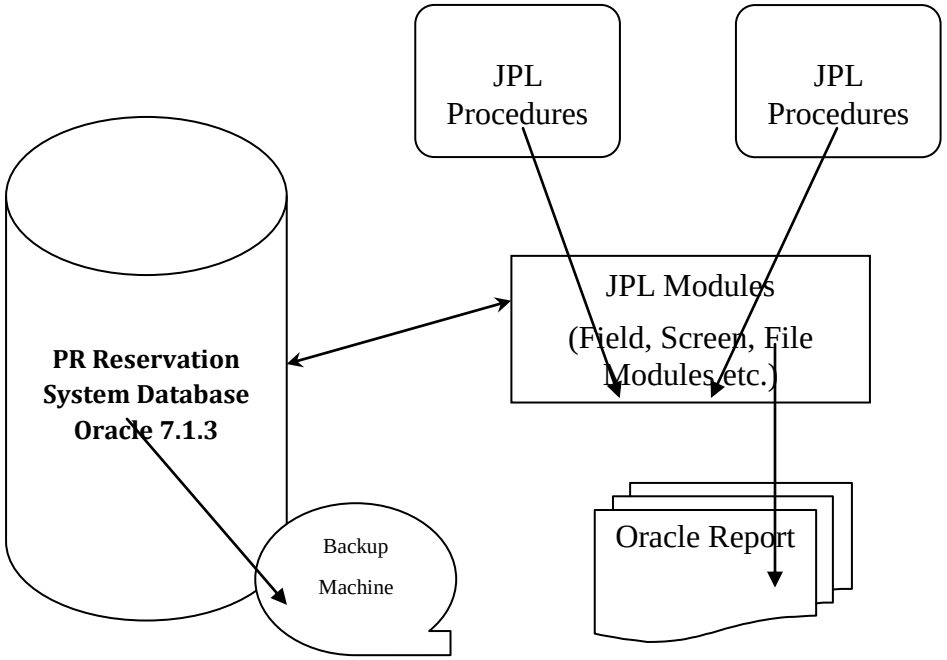
As per Clause 6.7:

"Any payment by Citibank under this agreement whether or not the merchant has complied will all its obligations under this Agreement shall be made without prejudice to any claims, right or remedies that Citibank may have against the merchant, and shall not constitute any admission or acknowledgement by Citibank that the merchant has duly performed its obligations under this agreement or of the correctness of the amount s paid. Citibank shall be entitled to all times to charge the merchant a reasonable service charge or administrative fee or such other charges as Citibank deems fit in respect to any service provided or any action taken by Citibank related to this Agreement."

Annexure - 8

Expenditure incurred for E-ticketing Facilities

Serial No.	Particulars of Expenditure	Amount in Rupees
1.	Development of Software USD $ 300	18,000
2.	E-Merchant Account with City Bank Annual Fee	20,000
3.	Integration PRCRS and City Bank	35,000
4.	Development of Login modules and ticketing Scenario	30,000
Total		**103,000**

Annexure - 9

System Design