



**SPECIAL AUDIT REPORT ON
RAILWAY ESTATE DEVELOPMENT
AND MARKETING COMPANY (PVT)
LIMITED (REDAMCO)
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit in terms of Articles 169 and 170 of 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. The special audit of Railway Estate Development and Marketing Company (Pvt.) Limited was carried out accordingly.

The Directorate General Audit Railways conducted special audit of REDAMCO during audit year 2016-17 for the period 2012 to 2016 with a view to reporting significant findings to stakeholders. Audit examined the overall performance of Railway Estate Development and Marketing Company keeping in view the expenditure incurred and revenue generated. The Special Audit Report indicates specific actions that, if taken, will help the management realise the objectives of incorporation of the company. All observations included in this report have been finalised in the light of discussion with the management of REDAMCO. However, DAC meeting was not convened by the PAO despite reminders.

The Special 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).

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

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Abbreviations

AGM	Annual General Meeting
BoD	Board of Directors
BTS	Base Trans Receiver Station
CCM	Chief Commercial Manager
CEO	Chief Executive Officer
CFT	Cubic Feet
CS	Company Secretary
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
DAC	Departmental Accounts Committee
DoM	Directorate of Marketing
EBM	English Biscuit Manufacturer
FA&CAO	Financial Advisor and Chief Accounts Officer
HEC	Higher Education Commission
IFRS	International Financial Reporting Standards
ISSAIs	International Standards of Supreme Audit Institutions
MoR	Ministry of Railways
MD	Managing Director
PAO	Principal Accounting Officer
P&L	Property & Land
PR	Pakistan Railways
REDAMCO	Railway Estate Development & Marketing Company (Pvt) Limited
SECP	Securities & Exchange Commission of Pakistan
SFT	Square Feet
TORs	Terms of Reference

EXECUTIVE SUMMARY

The Directorate General Audit Railways conducted special audit of Railway Estate Development and Marketing Company (Pvt) Limited, (subsidiary company of Pakistan Railways) during February-March 2017. The main objective of the audit was to assess the purpose of incorporation of the company with envisaged benefits. The audit was conducted in accordance with ISSAIs. REDAMCO was established to commercialise, lease, manage, maintain, develop, construct upon, market, and/or dispose of the lands owned by Ministry of Railways and to undertake/execute projects for the development, renovation, and up-grading existing Railway real estate facilities such as stations, residential and office buildings etc. in consultation with the Railway Headquarter. Besides, its objectives were to undertake other projects for generating non-core revenues such as award of selling, advertising, branding rights etc. to third parties on the Pakistan Railways network and to undertake, continue and complete all projects at that time being handled by the Directorate of Marketing, Ministry of Railways.

As a result of this audit, role of the company in Pakistan Railways as a whole was assessed. Besides, certain instances of non-compliance with rules/regulations were also observed. Major findings of the audit are mentioned below.

Key audit findings

- i. REDAMCO made less collection on account of revenue targets fixed by Ministry of Railways - Rs 2,624.478 million.¹
- ii. Loss due to inordinate delay in finalization of a contract - Rs 369.075 million.²
- iii. Non-realisation of Account Receivables - Rs 829.825 million.³

¹ 4.5.1

² 4.2.1

³ 4.3.3

- iv. Short remittance of revenue receipts to Ministry of Railways as on 30th June 2016 – Rs 161.669 million.⁴
- v. Loss due to non-leasing of Rail markets - Rs 95.262 million.⁵
- vi. Loss due to award of contract without competition - Rs 67.40 million.⁶
- vii. Wasteful expenditure due to non-provision of consultancy services - Rs 25.269 million.⁷
- viii. Loss due to irregular deduction of income tax - Rs 18.366 million.⁸
- ix. Unjustified expenditure on account of purchase of vehicles during ban period - Rs 13.347 million.⁹

Recommendations

- i. Concrete efforts should be made by REDAMCO to achieve its revenue collection targets fixed by the Ministry of Railways.
- ii. Efforts be made to finalise the contracts within validity period to achieve intended benefits.
- iii. Bills Receivable should be realized as early as possible.
- iv. Amounts due to Ministry of Railways may be transferred as early as possible.
- v. Rail markets fully constructed should be leased out immediately without further loss of time.
- vi. Contracts may be executed/extended after careful evaluation and competitive bidding process.
- vii. Efforts be made to complete the projects within scheduled time to achieve intended benefits.

⁴ 4.5.2

⁵ 4.1.4

⁶ 4.1.9

⁷ 4.1.1

⁸ 4.1.2

⁹ 4.1.6

- viii. All agreements of leasing of land should be finalised on behalf of Ministry of Railways to avoid income tax.
- ix. Instructions issued by the Ministry of Finance should be observed in true spirit.

1. INTRODUCTION

The Railway Estate Development and Marketing Company (Pvt) Limited headed by a Managing Director, is a subsidiary company of Pakistan Railways. It was established on the directives of Prime Minister of Pakistan on 12th March, 2012 at Islamabad under Ministry of Railways. Now, its Head Office has been shifted to Stephenson Road, near Railway Station, Rawalpindi. Its main objective is to develop and market Railway's surplus land. Earlier, this work was being performed by the Directorate of Marketing which stands merged with the REDAMCO since its establishment. REDAMCO was established to achieve the below mentioned objectives:-

- i. To commercialise, lease, manage, maintain, develop, construct upon, market, and/or dispose of the lands owned by the Federal Government, Ministry of Railways placed under occupation/use/control of Pakistan Railway, and are, from time to time, declared available/surplus by the Pakistan Railway for such purposes;
- ii. To undertake/execute projects for the development, renovation, and up-grading existing Railway real estate facilities such as stations, residential and office buildings etc. in consultation with the Railway Headquarter;
- iii. To undertake/execute any and all other projects for generating non-core revenues such as award of selling, advertising, branding rights etc. to third parties on the Pakistan Railway network i.e. lands, buildings and trains;
- iv. To undertake, continue and complete all projects thus far being handled by the Directorate of Marketing, Ministry of Railways;
- v. To take all necessary and ancillary steps in furtherance of the above objects as mentioned in its Memorandum of Association.

As per notification dated 3rd April 2012, the company shall meet its operating expenses and project development costs from the aforementioned project receipts/revenues in accordance with the budget

approvals by the Board of Directors. Later on, it was decided in 5th Board's meeting held on 7th May 2014 that REDAMCO will charge 15% Service charges of total revenue receipts from business undertaken by it on behalf of Ministry of Railways. During the period from 12th March 2012 to 30th June 2016, REDAMCO collected revenue receipts amounting to Rs 1,435.554 million out of which an amount of Rs 1,161.00 million was paid to Pakistan Railways.

2. AUDIT OBJECTIVES

Major objectives of the audit were to:-

- i. Review the objectives of establishment of REDAMCO.
- ii. Review the performance of the entity against 03 Es (Economy, Efficiency and Effectiveness).
- iii. Review compliance with applicable rules, regulations and procedures.
- iv. Assess the effectiveness of agreements made with contractors/consultancy firms.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope:

Special audit of REDAMCO was conducted during February-March 2017 by covering the period 2012 to 2016 in its head office, Rawalpindi. The period of four years was selected as the company was incorporated on 12th March 2012.

3.2 Audit Methodology:

- i. Review Memorandum and Articles of Association prepared by the company.
- ii. Review of cases of land leased out by REDAMCO.
- iii. Consultancy/construction contracts executed with firms and payments made thereon were reviewed.
- iv. Analysis of financial data regarding revenue generated and expenditure incurred by the company.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

The financial discipline of REDAMCO was not found satisfactory as several instances of financial irregularities were found on account of utilisation of financial resources. The audit observations narrated in the following paragraphs clearly indicate weaknesses in the financial management of the company.

4.1.1 Wasteful expenditures due to non-provision of consultancy services by a firm - Rs 25.269 million

The Board of Directors in its 5th meeting vide Agenda Item No. 3 approved that a study would be conducted by REDAMCO. The purpose of this study was to seek guidance for planning, feasibility study and advisory services in real estate projects of Karachi Division.

During Special audit of REDAMCO in February-March 2017, it was observed that an agreement valuing Rs 39.800 million was signed between a Consortium and REDAMCO. It was decided that the former would provide consultancy services for optimal use of Pakistan Railways land bank in Karachi Division measuring 20,358.22 acres. The agreement was signed in June 2014 with a completion period of 18 months i.e. up to December 2015. An amount of Rs 25.269 million was paid to the contractor for the period from 27.08.2014 to 28.09.2015 but the work was not completed by the consortium. Further, payments were required to be made on completion of deliverables but partial payments were made on partial completion of deliverables. Even the land bank on which work was completed by the Consortium was not utilised by REDAMCO. Thus, management of REDAMCO failed to get the study completed within stipulated time and to achieve its envisaged benefits. Therefore, expenditure amounting to Rs 25.269 million got wasted.

The matter was pointed out to the formation in March 2017. Management replied that the matter had been referred to the Railway Board. On receipt of reply, the same would be provided to Audit. No further reply was received till finalisation of report.

Audit recommends that reasons for non-completion of project be explained and action be taken against the contractor.

4.1.2 Loss due to irregular deduction of Income Tax – Rs 18.366 million

Section 49 of Income Tax Ordinance 2001 stipulates that the income of Federal Government shall be exempt from tax under this Ordinance.

During Special Audit, it was revealed that an amount of Rs 18.366 million was deducted/withheld by the lessees on account of income tax while making payments to REDAMCO for the period 2012-13 to 2015-16 (**Annex-A**). The income tax was deducted on the grounds that REDAMCO is a private company which entered into agreements with third parties instead of acting as an agent for Ministry of Railways. This resulted in loss of Rs 18.366 million. Had the agreements been executed by Pakistan Railways, the amount of income tax could have been saved.

The matter was pointed out to the formation in March 2017. Management replied that as per Section 49(4), the exemption shall not be available in case of corporation, company, a regulatory body established by or under a Federal or Provincial law. The tax so deducted would be adjusted against the future tax liability. The reply was not acceptable as REDAMCO did not have its own income, therefore, the question of adjustment of future tax liability did not arise. It occurred only due to the reasons that REDAMCO itself entered into contracts with third parties rather than acting on behalf of Ministry of Railways.

Audit recommends that reasons be explained for non-execution of agreements on behalf of Ministry of Railways as the rule permits exemption of income tax on the property income of Pakistan Railways.

4.1.3 Non-realisation of lease charges from M/s Mobilink – Rs 9.661 million

An agreement was executed with M/s Mobilink and REDAMCO for leasing 125 sites in March 2004 for a period of ten years. It was agreed in contract agreement that the lessee would pay Rs 100,000 per site as License fee (one time) and Rs 84/- per sft per annum.

During Special Audit, it was observed that only 62 sites were provided to the M/s Mobilink instead of 125 due to unknown reasons. Accordingly, M/s Mobilink was required to pay an amount of Rs 177.256 million (detail in **Annex-B**). The agreement expired in March 2014 and it was noticed that total amount paid by M/s Mobilink was Rs 167.595 million leaving a balance of Rs 9.661 million. No correspondence with M/s Mobilink was found available regarding the balance amount. This resulted in loss of Rs 9.661 million to REDAMCO due to its negligence.

The matter was pointed out to the formation in March 2015. Management replied that the total amount due from the lessee was Rs 167.286 million whereas lessee paid Rs 167.595 million which was Rs 308,993 in excess than the amount due. The reply was not acceptable as total amount due from lessee was Rs 177.256 million while the amount received was Rs 167.595 million and difference was loss to the company.

Audit recommends that recovery may be affected from M/s Mobilink under intimation to audit.

4.1.4 Loss due to non-leasing of Rail markets - Rs 95.262 million

REDAMCO was established to commercialise, lease, manage, and construct upon Railways surplus land. For this purpose, REDAMCO constructed Rail markets at Noshehra, Lahore and Karachi which were offered for lease in 2016.

During Special Audit, it was observed that after incurring huge expenditure on construction of rail markets, REDAMCO failed to lease out 57 shops at above mentioned stations which resulted in loss of Rs 95.262 million (**Annex-C**). This showed inefficiency on the part of

management of REDAMCO which failed to lease out its constructed shops even after lapse of one year.

The matter was pointed out to the formation in March 2017. Management replied that Rail markets constructed by REDAMCO were offered to general public through wide publicity in electronic and print media. 63 shops have been leased out of total of 120 shops. Bids received against remaining shops were below the benchmark. However, REDAMCO is trying to lease out rest of the shops in near future. The reply was not acceptable as shops were not leased out despite passing one year.

Audit, therefore, recommends that early action be taken for leasing of the shops.

4.1.5 Unjustified expenditure on account of Pay and Allowances of Manager Legal – Rs 6.326 million

In 1st Board meeting of REDAMCO dated 28.03.2012, M/s Aqlaal Advocates was appointed as legal advisor of the company with a monthly fee of Rs 30,000 in connection with Infrastructure Projects Development Facility (IPDF). Further, services of DG Legal Affairs HQ office, Lahore were also available in complicated cases.

During Special Audit, it was noticed that in addition to the above, Mr. Arshad Mehmood Abbasi, was appointed as Manager Legal on 07.06.2013. During audit, no record was available regarding court cases pursued by the said Manager. Moreover, no input was provided by the Manager Legal to the Manager/South, Karachi in spite of several written requests to seek guidance in a disputed construction case at Karachi. At last, services of an advocate had to be hired from the market to contest the subject matter. It was further observed that his bachelor and law degrees were of the same year. Therefore, Audit is of the view that appointment of Manager Legal was unjustified and not made on merit. This resulted in unjustified payment of Rs 6.326 million to the officer on account of pay and allowances (detail in **Annex-D**).

The matter was pointed out to the formation in March 2017. Management replied that appointment of Manager Legal was made to have in house legal assistance in day to day matters. The reply was not acceptable as no record of court cases dealt by the Manager Legal was provided to Audit. Further, no input was given in construction case of Karachi Rail market as mentioned above.

Audit recommends that documentary evidence regarding recruitment process of officer, complete verified testimonials from HEC, original experience certificates, etc. be provided to audit for verification. Detail of court cases dealt by the manager may also be provided.

4.1.6 Irregular expenditure on account of purchase of vehicles during ban period – Rs 13.347 million

Ministry of Finance vide OM No. dated 24th July 2012, 1st July 2013 and 29th July 2016 announced austerity measures during the financial years 2012-13, 2013-14 and 2015-16 wherein it was directed that no vehicle shall be purchased except operational vehicles of law and enforcement agencies and critical development projects.

During Special Audit, it was observed that an expenditure of Rs 13.347 million was incurred on account of purchase of thirteen (13) vehicles. All the vehicles were purchased during ban period imposed by the Ministry of Finance (detail in **Annex-E**). This resulted in irregular expenditure as REDAMCO being state owned public company was bound to follow the austerity measures.

The matter was pointed out to the formation in March 2017. Management replied that REDAMCO is a private limited company governed under the Companies Ordinance 1984. REDAMCO purchased vehicles with the approval of its Board of Directors which is the competent forum for the company. The reply was not acceptable as the Board of Directors was competent to exercise powers within the rules and directions of the Government.

Audit recommends that matter be explained for purchase of vehicles during ban period without approval from Ministry of Finance and responsibility be fixed against the person(s) at fault.

4.1.7 Loss due to theft of office vehicle – Rs 0.690 million

REDAMCO Service Rules 2013, chapter VIII (1) (7)(10) states that if an employee causes damage to a vehicle through his or her own negligence, then that employee may be required to pay for the repair of the damage. Failure to comply with the above policies may result in the removal of vehicle usage or disciplinary action including termination of employment in serious circumstances.

During Special Audit, it was noticed that a newly purchased vehicle Suzuki Mehran Registration No. GY-531 costing Rs 0.690 million was allotted to Mr. Arshad Mehmood Abbasi, Manager Legal. The vehicle was handed over to the officer before completion of insurance process. The allottee did not take proper care and parked the vehicle outside his house from where it was stolen. This caused loss of Rs 0.690 million to REDAMCO.

The matter was pointed out to the formation in March 2017. Management replied that enquiry committee failed to fix the responsibility on any officer. Therefore, Managing Director/CEO has approved the write off of the vehicle on the recommendations of the enquiry committee. The reply was not acceptable as to why the vehicle was handed over to the officer before completion of insurance process and why the un-insured vehicle was parked outside the house.

Audit, therefore, recommends that matter be re-investigated at an appropriate level and responsibility be fixed besides amount be recovered from those held responsible.

4.1.8 Irregular utilisation of lease money – Rs 6.478 million

Para 25.42 of Pakistan Government Railway Commercial Manual 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.

During Special Audit, it was observed that an amount of Rs 6.478 million received as lease money from M/s Usman International for a plot measuring 2970 square yards was transferred to the then Divisional Sports Officer/Workshop Mughalpura for the up-gradation and development of facilities in Griffin Institute Mughalpura, Lahore. This resulted in irregular utilisation of lease money as the receipts from the management of land should be adjusted and credited in the accounts first.

The matter was pointed out to the formation in March 2017. Management replied that the agreement was executed on 29.01.2010 prior to the inception of REDAMCO. As per clause 5(b) of agreement, all payments due to PR shall be made in favour of Divisional Sports Association Mughalpura. As the payments were made in the line of agreement therefore, no any irregularity was made. The reply was not acceptable as the agreement clause was not in line of the above mentioned manual.

Audit recommends that matter be investigated at an appropriate level besides fixing responsibility on the person(s) who utilized Government receipts irregularly.

4.1.9 Loss due to award of contract without competition – Rs 67.40 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 through fraud or negligence on his part.

During Special Audit, it was observed that REDAMCO extended an agreement with M/s Mobilink for a period of further ten years in May 2014. Earlier, flat rate of Rs 84 per sft with 10% annual compound escalation was agreed which ended with annual rate of Rs 198 per sft. On expiry of agreement, M/s Mobilink offered three different rates by

categorising the total area into three categories i.e. primary, ordinary and below ordinary category. REDAMCO accepted the offer without any evaluation of rates and conducting open competition. The rate for Below Ordinary category consisting of 25 sites was finalised as Rs 152 per sft which was quite less than the earlier rate of Rs 198 per sft. This resulted in loss of Rs 67.40 million (**Annex-F**).

The matter was pointed out to the formation in March 2017. Management replied that revenue of last year in previous agreement was Rs 24.40 million. If it is increased @ 10% p.a. it will become Rs 26.84 million, whereas first year of extended agreement fetched Rs 27.98 million which is 4.28% higher. The reply was not acceptable as overall revenue was shown higher by comparing it with the last agreement while neither any evaluation of rates was made nor open competition was conducted.

Audit recommends that reasons for non-advertisement and avoiding open competition be explained. Reasons for non-evaluation of rates may also be explained as to why the last rate of Rs 198 per sft was not kept as bench mark with 10% annual compound escalation.

4.1.10 Incorrect recognition of income resulted in higher tax liability – Rs 5.949 million

According to the International Accounting Standards Board (IASB) Conceptual Framework for preparation and presentation of Financial Statements, income means increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

During Special Audit, it was observed that REDAMCO recognized an amount of Rs 202.653 million as its own income in the Financial Statements. Actually, it was the sum of Ministry of Railway's contributions amounting to Rs 146.687 million (Rs 135.520 + 11.166) being equity participant towards meeting revenue and capital expenditures and Rs 55.966 million 15% service fee of REDAMCO. Resultantly, an amount of Rs 5.949 million was paid income tax by the REDAMCO on total amount of Rs 202.653 million (**Annex-G**). This incorrect recognition

of equity contributions as income not only resulted in increase in tax liability but also understatement of equity of Ministry of Railways by Rs 146.687 million.

The matter was pointed out to the formation in March 2017. Management replied that revenue of the company was defined by Ministry of Railway's notification No. 24(2)/2012-E-I dated 03-04-2012. Tax applicable on the Ministry's contribution amount is the minimum tax under section 113 of Income Tax Ordinance 2001. The reply was not tenable as the above mentioned notification did not permit REDAMCO to recognize Ministry of Railways' contribution as income therefore; recognition of income was incorrect which resulted in higher tax liability.

Audit therefore recommends that practice of recognizing income should be stopped immediately and an effective tax saving strategy be implemented.

4.1.11 Unjustified expenditure on purchase of vehicle for officer drawing monetization allowance – Rs 4.165 million

The Board of Directors in its 5th meeting dated 7th May 2014 approved the purchase of 1300 CC car for MD/CEO of REDAMCO. Further, Board of Directors in its meeting dated 27th June 2016 approved to replace the old vehicles and purchase six new vehicles including a 1300 CC car.

During Special Audit, it was observed that REDAMCO purchased Honda City in 2014 and again another vehicle Corolla GLI for Rs 1,913,000 in 2016 for the use of MD/CEO. The officers posted as MD/CEO in REDAMCO were the regular employees of BPS-20 of Pakistan Railways and drew Monetization Allowance amounting to Rs 1,502,290. The purchase of second vehicle, payment of fuel charges (Rs 0.75 m) and monetization allowance was unjustified. This resulted in unjustified expenditure of Rs 4.165 million (detail in **Annex-H**). It is also worth mentioning that cars were purchased at market price instead of ex-factory rate.

The matter was pointed out to the formation in March 2017 to which no reply was received.

Audit recommends that reasons be explained for purchase of luxury vehicles for MD/CEO as the officers were also drawing monetization allowance.

4.2 Contract Management

Pakistan Railways Estate Development and Marketing Company (Pvt) Limited had entered into different agreements with different firms for execution of construction works/studies. These agreements were studied to see whether these were executed effectively for betterment of Pakistan Railways or otherwise.

It was observed that numerous clauses of the agreement were being violated which are explained in the following paragraphs.

4.2.1 Loss due to inordinate delay in finalisation of contract – Rs 369.075 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 through fraud or negligence on his part.

During Special Audit, it was observed that REDAMCO offered bidding for 99 years lease of 2,100 Sq Yards plot at I.I. Chundrigarh Road, Karachi in 2012. The Securities and Exchange Commission of Pakistan (SECP) being the successful bidder deposited an amount of Rs 19.425 million as 5% bid money leaving a balance of Rs 369.075 million plus rent of Rs 18,900 was agreed per annum. The SECP approached the concerned Sub-Registrar for execution and registration of lease deed. The Sub-Registrar refused to register the said leased deed on the ground that the Hon'ble Supreme Court of Pakistan has restrained the Government/Revenue Department from mutation, allotment, transfer and conversion of any State land. Thus, agreement could not be matured. Resultantly, neither REDAMCO did any effort to get the case finalised

with SECP nor executed contract with any other party by re-advertising the site. Thus, REDAMCO sustained a loss of Rs 369.075 million.

The matter was pointed out to the formation in March 2017. Management replied that updated in the matter will be communicated to Audit as and when the matter is resolved. No response was received so far.

Audit therefore, recommends that matter be expedited for leasing out of such a valuable land and responsibility be fixed upon the person(s) caused for such a long delay.

4.2.2 Loss due to non-recovery of performance guarantee and penalty from contractors – Rs 16.154 million

PPRA Rules 39 states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount. Clause 12.1 and 12.1(c) of the contract agreement states that if the Contractor abandons the Works, refuses or fails to complete the work, the Employer shall be entitled to a sum equivalent to twenty percent (20%) of the value of parts of the Works not executed at the date of termination.

During Special Audit, it was observed in three construction cases that an amount of Rs 16.154 was lying outstanding against the contractors on account of non-recovery of 10% performance guarantee and penalty after termination of contracts (detail in **Annex-I**). The amount was to be received but management of REDAMCO did not take any action to recover this amount. This resulted in loss to REDAMCO.

The matter was pointed out to the formation in March 2017. Management replied that due to law and order situation at Peshawar, contractor could not complete the work in due course of time. A new contractor had been engaged and DS/Peshawar had also been requested to deploy Police Force for construction work. In second case, it was replied that the project was a service contract and terms of payment were designed to minimize the risk of excess payment and there was no need of Performance Guarantee. In third case, no reply was received till

finalisation of this report. The replies were not tenable as the amount was due to be collected from the contractors in terms of agreements but the same was not done intentionally.

Audit recommends that responsibility be fixed for non-recovery and imposition of penalty on the contractors besides amount be recovered from the contractors under intimation to Audit.

4.2.3 Loss due to deduction of Income Tax by the M/s RPG Management Services – Rs 1.917 million

As per the clause 19 and 20 of the agreement the Lessee shall be solely responsible for any and all taxes, fees, levies, payments or charges payable to any third party or government department/agency pertaining to the use of property/structures/business for the entire period of lease, excluding property tax if any.

Contrary to above during Special Audit, it was noticed that a contract agreement was executed between M/s RPG Management Services and Ministry of Railways on account of lease of land measuring 1,646 sq yard at Karachi on 01.03.2010. While making payments to Ministry of Railways, no tax was ever deducted. On establishment of REDAMCO, an amount of Rs 1.917 million was withheld by the M/s RPG Management Services on account of income tax for the period from 2013-14 to 2016-17. This resulted in loss of Rs 1.917 million to the company.

The matter was pointed out to the formation in March 2017. Management replied that tax deducted by M/S RPG Management Services was Advance Tax which would be adjusted against the future tax liability of REDAMCO. The reply was not acceptable as REDAMCO does not have its own income, therefore, the question of adjustment of future tax liability does not arise. Further, as per agreement clause mentioned above, lessee was solely responsible for all kinds of taxes/charges payable to third parties or Government departments.

Audit therefore, recommends that the deducted amount be recovered from M/s RPG Management Services and internal controls be strengthened to avoid recurrence.

4.2.4 Loss due to execution of construction contracts at higher rates – Rs 2.165 million

Concept papers for construction of Rail markets by RAILCOP, PRACS and REDAMCO were circulated vide Headquarter office letter dated 13.01.2015. The clause (vii) of Concept papers states that the estimated cost of construction shall be based on the CSR 2003 and for items not covered in CSR-2003 on through rates, whenever required. The premium shall be uniform, kept at 250% above CSR.

Contrary to above during Special Audit, it was observed that REDAMCO entered into construction contracts of rail markets with different contractors with different rates. The position of rates accepted above CSR-2003 on different stations is as under:-

(Rs in million)

S. No.	Station Name	Uniform rate above CSR	Rate accepted above CSR	Amount paid	Amount to be paid	Excess amount paid
1	Karachi	250%	279%	9.826	8.805	1.021
2	Noshehra	-do-	260%	18.420	17.711	0.708
3	Lahore	-do-	259%	12.515	12.080	0.435
Total amount paid in excess						2.165

REDAMCO paid an amount of Rs 2.165 million over and above the uniform rate as decided by the Ministry of Railways. This resulted in loss to REDAMCO.

The matter was pointed out to the formation in March 2017 to which no reply was received.

Audit therefore, recommends that responsibility be fixed on the person(s) found at fault.

4.3 Asset Management

Assets are very essential for any commercial organisation. Proper maintenance of these assets is necessary for smooth working. These may be cash, land and inventory which need proper monitoring and control in order to avoid any mis-appropriation and mis-utilisation. All the assets are required to be utilized efficiently to achieve the given targets and avoid any blockage and wastage of government money.

Audit of REDAMCO revealed that assets were not being utilized properly. Irregularities relating to the assets management were noticed which are narrated in the following paragraphs.

4.3.1 Mis-utilisation of Railway land

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 through fraud or negligence on his part.

During Special Audit, it was revealed that Pakistan Railways provided 89 sites to three cellular companies i.e. M/s Mobilink, Telenor and Ufone for installation of Micro Towers/Base Trans Receiver Station (BTS) sites at different locations on rental basis. The Director/Property and Land informed vide letter dated 19.02.2015 that different unknown cellular companies were utilising Micro Towers/BTS sites over the Railway network either in the absence of agreement or their agreements had expired. Further, Multan Division staff recovered Rs 5.00 million in February 2015 from a cellular company whose agreement had expired. Neither the recovery of Rs 5.00 million was demanded from the Directorate of Property and Land nor any effort was made by REDAMCO to reconcile/identify all sites which tantamount to suspected loss of millions of rupees to Pakistan Railways.

The matter was pointed out to the formation in March 2017. Management replied that REDAMCO was collecting rent of all BTS sites leased out to Telecom operators, which is evident from the facts that there was no long outstanding dues against telecom operators. The reply was not

acceptable in the light of letter issued by the Director/Property and Land which clearly showed that cellular companies were utilizing Railway sites without agreements.

Audit, therefore, recommends that all the sites over Railway network be identified in consultation with Directorate of P&L and amount so collected by them be recovered to channelize Micro Towers / BTS sites in one hand.

4.3.2 Irregular sale of products on Pakistan Railways network – Rs 18.777 million

Clause 5.1.2 of contract agreement made with English Biscuits Manufacturers stipulates that PR shall ensure that during the subsistence of this Agreement, no permanent or temporary advertising, signage or trademark visibility for any product other than the products will be displayed or permitted on Outlets and EBM shall be entitled to place and display signage and promotional and other point of sale materials at the Outlet(s).

During Special Audit, it was observed that different companies, without executing agreements with REDAMCO, were selling their products like soap, chocolates, burgers, candies, toys, books and sandwiches etc. on Pakistan Railways network. REDAMCO neither tried to make efforts to stop this irregular sale nor entered into contracts regarding sale of exclusive rights with these companies. This resulted in loss of Rs 18.777 million to REDAMCO (detail in **Annex-J**).

The matter was pointed out to the formation in March 2016 to which no reply was received.

Audit therefore, recommends that action be taken by fixing responsibility against those held responsible.

4.3.3 Non-realisation of Account Receivables – Rs 829.825 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realise fully and

clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

Contrary to above, during Special Audit of REDAMCO while reviewing the Notes to the Accounts, it was observed that Account Receivables amounting to Rs 829.825 million were lying outstanding against different contractors/parties (detail in **Annex-K**). The detail of receivables was not found in individual cases so it was difficult to draw their aging. No recovery plan was prepared and placed in the relevant files for proper pursuance. This showed inefficient management which failed to recover long outstanding dues.

The matter was pointed out to the formation in March 2017. Management replied that receivables is an ongoing process and is updated on daily basis. Currently major amount of receivables is stuck up due to litigation of different projects; major portion is against Royal Palm Golf and Country Club, Lahore which is subjudice. The reply was not acceptable as the timely action was required to have been taken against the defaulters to avoid accumulation of such a huge amount under Account Receivables.

Audit therefore, recommends that early action be taken regarding recovery of these amounts and responsibility be fixed for delay.

4.4 Monitoring and Evaluation

Compliance with Corporate Governance Rules-2013 were found missing in certain areas of the company. The detail is as under:-

4.4.1 Non-evaluation of performance of Board members

Rule 8 of SRO dated 08.03.2013 for Securities and Exchange Commission of Pakistan states that the performance evaluation of the members of the Board including the Chairman and the Chief Executive shall be undertaken through committees which shall carry out their evaluation on an annual basis and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.

Contrary to above during Special Audit, it was observed that no evaluation of performance of Board members was ever conducted. This resulted into slow pace of work of the company and non-observance of the above mentioned clauses as well.

The matter was pointed out to the formation in March 2017. Management replied that REDAMCO's BoD consists of most senior officials (Ex-officio) of Pakistan Railways and well renowned and learned private members. The reply was not acceptable as the requisite clause of Securities and Exchange Commission of Pakistan was not fulfilled.

Audit recommends that the requisite Committee be constituted at the earliest for evaluation of performance of Board members on yearly basis.

4.4.2 Non-observance of prescribed procedure for appointment of Chief Executive Officer

According to Clause 2 of Schedule-1 issued by the Securities and Exchange Commission of Pakistan on 3rd March 2015 the vacancy for Chief Executive shall be advertised in the print media and also be posted on the website of the public sector company or that of the line ministry.

Contrary to above during Special Audit, it was observed that the company had not advertised the post of Chief Executive Officer in any print or electronic media. The Chief Executive Officers posted in REDAMCO including present CEO were the regular/contract employees of Pakistan Railways. This resulted in clear cut violation of the above mentioned clause.

The matter was pointed out to the formation in March 2017 to which no reply was received.

Audit recommends that reasons be explained for non-appointment/selection of Chief Executive Officer according to the prescribed rules of Securities and Exchange Commission of Pakistan through advertisement process. Selection be made according to rules.

4.4.3 Non-observance of requisite percentage of independent directors and selection of Chairman

Clause 3(2) of SRO 180(I)/2013 dated 8th March, 2013 for Securities & Exchange Commission of Pakistan stipulates that the Board shall have forty percent of its total members as independent directors within the first two years of this notification, which shall be raised to a majority of independent directors in the next two years, and the majority shall be maintained subsequently. Further clause 4(4) states that the Board shall elect its Chairman from amongst the independent directors.

Contrary to above during Special Audit, it was observed that the company had never maintained the requisite percentage of independent directors since its establishment. The Annual Report of financial year 2015-16 showed that only one member out of seven of the Board was working as independent director. Further, it was also observed that the Chairperson of the Board was also not from the independent directors. This resulted in violation of above mentioned clauses even after lapse of five years.

The matter was pointed out to the formation in March 2017. Management replied that inclusion of 60% non-executive/independent directors in BoD of the company is under consideration at BoD level. The reply was not acceptable as the same was not done even a single time since establishment of REDAMCO.

Audit recommends that requisite percentage of independent directors should be complied with at the earliest and appointment of Chairman should be made from amongst independent directors.

4.4.4 Non-appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor

Clause 13 of SRO 180(I)/2013 dated 8th March, 2013 for Securities & Exchange Commission of Pakistan stipulates that the Board shall appoint a Chief Financial Officer, a Company Secretary and a Chief Internal Auditor.

Contrary to above during Special Audit, it was observed that the company had not appointed any of the above mentioned officers even after lapse of five years. This showed lack of professionalism in the company due to non-appointment of such officers resulting in violation of Corporate Governance Rules-2013.

The matter was pointed out to the formation in March 2017 to which no reply was received.

Audit recommends that appointment of officers as required under the rules must be followed strictly for smooth operations of the company.

4.5 Sustainability

During Special Audit, many audit observations pertaining to the overall performance of the REDAMCO were noticed which are discussed in the following paragraphs.

4.5.1 Non-achievement of Revenue targets fixed by Ministry of Railways –Rs 2,624.478 million

REDAMCO was established with a view to increase the revenue of Pakistan Railways by commercial exploitation of Railways land bank. For this purpose, revenue receipt targets were given by the Ministry of Railways on yearly basis.

During Special Audit, it was observed that the company did not achieve its annual revenue targets given by the Ministry of Railways even in a single year since its establishment. REDAMCO collected revenue less Rs 2,624.478 million during 2012 to 2016. This showed inefficiency as the management failed to achieve its revenue targets. The detail is as under:-

(Rupees in million)

S. No.	Year	Revenue Target	Revenue Collected	Short Collection
1	2012-13	1,200	429.389	770.611
2	2013-14	1,056	269.667	786.333
3	2014-15	1,050	276.434	773.566
4	2015-16	680	386.032	293.968
Total				2,624.478

The matter was pointed out to the formation in March 2017. Management replied that as communicated by Director, Property & Land that all properties which were placed at the disposal of REDAMCO for commercialization have been withdrawn. Further, Advertisement through Billboards was also taken back from REDAMCO in September 2013 and handed over to Chief Commercial Manager. The reply was not acceptable as the targets were given by the Ministry of Railways keeping in view the scope of business of REDAMCO. Therefore, targets were required to be achieved properly.

Audit therefore, recommends that action be taken against the person(s) who failed to achieve their targets and remedial measures be adopted to enhance the revenue of REDAMCO.

4.5.2 Short remittance of revenue receipts to Ministry of Railways as on 30th June, 2016 – Rs 161.669 million

Ministry of Railways vide letter dated 02.12.2012 issued instructions that any amount received by REDAMCO on behalf of Ministry of Railways, in excess of their duly approved budget will be payable to Ministry of Railways in specified account.

During Special Audit, it was observed that company was neither achieving its revenue receipt targets nor transferring the due amount of revenue receipts to Pakistan Railways. This resulted in violation of above mentioned policy issued by the Ministry of Railways and against the purpose of establishment of REDAMCO regarding generation of revenues for Pakistan Railways. The position of short remittances to Ministry of Railways at the end of financial years 2012-13 to 2015-16 is as under:-

S. No.	Year	Amount not remitted (Rs in million)
1	2012-13	228.288
2	2013-14	118.642
3	2014-15	158.747
4	2015-16	161.669

The matter was pointed out to the formation in March 2017. Management replied that as per the current policy, REDAMCO transferred

funds to Ministry of Railways after retaining its budget, securities payable and any other liabilities of the Company, therefore there was no short remittance to Pakistan Railways. The reply was not acceptable as the revenue receipts kept by the REDAMCO were beyond their approved budget. These receipts were required to be paid to the Ministry of Railways but the same was not being done and were appearing in the accounts at the close of the financial year.

Audit therefore recommends that the practice should be stopped immediately and whole amount available with REDAMCO be transferred to Pakistan Railways.

4.5.3 Non-achievement of objectives

REDAMCO was established with the objective to commercialise, lease, manage, maintain, develop, construct upon, market, and/or dispose of the lands owned by the Federal Government, Ministry of Railways placed under occupation/use/control of Pakistan Railway, and are, from time to time, declared available/surplus by the Pakistan Railway for such purposes.

During Special Audit, it was observed that REDAMCO failed to achieve its objectives. After establishment, a list of 221 sites of surplus land valuing billions of rupees was provided to REDAMCO. Unfortunately, it could lease out only 04 sites during 2012-13. No project of leasing of land was executed during 2013-14 to 2015-16 (**Annex-L**). This showed that REDAMCO failed to achieve its objectives. Non-achievement of objectives turned into low performance. The company was unable to achieve its objectives as the following works/jobs were withdrawn from REDAMCO which directly affected its business:-

S. No.	Name of works withdrawn/Banned.	Status
1	Advertisement of Bill Boards.	Withdrawn
2	Leasing of land for 99 years.	-do-
3	Leasing of land for 33 years for Petrol/fuel pumps only.	Restriction imposed
4	Advertisement for leasing of land would be done after getting prior approval from the Directorate of Property & Land.	-do-

The matter was pointed out to the formation in March 2017. Management replied that majority of the sites declared surplus were not viable for commercial exploitation due to different reasons such as title issues with provincial governments, issues with cantonments, location in remote areas, non-attractive sizes and shapes and other legal issues. Audit rightly observed that works were withdrawn from the company. The reply was an acceptance of Audit observation. However, reasons given were not tenable as to lease out only four sites during four financial years was not feasible at all. Further, the purpose of generating revenue by establishing a company was not achieved as the scope of work was reduced as accepted by the management.

Audit recommends that efforts be made by the management to rehabilitate its scope. Either the company be strengthened to expand its business or it may be closed by distributing its operations to different departments of Pakistan Railways.

4.5.4 Performance of REDAMCO in monetary terms

REDAMCO was established to explore avenues of generating revenue for Pakistan Railways through commercialise, lease, manage, maintain, develop, construct upon, market, and/or dispose of the lands owned by the Federal Government, Ministry of Railways.

During Special Audit, it was observed that REDAMCO failed to explore new avenues of generating revenue for Pakistan Railways. This resulted in low performance as the company incurred an expenditure of Rs 191.452 million against a revenue share of Rs 47.429 million. The position of revenue generated and expenditure incurred since its inception is as under:

(Rupees in million)

S. No.	Description	2012-13	2013-14	2014-15	2015-16	Total
1	Total revenue generated through agreements executed by REDAMCO.	170.145	102.439	0.530	0.000	273.114

2	15% share of revenue on land lease.	25.522	15.366	0.079	0.000	40.968
	20% share on Rail markets of K.C.	-	-	-	0.598	0.598
	20% share on Rail markets of Noshehra.	-	-	-	5.863	5.863
	Total					47.429
3	Total expenditure incurred by REDAMCO	37.960	35.177	52.205	66.110	191.452

The matter was pointed out to the formation in March 2017. Management replied that Audit compared total expenditure incurred by REDAMCO against the receipts generated through agreements executed by REDAMCO only. The comparison is not based on facts as Directorate of Marketing along with its functions, projects and human resource was merged into the company from the date of its incorporation, so splitting revenue between the contracts executed by Directorate of Marketing and REDAMCO is not correct. The reply was not tenable as to check the performance of REDAMCO in monetary terms, revenue generated purely by REDAMCO was compared with those expenses incurred by it, so the question of revenue generated through the contracts executed by the DoM does not arise.

Audit recommends that survival of REDAMCO with low income and higher expenditure be explained. Further detail of revenue collected through selling rights as well as the detail of expenses incurred with an expectation to earn revenue in future be provided.

4.6 Overall Assessment

The overall performance of the company was not satisfactory. The main purpose of establishment of REDAMCO was to explore avenues of generating revenue for Pakistan Railways. However, it could lease out only four sites during the financial year 2012-13. It failed to execute any agreement for leasing of land during the financial years 2013-14 to 2015-16. Resultantly, company was unable to even achieve its annual revenue collection targets fixed by the Ministry of Railways. Further, company was bound to deposit collected revenue in the bank account of

Ministry of Railways as and when received. But the same was not being done and a handsome amount was being kept in the bank account of REDAMCO at the close of each financial year which was against the interest of Ministry of Railways.

It was further observed that its mandate to do business was also curtailed by imposing restrictions which badly affected the business of REDAMCO. The purpose of establishment of REDAMCO was not achieved. Comparison of expenditures incurred and revenue share of the company was made. It was found that expenditure of the company was at higher side as compared to revenues which showed that company was unable to attain its breakeven point.

5. CONCLUSION

REDAMCO was established on the directives of Prime Minister of Pakistan in 2012 to develop and market Railway's surplus land. Earlier, this work was being managed the Directorate of Marketing. The purpose of incorporation of company was to enhance the revenue for Pakistan Railways by increasing the scope of work. However, after incorporation, scope of work was curtailed to a great extent and ultimately company failed to increase the revenue. The decision of conversion from Directorate to Company proved injudicious. The company was surviving only due to budgetary grant being provided by the Ministry of Railways on annual basis in addition to revenue share.

Keeping in view the above position and in the best interest of Pakistan Railways, it is proposed that the company may be closed and the work being managed by the company may be entrusted to other departments of Pakistan Railways to minimize expenditure and enhance revenue.

5.1 Key Issues for the Future

The work on establishment of subsidiary company of Pakistan Railways should be started after proper home work so that envisaged benefits could be achieved. Purpose of establishment mentioned in the Memorandum of Association of the company was required to be

achieved in all respects but the same was not done in this case. Company should be allowed fully to expand its business within its mandate instead; imposing restrictions by the holding company so that desired objectives could be achieved.

5.2 Lesson Identified

REDAMCO was established without proper planning. Soon after its incorporation, restrictions were imposed which resulted in failure of the company. The purpose of the company was to enhance the revenue for Pakistan Railways however in actual; expenditure was increased as compared to revenue. This showed poor financial management on the part of the REDAMCO management. All works related to surplus Railway land should immediately be dealt with by REDAMCO by getting approval from the competent authority. In this way, revenue of the company will increase and survival would be possible.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of Pakistan Railway Estate Development and Marketing Company (Pvt.) Limited for the assistance and cooperation in providing the necessary information and record.

**Statement showing the detail of tax deducted by the parties on the
property income of Pakistan Railways (Para 4.1.2)**

S. No.	Party Name	Year	Under Section	Tax deducted Rs
1	United Bank Limited (ATM machines)	2012-13	231A	886
2	-do-	-do-	151	173,856
3	-do-	-do-	231A	948
4	-do-	-do-	231A	744
5	-do-	-do-	151	399,325
6	Coca Cola Beverages Pakistan Ltd	-do-	155	1,686,660
7	Pak Telecom Mobile	-do-	155	433,092
8	Gray Mackenzie Restaurants International	-do-	155,	418,375
9	Pakistan Telecom Mobile Ltd. Ufone	2013-14	155	31,555
10	-do-	-do-	155	48,005
11	08 Gray Mackenzie Restaurants (KFC)	-do-	155	334,735
12	PTCL	-do-	236	1,216
13	PTCL	-do-	236	1,008
14	PTCL	-do-	236	1,055
15	Pakistan Telecom Mobile Ltd. Ufone	-do-	155	900,045
16	PTCL	-do-	236	927
17	UBL Bank	-do-	231A	758
18	UBL Bank	-do-	151	144,041
19	UBL Bank	-do-	151	231,498
20	UBL Bank	-do-	151	1,956,358
21	Askari Bank	-do-	151	12,500
22	Telenor	-do-	155	465,656
23	Telenor	2014-15	155	2,272,139
24	Coca Cola	-do-	153	54,000
25	McDonalds	-do-	155	115,836
26	Ufone	-do-	155	632,128
27	Askari Bank	-do-	151/2	323,205
28	Dubai Islamic Bank	-do-	151/2	754,641
29	UBL	-do-	151/2	884,268
30	UBL BPP	-do-	231A	683
31	Tax deducted	2015-16		6,086,000
	Total amount of tax			18,366,143 18.366(m)

Annex- B**Statement showing the detail of suspicious adjustments made by the
M/s Mobilink (Para 4.1.3)****(Rupees in million)**

Year	No. of Sites	License Fee per site	Total License fee	Term of Lease in Years	Total Area	Rate per sq Feet with 10% escalation	Total Amount of Annual Rent Due
1st	62	0.100	6.200	10	127,772	84.00	10.73
2nd	62	-	-	10	127,772	92.40	11.81
3rd	62	-	-	10	127,772	101.64	12.99
4th	62	-	-	10	127,772	111.80	14.29
5th	62	-	-	10	127,772	122.98	15.71
6th	62	-	-	10	127,772	135.28	17.29
7th	62	-	-	10	127,772	148.81	19.01
8th	62	-	-	10	127,772	163.69	20.92
9th	62	-	-	10	127,772	180.06	23.01
10th	62	-	-	10	127,772	198.07	25.31
Total			6.200	Total			171.056

Detail	Rs in million
Total amount of License fee due	6.200
Total amount of Annual Rent due	171.056
Total amount required to be paid by M/s Mobilink	177.256
Amount paid by M/s Mobilink	167.595
Amount less paid by M/s Mobilink	9.661 (m)

Annex-C

Statement showing the detail of loss due to non-leasing of rail shops by REDAMCO

(Para 4.1.4)

(Rupees in million)

S. No.	City where constructed	Total No. of shops constructed in February 2016	No. of shops leased out in first term	No. of shops leased out in 2nd term	Total leased out shops	No. of shops not yet leased out.	Revenue collected on leased out shops	Loss due to non-leasing of Rail shops
1	Noshehra	73	32 on 31-05-16	21 on 02-08-16	53	20	75.389	28.44 (45.389/53 = 1.422 * 20)
2	Lahore	27	NIL	NIL	NIL	27	0.00	48.762 (1.806 * 27)
3	Karachi	20	05 on 04-06-16	05	10	10	18.060	18.060 (18.060/10 =1.806)
Total amount of loss due to non-leasing of shops								95.262 (m)

Annex-D

Detail of pay and allowances paid to Manager/Legal (Para 4.1.5)

S. No.	Rate of Pay & Allow.	Period of Payment	No. of months	Fuel Expenses	Total payment (Rs)
1	70,000	July 2013 to Oct 2013	04	--	280,000
2	125,000	Nov 2013 to Dec 2014	14 125000x14= 1750,000	14x200= 2800x70= 196,000	1,946,000
3	137,848	Jan 2015 to Mar 2017	27 137848x27= 3,721,896	27x200= 5400x70= 378,000	4,099,896
Total amount of Pay & Allowances					6,325,896 6.326 (m)

Annex-E

Detail of expenditure of vehicles purchased during ban period (Para 4.1.6)

S. No.	Company Brand	Engine Capacity	Purchased during FY	Price per vehicle	Freight charges	Registration cost	Insurance charges	Total Amount Rs
1	Suzuki Cultus	1000 CC	2012-13	1,010,000	19,000	26,000	27,876	1,082,876
2	-do-	-do-	-do-	1,010,000	19,000	26,000	27,876	1,082,876
3	-do-	-do-	-do-	1,010,000	19,000	26,000	27,876	1,082,876
4	Suzuki Mehran	800 CC	-do-	652,000	19,000	18,500	19,625	709,125
5	-do-	-do-		652,000	19,000	18,500	(not insured)	689,500
6	Suzuki Bolan	-do-	-do-	674,000	19,000	20,000	20,288	733,288
7	Honda City	1300 CC	2013-14	1,661,764	-	73,000	42,957	1,777,721
8	Suzuki Mehran	800 CC	2016-17	713,000	-	-	-	713,000
9	-do-	-do-		713,000	-	-	-	713,000
10	-do-	-do-		713,000	-	-	-	713,000
11	Suzuki WagonR	1000 CC	-do-	1,069,000	-	-	-	1,069,000
12	-do-	-do-		1,069,000	-	-	-	1,069,000
13	Toyota Corolla GLI	1300 CC	-do-	1,912,000	-	-	-	1,912,000
Total								13,347,262 13.347 (m)

Annex-F

**Statement showing loss due to execution of contract at lesser rates
(Para 4.1.9)**

Categories	No. of sites	Area of sites (sqft)	Rate per S.qft Rs	Previous rate Rs 198 (with 10% escalation) Rs	Difference Rs
Prime	20	32268	343	217.80	125.20
Ordinary	17	31226	229	217.80	11.2
Below Ordinary	25	64282	152	217.80	(65.80)
Total	62	127,776			

(Rupees in million)

Year	Area of Category Below Ordinary	Rate agreed per sq. feet with 10% escalation	Previous rate Rs 198 (with 10% escalation)	Diff	Loss
2014-15	64,282	152.00	217.80	(65.80)	4.23
2015-16	64,282	167.20	239.58	(72.38)	4.65
2016-17	64,282	183.92	263.54	(79.62)	5.12
2017-18	64,282	202.31	289.89	(87.58)	5.63
2018-19	64,282	222.54	318.89	(96.34)	6.19
2019-20	64,282	244.80	350.77	(105.97)	6.81
2020-21	64,282	269.28	385.85	(116.57)	7.49
2021-22	64,282	296.20	424.43	(128.23)	8.24
2022-23	64,282	325.83	466.87	(141.05)	9.07
2023-24	64,282	358.41	513.56	(155.15)	9.97
Total Loss					67.40 (m)

Annex-G

**Statement showing the detail of tax deducted on the income of
REDAMCO (Para 4.1.10)**

(Rupees in million)

S. No.	Year	Budget amount approved by the MoR	Grant against capital expenditure	15% service fee	Total amount of contribution	Income Tax liability
1	2012-13	36.667	7.687	--	44.345	0.330
2	2013-14	33.981	2.291	--	36.272	0.218
3	2014-15	45.984	0.531	5.976	52.491	1.199
4	2015-16	18.888	0.657	49.990	69.535	4.202
Total		135.520	11.166	55.966	202.643	5.949

Annex-H

Statement showing detail of expenditures incurred on purchase of vehicles and monetization allowance alongwith fuel expenses (Para 4.1.11)

S. No.	Officer Name posted as MD/CEO M/s	BPS	Posting period in REDAMCO	No. of months	Monetization Allowance p.m.	Total amount of monetization allowance
	Arshad Salam Khattak	20	July 2015 to December 2015	06	65960	395,760
	Zubair ShafiGhauri	20	January 2016 May 2016	17	65960	1,106,530
1	Total amount of monetization allowance paid to the MD/CEO					1,502,290
2	Cost of second vehicle purchased for MD/CEO					1,913,000
3	Fuel Expenses incurred on vehicle					750,000
Total						4,165,290 4.165 (m)

Annex-I

Statement showing the detail of amount lying outstanding against contractors in violation of agreements (Para 4.2.2)

S. No.	Description of para	Rs. in million															
1	<p>A construction contract valuing Rs 26.089 million was signed between M/s Pir Muhammad & Company and REDAMCO for construction of 78 shops at Peshawar in June 2015. The contract was terminated by REDAMCO after fulfilling legal formalities as the contractor failed to complete the work. Thus, amount was lying outstanding against the contractor due to non-completion of project. The detail of recoverable is as under:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th align="center">Sr. No.</th> <th align="center">Loss on account of irregularity</th> <th align="center">Amount of Loss</th> </tr> </thead> <tbody> <tr> <td align="center">1</td> <td>Non-provision of 10% Bank guarantee by the contractor.</td> <td align="center">2.609</td> </tr> <tr> <td align="center">2</td> <td>Payment made to the contractor</td> <td align="center">0.824</td> </tr> <tr> <td align="center">3</td> <td>20 % penalty of work left over by the contractor. (20% of 24.262 = 4.853)</td> <td align="center">4.853</td> </tr> <tr> <td align="center" colspan="2">Total</td> <td align="center">8.286</td> </tr> </tbody> </table>	Sr. No.	Loss on account of irregularity	Amount of Loss	1	Non-provision of 10% Bank guarantee by the contractor.	2.609	2	Payment made to the contractor	0.824	3	20 % penalty of work left over by the contractor. (20% of 24.262 = 4.853)	4.853	Total		8.286	8.286
Sr. No.	Loss on account of irregularity	Amount of Loss															
1	Non-provision of 10% Bank guarantee by the contractor.	2.609															
2	Payment made to the contractor	0.824															
3	20 % penalty of work left over by the contractor. (20% of 24.262 = 4.853)	4.853															
Total		8.286															
2	<p>A contract agreement was signed between a Consortium and REDAMCO amounting to Rs 39.800 million for Pakistan Railways land bank in Karachi Division. While preparing the documents, clause regarding furnishing of 10 percent performance guarantee was not included in the</p>	3.980															

	contract agreement. Resultantly, neither firm deposited the required amount nor the management of the REDAMCO bothered to ask the firm to do so.	
3	A construction contract valuing Rs 26.944 million was signed between M/s Ijaz & Company (Pvt) Ltd. and REDAMCO on 01-06-2015 for construction of rail markets at Noshehra. The work was required to be completed on 01-10-2015. REDAMCO issued letters to the contractor time and again to complete the work and extension on this account was also granted upto 28 th February, 2016 but the work was not done. The 10% performance guarantee of total contract value i.e. Rs 2.694 million was not obtained in violation of the agreement, therefore company was unable to forfeit the same. Further, it was complained by the CEN/Open Line vide letter dated 05/2016 that the work done by the contractor was sub-standard to which no action was taken against the contractor. The contract was terminated by the REDAMCO. 16 Nos shops were still incomplete on the part of the contractor. Cost of one shop was calculated Rs 372,995 by REDAMCO. Therefore, total cost of 16 shops came out to Rs 5,967,920 to which 20% i.e. Rs 1,193,584 was required to be imposed on contractor and collected which was also outstanding. This resulted into loss of Rs 3.888 million to REDAMCO (2.694 + 1.194) due to failure of the contractor.	3.888
Total		16.154 (m)

Annex-J

**Detail of loss calculated being taken English Biscuits Manufacturers
as bench mark (Para 4.3.2)**

Bench Mark	Period from	To	Amount	Duration
English Biscuits Manufacturers	10-06-15	09-06-18	11.916	03 Years 11.916/3= 3.611 per year
	Period		Amount of Loss (Rs)	
	From	To		
	10-06-2012	09-06-2013		3.611
	10-06-2013	09-06-2014		3.611
	10-06-2014	09-06-2015		3.611
10% Escalation after three years	10-06-2015	09-06-2016		3.972
	10-06-2016	09-06-2017		3.972
Total				18.777(m)

Annex-K**Statement showing the detail of bills receivable outstanding against the parties (Para 4.3.3)**

S. No.	Party Name	Property Name	Amount of Receivables
1	Ajami, Nopowang and Zareco (AWT)	CNG sites on PR land	24.993
2	M/s SNS Enterprises	Chaklara residential project Rawalpindi	0.055
3	M/s Shapes private Ltd.	PR health studio (Shapes) Kyc	0.602
4	Mainland Husnain Pakistan Ltd.	PR Golf course, Lahore.	626.518
5	Mainland Husnain Pakistan Ltd.	PR Golf course Lahore USD values	81.984 (\$0.810)
6	M/s Kamal Associates	PR Railway property Lalamusa.	0.008
7	M/s RawalRawail	PR Dhudial property	29.578
8	M/s Aamir Builders	PR property Nowshehra	0.044
9	M/s Ansari International	Pr property at Gujranwala	32.246
10	M/s Telenor Pakistan	Radio Repeater Station onPR network	0.059
11	M/s PTML (Ufone)	Radio Repeater Station onPR network (Ufone)	6.578
12	M/s National Logistic Cell (NLC)	PR property at II chundrigar Road Karachi.	0.709
13	M/s rehmat-e- Shereen	Karachi Station	0.182
14	M/s Student Biryani	Karachi Station	0.088
15	M/s Paramount petroleum	Paposh Nagar nearl L-Xing 14 Karachi.	0.038
16	M/s Asian Energy Group	Drigh colony Karchi-Tariq	0.063
17	M/s Asian Energy Group	Drigh Road Near NHA office Karachi	11.725

18	M/s Shizzali Associates	Opp. Crown cinema Wazir Mansion Karachi.	6.220
19	M/s RPG Management	Belasis Road off II chundrigar Road Karachi.	1.712
20	Nouman Builders	Makki shah Hyderabad.	0.009
21	Shah Said Afridi	Plot near Mardan Railway Station Mardan.	0.192
22	Sheikh Khalid Mahmood	GT Road, Lalamusa	0.029
23	Manzoor Abbas	Near L-XINH No. 77 Sargodha.	0.001
24	SaqibQasir	Near Indus Glass Factor, Hyderabad	3.469
25	Arifhussain	Plot A Khairpur	0.192
26	Ahmed Petroleum Service 2	Rahimyar khan in front Goods shed	0.003
27	Pizza Hut	II Chundrigar Road Karachi.	2.468
28	Zulfiqar Ali	Bungalow 210, Lily Road KC.	0.060
Total amount of Bills/Receivable			829.825 (m)

**Detail of projects of land leased out by REDAMCO
from 2012 to 2016 (Para 4.5.3)**

Sr. No.	PR Property	Date of Agreement	Lease period
2012-13			
1	Plot A Khairpur	17-Dec-2012	99 years
2	Bungalow 210, K.C.	04-Feb-2013	99 years
2013-14	-NIL-		
2014-15	-NIL-		
2015-16	-NIL-		

**Detail of Rail Markets constructed and leased out by REDAMCO
from 2012 to 2016**

Sr. No.	Rail Market Constructed	Leased out	Balance
2012-13			
-NIL-			
2013-14			
-NIL-			
2014-15			
-NIL-			
2015-16			
1	72 Shops at Noshehra	52	20
2	27 Shops at Lahore	-	27
3	20 Shops at Karachi	10	10