

**Audit Report
For the Audit Year 2002-03**

**Audit Report
On
The Accounts of Pakistan Railways
Government of Pakistan**

**AUDITOR GENERAL OF
PAKISTAN ISLAMABAD**

- 1. Accounts Year Audited: 2002-2003**
- 2. Audit Conducted by: Office of the Director-General,
Audit Railways, Lahore.**
- 3. Head of Audit Office: Muhammad Jamil Bhatti,
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PREFACE

This Audit Report contains findings of audit on the accounts of Pakistan Railways and its subsidiaries for the year 2002-2003. The report was discussed in the DAC meeting held on 18-19 February and a special DAC meeting on 2nd August, 2004. The Management view point has been considered while finalizing the report.

The Audit Report contains analyses, findings and recommendations on major functional areas of the organization and its subsidiaries. Significant findings include lapses in planning, financial management, human resource management, inventory control, contract management and internal controls. The audit observations are only illustrative and not exhaustive, reflecting the general state of financial affairs and internal controls.

The Audit Report is submitted to the President of Pakistan in terms of Article 171 of the Constitution of Islamic Republic of Pakistan 1973.

MUHAMMAD YUNIS KHAN
Auditor-General of Pakistan

Islamabad
Dated: 06 OCT 2004 .

EXECUTIVE SUMMARY

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The Pakistan Railways is catering to the requirements of a large scale movement of freight as well as passenger traffic in the country. The organisation of its size with wide spread operations needs effective internal controls. This Audit Report indicates weak areas of management and highlights cases, which require immediate attention of the administration. The salient features of the report are summarized in the following paragraphs:

- ❖ Pakistan Railways has not been able to reduce its indebtedness considerably although the Government provided several concessions such as enhancement of Ways and Means Advance (a low interest credit line), overdraft on low interest, foregoing interest on Government investment, and additional grants-in-aid. Its debt was about Rs 17 billion as on 30th June, 2003.
- ❖ While reviewing the accounts, irregularities amounting to Rs 313 million were noticed in the areas of planning, financial management, human resource management, inventory controls, contract management and internal controls.
- ❖ The compliance to the directives of the Public Accounts Committee in respect of 60 audit observations for the year 1993-94, 1996-97 and 1999-2000 is still awaited.
- ❖ The PAC while discussing this report on 30.09.2015 issued directions out of which three were complied with and action taken. Besides an amount of Rs 2.905 million was recovered. The PAC directives are attached as Annexure-1.

SECTION-I
COMMENTS ON
APPROPRIATION ACCOUNTS

COMMENTS ON APPROPRIATION ACCOUNTS

- 1 Pakistan Railways has not been able to reduce its indebtedness during the past years despite provision of several concessions by Government of Pakistan in the shape of additional Grants-in-Aid, enhancement in the ceiling of Ways and Means Advance (a low interest credit line), reduction of interest rate on overdraft and foregoing of interest on yearly Investment by Government. In spite of frequent increases in fare rates and non-surrendering of savings in contravention to Finance Division's standing instructions, no improvement in financial health has been witnessed.

The total overdraft of Pakistan Railways was Rs 19,526 million by June, 2000. An amount of Rs 2,579 million was payable on account of interest on overdraft.

In order to help out Pakistan Railways, the Government agreed in January, 2000 to place Rs 19,000 million out of the total overdraft (Rs 19,526) in a separate "Special Blocked Account" with the instructions that Pakistan Railways would pay back this overdraft @ Rs 250 million per month. The ceiling of Ways and Means Advance was gradually increased from Rs 300 million in January, 2000 to Rs 4,000 million w.e.f. 10-2-2001. The State Bank of Pakistan started deductions at source at the above mentioned rate w.e.f. September, 2000 by reducing the blocked account and debiting the Ways & Means Advance whereas Railways did not make corresponding provisions in their budget in this regard. An amount of Rs 7,000 million was deducted in this way upto December, 2002. The Finance Division, on the request of Pakistan Railways, stopped the process of deduction w.e.f. January, 2003. Meanwhile, the Ways and Means Advance taken by Pakistan Railways for the year 2002-2003 increased to Rs 4,797 million.

The overall position of Railway's debt on 30-06-2003 was as follows:

i)	Blocked Account	Rs 12,000 million
ii)	Ways & Means Advance	<u>Rs 4,797 million*</u>
	Total	Rs 16,797 million

* against the authorized limit of Rs 4,000 million

The adjustment of Rs 7,000 million against the Blocked Account effected by State Bank of Pakistan was not because of any increase in operational earnings of the Railways but because of using the following cash flows:

i)	Government Grant in Aid	Rs 3,462.104 million
ii)	Savings from Capital & Authorized portion of Revenue Grant	Rs 4,102.076 million
iii)	Security & Deposits	Rs 709.000
iv)	Accrued Liabilities	Rs 214.875
	Total	Rs 8,488.055 million

2 Savings of Rs 1,264 million and Rs 1,165 million under the Authorized portion of Revenue Grant during 2001-2002 and 2002-2003 respectively highlight that the expenditure on operation, maintenance and repairs of the infrastructure and stock was not being made even to the extent of funds provided.

3 So far as Capital Grant is concerned, Pakistan Railways again did not utilize full amounts provided by the Federal Government despite the fact that there was a dire need to upgrade its operational capability and add new assets to meet the growing demand. Some of the development works started in 1993 have yet to be completed. The delay in execution of works not only affects the generation of revenue adversely but also increases the cost of works.

4 The unutilized amounts under the head Depreciation Reserve Fund (DRF) for the last four years indicated that funds were not being utilized fully to replace or rehabilitate the old assets, which adversely affected the operational performance of Pakistan Railways. Moreover, these savings were not surrendered in violation of the standing instructions of Finance Division.

5 The amount generated through 'Other Earnings' increased from Rs 881.202 million in 2001-2002 to Rs 1,404.213 million in 2002-2003 (i.e. 59%). During the last four years, it was observed that 'Other Earnings' and increase in fare rates and not the operational efficiency contributed to yearly increase in 'Gross Earnings'. The Other Earnings include income from leasing of Railway lands for commercial purposes, franchising, rent & tolls etc. In fact the earning from operations increased from Rs 12,164.710 million in

2001-2002 to Rs 13,405.505 in 2002-2003 (10.20%), whereas the total expenditure increased from Rs 17,799.614 million in 2001-2002 to Rs 20,463.626 million in 2002-2003 (14.97%) resulting in an increase of net loss from Rs 5,634.904 million to Rs 7,058.121 million (25.25%).

Railway fares were increased by 15% and 5% during the years 2000 and 2002 respectively. The increase in fares was perhaps partly responsible for loss of bulk cargo carriage. Pakistan Railways may find it increasingly difficult to attract clients in future because of cheaper cargo fares by road.

- 6 As per Technical Release-15 issued by Institute of Chartered Accountants of Pakistan, "capitalization of accumulated profits by the issue of fully paid bonus shares by a company does not in fact change the net worth of that company and by the same token does not add anything to the assets or income of the recipient shareholder. The correct treatment of bonus shares, therefore, in the hands of the recipient would be merely to add to the number of shares it owns without giving any monetary effect in the accounts either in terms of cost or value thereof as no accretion in fact is taking place in the hands of the recipient".

In contravention to the above rule, it was observed that Pakistan Railways had shown increased investment in RAILCOP by Rs 150 million (Rs 50 million in 1994-95 and Rs 100 million in 2001-2002). Resultantly, they have shown their initial investment increased from Rs 50 million to Rs 200 million. This incorrect accounting treatment of bonus shares has overstated total assets of Pakistan Railways.

- 7 The balances held under G.P. Fund are the liability of Pakistan Railways. Deposits as well as payments of amounts under G.P. Fund are charged to Account III which is already in overdraft. During the year 2002-03, the amount on account of interest charges on principal amount was Rs 398 million at the rate of 14%. The high rate of interest paid on deposits under G.P. Fund to the employees without investing it profitably is increasing the overdraft status of Account III and worsening the financial position of Pakistan Railways. Moreover, updated balances of GPF accumulation were not made available to Audit.

SECTION-II
AUDIT PARAS

2. ORGANIZATIONAL SETUP

Pakistan Railways comprises two functional units i.e. Operational Unit and Manufacturing & Services Unit. The Operational Unit, headed by General Manager (Operations), takes care of overall operation of the Railways. Three Assistant General Managers and various specialized departments assist General Manager (Operations) for managing Operational Units. Nine operating divisions i.e. Headquarters, Peshawar, Rawalpindi, Lahore, Multan, Sukkur, Karachi, Quetta and Workshop Division, Mughalpura are working under General Manager (Operations). The Divisional Superintendent is the overall incharge of each division and directly reports to the General Manager (Operations). The Divisional Superintendent is assisted by Divisional Officers and Assistant Officers of their respective departments e.g. Civil Engineering, Mechanical Engineering, Transportation & Commercial, Electrical, Signalling and Telecommunication.

Manufacturing and Services (M&S) unit, headed by General Manager (M&S) is responsible for the management of Concrete Sleeper Factories, Locomotive Factory, Hospitals, Schools, RAILCOP and PRACS. Both the General Managers are responsible for the performance of their units to the Secretary/Chairman Railways.

2.1 CIVIL ENGINEERING DEPARTMENT

The Civil Engineering Department is responsible for planning, designing, construction and maintenance of track, buildings, bridges and other structure of the Railways network.

Audit Paras

Keeping in view the limited resources test audit of selected offices was conducted. During review of the accounts, following irregularities were noticed.

2.1.1 Wasteful expenditure of Rs 9.154 million due to inadequate planning.

The work of extension of loops to accommodate 72 wagons load and providing Standard III signalling system at six stations on Jacobabad-Kashmor Section was approved by Railway Board in February, 1979 at a cost of Rs 5.273 million. However, the work was started in 1976-77 prior to approval of PC-I. The expenditure of Rs 4.845 million incurred on structural portion of the work upto

August, 1978 had gone waste as the provision of Standard III signalling system was dropped. This issue was taken up vide Para 4.3 of Audit Report 1982-83 which was discussed in PAC meeting held in April, 1986. The PAC directed to fix responsibility for lack of planning and intimate the names of the defaulters with their explanations. The work was restored and PC-1 was revised for the six stations at a cost of Rs 24.187 million and was got approved by the DDWP in July, 1990. Only two stations, Dil Murad and Haibat Shaheed, were completed at a cost of Rs 3.551 million and remaining four stations were left incomplete / unfinished after incurring an expenditure of Rs 9.154 million.

Apart from the above, the following irregularities were noticed:-

- i) Signalling and block material worth Rs 4.185 million was issued for the work against which material valuing Rs 404,000 was still lying in the stores of Signal and Interlocking Inspector, Sukkur for the last 26 years.
- ii) Cabins built for operating the system in four incomplete/unfinished stations had almost been destroyed and their doors and windows had been stolen.
- iii) Thirty seven staff quarters built were found in dilapidated condition and were not worth living.

The issue was brought to the notice of Secretary/Chairman Pakistan Railways in June, 2003. It was replied in October, 2003 that (i) the project could not be completed in time, as the material was not received due to non- availability of funds, (ii) the work of two stations Dil Murad and Haibat Shaheed was completed and opened in August, 1989 and May, 1990 whereas the work at Bijarani and Thul Nao stations was also completed in February, 1992 but could not be put into operation for want of cabin men and other operating staff, (iii) the Staff quarters and cabins built for the purpose were safe and required minor repairs at the time of opening, and (iv) the Permanent Way and Signalling material obtained for the work had been transferred to other accounts.

The contention of the Railway administration was not acceptable as funds of Rs 5.293 million provided for the work from 1990-91 to 1994-95 were not utilized. The condition of the loop lines, cabins and staff quarters at Bijarani and Thul Nao stations stated to be completed was reported to be worse than before and the same could not be utilized for the required purpose without major repairs.

The condition of other two incomplete stations was also the same. The Completion Reports drawn showed the works as unfinished. The staff quarters and the cabins were physically checked and found in a very bad state and not worth using. The details of materials stated to have been transferred to other accounts were also not provided for verification.

Subsequently, Departmental Accounts Committee meeting was convened on 18th February, 2004 on the request of Audit, wherein Chief Engineer was directed to discuss the issue with Audit and submit revised reply accordingly. Two letters were issued to the executive for the compliance of directive of the DAC but no response was received.

PAC may like to issue directive to the Principal Accounting Officer (PAO) in this regard.

2.1.2 Wasteful expenditure of Rs 748,000 due to misutilization of labour.

As per Para 5.5 of Way and Works Manual, the duties of the gang-men are to maintain the track.

Contrary to the above, the services of 35 gang-men were utilized by various officers of Multan Division on jobs other than their specified duties and at their bungalows during the period from July, 2000 to January, 2001 and their presence was marked as "duty" in their Muster Sheets. The utilization of labour on other jobs instead of their legitimate duty of maintenance of track was tantamount to misutilize of labour. Therefore, the pay and allowances of Rs 748,000 paid to them during the above mentioned period had gone waste.

The Chief Engineer ordered in May, 2002 that as the utilization of gang-men on the jobs other than maintenance of track fell under the category of misuse, therefore, the pay and allowances paid to them be recovered from the officers who directed them to do so but no action was taken.

The matter was taken up with the Secretary/Chairman Pakistan Railways through Draft Para in February, 2004. He was again requested in June and July, 2004 to discuss the Para in DAC meeting. However, DAC meeting was held on 2nd August, 2004 and the reply furnished by the Railway administration was not considered appropriate. The committee directed the Deputy Chief Engineer to recover the amount from the concerned officers under intimation to Audit. the compliance of which was still awaited.

The PAC may kindly direct the PAO to implement the orders of Chief Engineer and DAC to effect the recovery from defaulters and utilize the personnel on the specified job for which they were imparted training.

2.1.3 Loss of Rs 732,000 due to poor workmanship of RAILCOP labour.

As per clause 12 of contract agreement executed between Railway administration and RAILCOP for 25 KM Complete Track Renewal, the RAILCOP was liable for any loss or damage caused during the execution of work.

Contrary to the above, the cost of 600 Pre-Stressed Concrete Sleepers (PSC) amounting to Rs 732,000 broken during the execution of work due to mishandling by the un-skilled labour had not so far been recovered from RAILCOP.

The observation was discussed with Assistant Executive Engineer, Jhelum who remarked that the issue would be taken up at a higher level to recover the cost of broken sleepers. The matter was taken up with the Secretary/Chairman Pakistan Railways in November, 2003 and discussed in the DAC meeting held on 18th February, 2004 wherein the Chief Engineer stated that the matter was re-investigated and only a few sleepers were found defective/damaged which had been used after necessary repairs. The DAC directed the officer to provide the break up of damaged sleepers alongwith a copy of investigation report to Audit. The same was awaited despite issuance of two reminders to the Chief Engineer.

The PAC may kindly direct the Railway administration to monitor/supervise such works in an effective manner to safeguard Railways assets and the loss involved be recovered from the RAILCOP as per contractual obligations.

2.2 MECHANICAL ENGINEERING DEPARTMENT

The Mechanical Engineering Department is responsible for the planning, designing, production, rehabilitation, maintenance and operation of locomotives and rolling stock.

Audit Paras

The following financial irregularities were pointed out by Audit as a result of test check of the accounts of the department.

2.2.1 Non-recovery of Rs 174.454 million from supplier on account of liquidated charges and consumable stores.

Article 16 of contract agreement of the project "Procurement of 30 D.E. Locomotives" provides that in the event of the seller's failure to ship the Locomotives, Components and Parts in accordance with the schedule as set forth in the contract, the purchaser may collect from the seller, a sum of one-half percent (1/2 %) of the C & F price as liquidated damages in respect of each consignment of Locomotives, Components and Parts, so delayed for each and every week of such delay.

Contrary to the above, the liquidated damages amounting to Rs 168.597 million (Japanese Yen 337.193 million) imposed on the seller during May,1998 to February,1999 due to non supply of components and parts of locomotives according to the schedule given in the contract agreement were not recovered.

Similarly, the consumable material valuing Rs 5.857 million used during September,1999 to April, 2001 in the construction /manufacturing of 30 D.E. Locomotives which was also required to be recovered from the supplier/seller in terms of contract agreement had not so far been recovered.

The matter was taken up with the Secretary / Chairman Pakistan Railways through Draft Paras in January, 2003. The Draft Paras were discussed in the DAC meetings held on 18th February, and 2nd August, 2004. The remarks furnished by the Production Engineer, Locomotive Factory, Risalpur were not considered appropriate by the committee and directed the officer to furnish revised reply. In the revised reply dated 3rd August, 2004 it was stated that the matter was discussed in a high level meeting presided by Secretary/Chairman Railways. It was decided that the supplier would reimburse the amount of 160 million Japanese Yen out of total recoverable amount of 190.825 million Japanese Yen in the shape of maintenance spares for maintenance of AGE 30 DE Locomotives, the supply of which had started and was expected to be completed upto the end of this year. It was further stated that in order to cover up the risk of non delivery of spares, the fresh bank guarantee valuing 190.825 million Japanese Yen had been taken from MIS Marubeni Corporation which would be kept valid until complete delivery of the spare parts.

The remarks were not tenable as the spares valuing 121.913 million Japanese Yen had already been procured alongwith other spares for three years consumption

from the same supplier vide contract agreement No. PR-LF/96/30-DEL dated 28th August, 1996. Therefore, the Memorandum of Understanding (MOU) signed with supplier was open to question whether or not the offered spares were really required. Moreover, the procurement of spares in such a huge quantity would also entail blockage of capital.

The PAC may, therefore, like to ask the PAO to explain the reasons of non compliance of terms and conditions of the agreement and non-encashment of previous bank guarantee of the supplier which was lying with the Railways and order suitable action in respect of matters contained in the Draft Para.

2.2.2 Overpayment of Rs 1.618 million on account of transfer of technology.

According to Clause-21 of the contract agreement of the project "Procurement of 30 D.E. Locomotives", the assembling and manufacturing work of Locomotives was to be supervised by the engineers of the manufacturing company-General Electric Company at Pakistan Locomotive Factory's facility and they were to be paid professional fee in Japanese Yen quarterly on man-month basis on the presentation of invoices.

Audit observed that the seller submitted the quarterly invoices after conversion of months into weeks and again weeks into months. In this way one of the engineers, who worked continuously for three months claimed 13 weeks (3.25 man-months) instead of three months and claimed/drew 0.25 month professional fee in excess to the fee admissible in each quarter. The total amount overpaid worked out to 3.509 million Japanese Yen (Rs1.618 million) in five invoices received from 1st March, 1999 to 30th November, 2000.

The matter was taken up with the Secretary/Chairman Pakistan Railways through Draft Para in January, 2003. In their reply dated 17th November, 2003, Ministry stated that as per contract agreement, the month consisted of 20 working days whereas the Service Engineer worked for 25 working days in a month. Therefore, payment of additional five days in each month was made accordingly and no excess payment was made as 161.9 million yen were paid against the allocated amount of 165.6 million yen. The remarks were not tenable as the professional fee was required to be paid on man-month basis as laid down in contract agreement and not on the basis of weeks/days. The total payment, no doubt, remained within the allocated amount but the payment was made on the basis of weeks, which was

not the spirit of the contract agreement. Consequently, professional fee for 1.25 man-months was paid in excess in five invoices by taking 13 weeks equal to 3.25 man-months against three complete months. Thus, the payment was made by converting the weeks into months, which resulted in overpayment of Rs 1.618 million.

Subsequently, a meeting of Departmental Accounts Committee was held on 18th February, 2004. The same remarks were offered by MD/Loco Works, Risalpur. Therefore, the General Manager directed that such discrepancy should not exist in future contract agreements. The reply was not accepted by Audit as it was repetition of the previous reply. No action/corrective measures had been taken to recover the excess payment despite issuance of reminders by Audit.

The PAC may like to issue directive to the PAO for compliance of terms and conditions of the contract agreement and for recovery of overpayment from the concerned engineer or from those held responsible in order to safeguard the interests of Railways.

2.2.3 Loss of Rs 306,000 due to non-recovery of rental charges.

A branch of United Bank Limited was opened in December, 1993 and remained operative till November, 1996 in a building constructed on the premises of Pakistan Locomotive Factory, Risalpur at a cost of Rs 595,000. While handing over the possession of the building on 14th November, 1993 no agreement containing terms & conditions was executed with the bank authorities. Resultantly, the bank authorities did not pay monthly rent of the building for the entire period. Railway administration lodged the claim of rental charges amounting to Rs 306,000 @ Rs 8,500/- per month but the bank authorities refused to pay the rent. Thus, the Railway administration sustained a loss of Rs 306,000.

The audit observation was communicated to the Secretary/Chairman Pakistan Railways in September, 2003. It was replied on 23rd December, 2003 by the Ministry that the possession of building was handed over to UBL authorities in November, 1993 at monthly rent of Rs 8,500. Later on, the UBL authorities asked for another building of the Factory on Nowshehra-Mardan road on the plea that there was not enough patronage of the bank inside the colony but their request was not accepted as the existing building was provided to them with their consent. Therefore, the UBL authorities vacated the building in November, 1996 without

paying rent of Rs 306,000. The bank authorities were asked time and again to pay the rent but in vain. Consequently, a civil suit had been lodged for the recovery of rent.

The remarks were not accepted as the possession of building was given to UBL authorities in 1993 without executing agreement and rent was not recovered even for a single month despite the fact that bank remained operative till November, 1996. Moreover, the civil suit was also lodged after the lapse of a period of more than eight years on pointing out by Audit.

However, Departmental Accounts Committee meeting was convened on 18th February, 2004 on the request of Audit wherein, the General Manager directed to get the matter resolved with the help of Finance Division for adjustment through Financial Adjuster, the compliance of which was still awaited despite issuance of three reminders.

The PAC may like to issue directive that internal controls should be strengthened to safeguard the interests of Railways and amount involved be recovered from the bank authorities or adjusted as recommended by the General Manager Railways/DAC.

2.3 TRAFFIC DEPARTMENT

The Freight Business Unit is responsible to provide reliable competitive and economical service to its customers. The Passenger Business Unit is responsible to handle the operation of passenger trains.

Audit Paras

The following financial irregularities were pointed out by Audit as a result of test check of the accounts of the department.

2.3.1 Non-recovery of penalty charges of Rs 118,000 from PRACS.

An agreement was entered into with MIS PRACS on 11th April, 2002 for selling the platform tickets at Karachi Cantt Railway Station for one year at their highest bid of Rs 10 million which was extended upto 30th April, 2004. The licensee was still running its business upto July, 2004 (aate of verification) without further extension of the agreement.

As per clause 10 of the agreement, the licensee was required to pay Rs 2.500 million (25% of the bid money) in advance and remaining Rs 7.500 million (75% of the bid money) in ten equal instalments payable by 5th of each month subsequently changed to 10th of each month. In case of default of payment of monthly instalment by the aforesaid date, a penalty @ Rs 1,000 per day was to be levied and in case of further failure to deposit the monthly instalments by 20th of the month the license was to be cancelled. The licensee paid Rs 2.500 million in advance but the monthly instalments were delayed and no penalty charges were paid as per agreement. An amount of Rs 118,000 was, thus, recoverable from the licensee on account of penalty charges upto the month of July, 2002.

The Draft Para was sent to the Secretary/Chairman Pakistan Railways in March, 2003 followed by reminders in September, November, December, 2003 and February, 2004 for holding a meeting of Departmental Accounts Committee. In the DAC meeting, Chief Commercial Manager stated that the recovery of penalty charges was under process. The Committee directed the officer to ask the PRACS to deposit the penalty charges otherwise it would be deducted from their commission bills. The compliance of directive of DAC was yet to be made despite issuance of three reminders to the executive.

The PAC may like to direct the management to comply with the terms and conditions of contract agreement to safeguard the interests of Railways.

2.3.2 Loss of Rs 2.105 million due to non-recovery of misappropriated amount by an employee.

Para 25.43 of Commercial Manual provides that the entire collection of the day must invariably be sent to the cashier on the same day. In violation of the rules, cash amounting to Rs 9.821 million and Rs 270,000 collected during the period from July, 2000 to April, 2001 and March, 1999 to May, 1999 respectively was not deposited in Government treasury on due dates by the dealing officials posted at Rohri and Radhan Railway stations. Out of above, amounts of Rs 7.978 million and Rs 8,000 were deposited by the concerned employees and the balance amounts of Rs 1.843 million and Rs 262,000 were still recoverable from the staff of Rohri and Radhan Railway stations respectively. The concerned employees had since been dismissed from service without effecting recovery of the balance misappropriated amount.

The matter was taken up with the Secretary/Chairman Pakistan Railways through Draft Para in November, 2003 but no response was received. The Chief Commercial Manager during DAC meeting held in February, 2004 remarked that the retirement dues of the concerned two employees dismissed from service had been estimated at more than Rs 2.105 million, hence, Railways would not suffer any loss. The remarks were not tenable as the retirement dues of the concerned employees would never come to Rs 2.105 million as estimated by Railways. Furthermore, it is pertinent to state that they can not issue such an order because the dues of dismissed employee can not be adjusted against the misappropriated amount. No further response had been received inspite of reminding thrice.

The PAC may kindly issue directive to the PAO for taking suitable action for making good the loss and strengthening the internal controls to avoid such occurrence in future.

2.3.3 Sale of bogus tickets valued at Rs 2.013 million and misplacement of tickets worth Rs 52,000.

Para 1802 of State Railways General Code stipulates that any defalcation or loss of cash, stores and other property having substantial amount should be reported immediately to the General Manager, Financial Adviser & Chief Accounts Officer, for detailed investigation and every important case should be brought to the notice of Railway Board as soon as possible by the General Manager.

Contrary to the above, report about the bogus printing and sale of card tickets valued at Rs 2.013 million and misplacement of ticket documents valued at Rs 52,000 during January to August, 2002 at Rahim Yar Khan, Railway Station was neither submitted to General Manager/Financial Adviser & Chief Accounts Officer nor brought to the notice of Railway Board. On enquiry/investigation of Chief Marketing Inspector (CMI), the Station Master was reverted from Grade-II to Grade-I due to slack supervision. Three concerned officials directly involved in the fraud case, were dismissed from service but the defalcated amount had not so far been recovered from them. FIR was got registered with Railway Police who referred the case to Deputy Director, FIA. The Deputy Director, FIA also referred the case to Director, FIA in January, 2003 for getting approval for registration of fresh case against Railway employees, which indicated that the case was being

delayed to give benefit to the concerned employees, who were at large since 28th July, 2002.

The matter was taken up with the Secretary / Chairman Pakistan Railways in November, 2003. During the DAC meeting, the Chief Commercial Manager stated that the retirement dues of the dismissed employees estimated to Rs 1.7 million per employee had been forfeited. The remarks were not tenable as the retirement dues of the concerned employees would never come to Rs 1.7 million per employee as estimated by Railways. It is pertinent to state that they can not issue such an order because the dues of dismissed employee can not be adjusted against the misappropriated amount. The Committee directed the Chief Commercial Manager to enquire from Inspector General Railway Police as to how the amount would be recovered. No further progress was reported to Audit despite issuance of four reminders.

The PAC may like to direct the PAO to take steps to recover the amount involved from the concerned and internal controls should be strengthened to avoid such instances in future.

2.3.4 Non-remittance of cash and surcharge of Rs 127,000 into the treasury by a City Booking Agency.

Para 25.43 of Commercial Manual provides that the collection of cash, cheques or coins of the day must invariably be sent by the Station Master to the treasury by the first train passing the station in which travelling cash safe is conveyed.

In Contravention to the rules, the City Booking Agency, Faisalabad, which was closed on 25th August, 2001, did not remit the cash of Rs 90,000 collected on 24th August, 2001 to the treasury till 5th June, 2003 (date of inspection). The 20% surcharge of Rs 37,000 accrued upto 5th June, 2003 in terms of General Manager Commercial's orders dated 22nd December, 1997 had also not been remitted by the defaulting Agency. No concrete efforts appear to have been made to recover the long outstanding amount/dues.

The contents of the irregularity were brought to the notice of the Secretary / Chairman in September, 2003. It was replied in January, 2004 that an amount of Rs 302,000 of City Booking Agency was lying with the F.A & C.A.O/ Revenue as commission for the period from 1st July, 2001 to 28th August, 2001 and the outstanding amount would be recovered from the commission to be paid to the

Agency. During Departmental Accounts Committee meeting held on 18th February, 2004 the same remarks were offered by the Chief Commercial Manager which were not accepted by the Committee and General Manager directed the officer to approach the FA & CAO/Revenue to adjust the amount. Neither information regarding adjustment of outstanding amount nor its recovery had been produced to Audit despite issuance of three reminders.

The PAC may issue directive to the PAO to recover the amount involved or adjust it against the amount of commission of the Agency stated as lying with Railways and internal controls be strengthened to avoid such recurrence in future.

2.3.5 Non-recovery of Rs 136,000 from an employee.

In terms of Divisional Personnel Officer, Sukkur letter dated 27th April, 2001 a Special Ticket Examiner was compulsorily retired from service. He was charged with theft of iron scrap valued at Rs 108,000 and pocketing of demurrage charges amounting to Rs 28,000 while working at Sarhari and Bandhi Stations. It was directed to all concerned through above quoted letter to recover the outstanding dues from him. However, the amount of Rs 136,000 had not so far been recovered from the settlement dues of the accused employee thereby causing loss to the Railway administration to that extent.

The matter was taken up with the Secretary / Chairman Pakistan Railways in September, 2003. During the DAC meeting held on 18th February, 2004 the Chief Commercial Manager informed that DS/Sukkur had directed the Divisional Accounts Officer to adjust the amount from the settlement dues of the employee concerned but the compliance was awaited despite issuance of reminders. Moreover, the settlement dues of the employee (Rs 127,654) were less than the amount outstanding against him and even these were not adjusted upto 7th June, 2004 as verified by Audit.

The PAC may like to issue directive to the PAO to take steps to avoid such pilferage in future. Moreover, the recovery of the amount involved be effected from the concerned and internal controls be strengthened to safeguard the Railways assets.

2.4 ELECTRICAL DEPARTMENT

The department is responsible for planning, designing, construction, installation of all electric equipment/machinery and maintenance of electric network all over the system.

Audit Paras

The following financial irregularities were pointed out by Audit as a result of test check of the accounts of the department.

2.4.1 Loss of Rs 5.050 million due to blockage of capital of Rs 4.119 million.

The Railway administration requested WAPDA in March, 1991 for providing 3rd feeder for new bulk supply connection for Railways Power House Moghalpura and paid Rs 1.959 million in August, 1992 as capital cost, Rs 1.800 million in June, 1995 as security and Rs 360,000 in June, 1997 on account of additional security charges as the security charges were revised in April, 1995. The work for erection of 3rd feeder connection was not started by WAPDA upto the date of local Audit i.e. May, 2002. Thus, the Railway's Funds amounting to Rs 4.119 million paid during 1992 to 1997 remained blocked. If rate of interest @ 10% is added, the loss will come to Rs 5.05 million.

The matter was taken up with the Secretary/Chairman Pakistan Railways through Draft Para in February, 2003 but no response was received. On the request of Audit, a meeting of DAC was held on 18th February, 2004 wherein it was stated by General Manager (Operations) that additional amount of Rs 724,000 demanded by WAPDA on account of capital cost and security charges had also been paid and the work would be commenced by LESCO shortly. Audit pointed out the delay in commencement of work and payment of additional amount of Rs 1.084 million. No further progress was intimated to Audit despite issuance of reminders.

The PAC may like to issue directive to strengthen the financial management controls to achieve the desired objectives instead of blocking capital unnecessarily and get the work completed at an early date.

2.4.2 Illegal drawal of Overtime Allowance amounting to Rs 1.981 million by the electrical staff of Karachi Division.

The bill clerk of the Divisional Electrical Engineer (Power) after getting the summaries of salary bills signed by the competent authority added a specific amount on account of Overtime Allowance in the bills every month though no Overtime Allowance was actually admissible / allowed to the staff in question during July, 1996 to November, 1998. Thereafter, getting the salary bills passed from the Accounts Officer, the bill clerk with the connivance of other employees made payment of actual salary to the staff and withheld the fraudulently increased/drawn amount of Overtime Allowance amounting to Rs 1.981 million.

The issue was reported to the Secretary/Chairman Pakistan Railways in February, 2003. The observation was accepted by the Railway administration and it was replied on 27th October, 2003 that the embezzlement was due to collusion of different branches. They however, stated that most of the main characters involved in the case were either retired from service or transferred elsewhere. It was further informed that the enquiry committee constituted to investigate the matter had not yet finalized its proceedings and definite responsibility would be fixed on completion of the enquiry proceedings. The remarks offered by the Executive were not accepted as the fraud was detected in November, 1998 and the enquiry committee had not yet finalized its report despite the lapse of five years.

Furthermore, the matter was also discussed in the Departmental Accounts Committee meeting held on 18th February, 2004 in which General Manager directed the Chief Electrical Engineer to complete the enquiry up to 15th March, 2004. Neither the amount fraudulently drawn had so far been recovered nor progress regarding completion of enquiry reported to Audit despite reminding the executive thrice.

The PAC may like to issue directive to strengthen supervisory controls to avoid such instances in future and intimate reasons for non finalization of enquiry besides effecting recovery of defalcated amount.

2.5 PURCHASE & STORES DEPARTMENT

The objective of this department is to provide maintenance stores and spares for efficient running of rolling stock and cater to the maintenance requirements of material for track, signalling, bridges and electrical department etc.

Audit Paras

The following financial irregularities were pointed out by Audit as a result of test check of the accounts of the department.

2.5.1 Loss of Rs 41.722 million due to non-replacement of defective material.

Railway administration procured certain material during the period from November, 1992 to August, 1997 from MIS Valtec Pakistan Lahore, on behalf of their foreign Principal MIS Valtec Locomotive, Canada. Material valuing Rs 42.015 million (US \$ 807,985.44 x Rs 52) was found short, of wrong specifications, damaged or defective. On issuing the Show Cause Notice to the firm on 2nd December, 1999, the firm deposited Rs 293,000 on 16th September, 2000. However, despite the lapse of a considerable period, the firm had neither replaced the remaining defective material nor refunded its cost of Rs 41.722 million.

The Draft Para was sent to the Secretary/Chairman Pakistan Railways in March, 2003. The issue was discussed in Departmental Accounts Committee meeting held on 18th February, 2004. The Chief Controller of Purchase informed that Rs 154,000 had further been recovered from the firm in this case. The General Manager enquired why timely action was not taken and constituted a committee comprising Assistant General Manager/ Personnel, Chief Controller of Purchase, Chief Controller of Stores and FA & CAO to probe into the matter and fix responsibility by 15th March, 2004. Further response of executive was still awaited despite issuance of four reminders.

The PAC may like to direct the PAO to recover cost of the defective material from the firm or from those who were found at fault. The amount recovered so far may also be got verified by Audit.

2.5.2 Supply of defective material worth Rs 27.054 million.

The Railway administration procured different kinds of material for diesel locomotives during April, 1984 to July, 2002. According to the terms and conditions of agreement, material supplied was required to be free from defects of workmanship. Contrary to the agreed terms and conditions, material valued at Rs 29.077 million was found defective by the ultimate consumer. This defective

material was not got replaced, hence Railway administration had to sustain loss to that extent.

The matter was brought to the notice of Secretary/Chairman Pakistan Railways in December, 2003. It was replied in January, 2004 that "an amount of Rs 2.492 million had since been recovered. The General Manager had also nominated a committee of Principal Officers to probe into the matter regarding recovery from M/S Valtec Canada towards short shipments and defective supplies". The reply was not tenable as on verification it transpired that material valued at Rs 1.467 million had subsequently been declared suitable on 23rd August, 2003. The material valued at Rs 135,000 was replaced on free of charge basis and only an amount of Rs 421,000 was recovered from the concerned firm. Moreover, neither the action taken by the enquiry committee was intimated nor the responsibility for the residual defective material valued at Rs 27.054 million fixed.

The PAC may like to direct the management to recover the cost of defective material either from the concerned firms or from those who were found at fault. The supervisory controls should also be strengthened to avoid such recurrence in future.

2.5.3 Irregular procurement of a self driven Track Crane valued at Rs 11.080 million.

The Railway administration procured a Self Driven Track Crane from a firm of China in terms of agreement dated 10th September, 1996 at a cost of Rs 11.080 million. The said Track Crane was purchased against the specifications of the agreement. It was further noticed that in order to accommodate the wrong purchase decision, an amendment of specification in the contract was made after the lapse of warranty period in 1999. The crane did not perform satisfactorily even during its warranty period. Furthermore, the said Track Crane became out of order since 14th April, 2002 due to various defects and needed major overhauling. The above facts indicated that the decision for the procurement of said Track Crane was not processed according to rules, procedures and specifications which resulted in wasteful expenditure of Rs 11.080 million.

In September, 2003 the issue was brought to the notice of the Secretary/Chairman Pakistan Railways. The Departmental Accounts Committee meeting was held on 18th February, 2004. The Chief Mechanical Engineer informed that machine

worked satisfactorily for four years without any major repair, which was contradicted by Audit by producing the record regarding unsatisfactory working of the machine. The General Manager ordered the officer to produce log-book to Audit upto 25th February, 2004 for verification of facts and get the Crane repaired through RAILCOP early. The needful was not done by Railways despite issuance of three reminders. However, the scrutiny of log-book by Audit in July, 2004 revealed that the crane became out of order again in April, 2002 and had not so far been got repaired.

The PAC may like to issue directive regarding strengthening of contract management controls to avoid such occurrence in future and the matter be investigated for fixing responsibility for the procurement of Track Crane against the specifications of Railways and get it repaired early.

2.6 RAILWAYS POLICE DEPARTMENT

The Railways Police Department emerged from Watch & Ward in October, 1977. The primary objective of the department is to provide protection to the running trains, moveable, immovable assets of Pakistan Railways, lives of the passengers and staff against theft, robbery, kidnapping, fire, floods, accidents, terrorism, bomb blast, ticket-less travelling, transportation of cash from banks to cash office and cash office to certain locations for payment, to escort goods and passenger trains and protect VIPs and special trains.

Audit Para

The following financial irregularity was pointed out by Audit as a result of test check of the accounts of the department.

2.6.1 Non-remittance of Rs 4.026 million in the Railways Account.

Para-7 of Treasury Rules of Federal Government and Para-1402 of General Code of Pakistan Railways provide that all money received by or tendered to Government Officers on account of revenues should be deposited in full in the treasury or bank specified by the Ministry of Finance in consultation with the State Bank of Pakistan without any delay. The money so received should not be appropriated to meet departmental expenditure nor should it be kept apart from the public accounts.

Contrary to the above, an amount of Rs 3.128 million collected in January, 2001 from the candidates who applied for recruitment in Railway Police was deposited in the PLS Account opened with the Askari and National Banks of Pakistan in the name of Inspector General, Police under the caption "Welfare Sports Police Fund" instead of Railways Account which was irregular/against the codal provision.

The matter was brought to the notice of the Secretary/Chairman Pakistan Railways in September, 2002 and the issue was discussed in the Departmental Accounts Committee meeting held in April, 2003. The Inspector General, Railway Police was advised by the General Manager Operations to check as to how much amount had been expended out of the Welfare Fund, get it regularized by the competent authority and deposit the balance amount in the Railways Account. Instead of doing the needful, an amount of Rs 898,000 collected from the candidates in May, 2003 was again deposited in the same Welfare Fund. It was again replied in November, 2003 that the Regulation No.7 issued in the mic. of 2003 by the Inspector General Railway Police with the approval of General Manager, Pakistan Railways for regulating the functions of Pakistan Railway Police Fund (which was created in 1994) provided an authority to collect such a meagre amount from intending candidates and deposit it into Welfare Sports Fund to meet with the expenditure on recruitment process. These remarks were also not acceptable as the approval of the Finance Division had not been obtained for opening the Account with Askari Bank and depositing the amount in the Account other than the Railways Account. Moreover, the amount received from the intending candidates to join the Pakistan Railway Police was required to be deposited in the Railways Account as per Para 103 of Treasury Rules.

The revised Draft Para was sent to Ministry in February, 2004. The due compliance by the executive was not conveyed to Audit till date despite issuance of reminders.

The PAC may like to issue directive to the Principal Accounting Officer to adhere to the government financial rules and regulations in respect of public money and the amount of Rs 4.026 million be deposited in the Railways Account.

2.7 DIRECTORATE OF PROPERTY AND LAND

Directorate of Property and Land is responsible for managing the real estate owned by Pakistan Railways. The main objectives of the organization are (i) maintenance of complete record of entire Railway Land (ii) authentication of entire Railway Land (iii) proper demarcation of land (iv) leasing / licensing of Railway land on commercial basis (v) dealing with the cases of encroachments (vi) commercial utilization of available land for constructing plazas and shopping centers and residential flats etc.

Audit Paras

The following financial irregularities were pointed out by Audit as a result of test check of the accounts of the Directorate.

2.7.1 Encroachment of valuable land costing Rs 14.91 million at Jhelum.

A piece of land measuring 24 Kanals 17 Marlas was acquired by the Railway administration in 1918 for providing a siding known as Hayat Siding at Jhelum. Later on the siding was dismantled and due to negligence of Railway administration, this valuable land was encroached by the outsiders. Most of the encroachers had constructed residential buildings on the said land, however, the Railway administration could not get the said land vacated.

Encroachers approached the Railway administration for sale of land to them at market rate but no action was taken. Although the then Deputy Commissioner Jhelum informed the Railway administration in 1981 that as per survey of revenue field staff, 13.17 Kanals land was under encroachment of citizens and 11 Kanals gone in roads and streets and the same was under possession of Municipal Committee, Jhelum, yet no action was taken. Non-vacation of land resulted in a loss of Rs 14.910 million on account of cost of land at the prevailing market rate of Rs 30,000 per Marla.

The matter was reported to the Railway administration and Ministry through Specific Report and Draft Para in August, 2000 and February, 2003 respectively but no reply was received. The Secretary / Chairman Railway Board was again requested in September, December, 2003, February and June, 2004 to discuss the Para in DAC meeting. However, DAC meeting was held on 2nd August, 2004 wherein General Manager constituted a committee for conducting survey of land in question, negotiation with encroachers and District Government for leasing of

surplus land and report the results to Audit within two months which was still awaited.

The PAC may like to direct the management to make efforts to recover the cost of land from illegal occupants and strengthen the asset management controls.

2.7.2 Non recovery of Rs 8.804 million from illegal occupants of Railway land.

The residential area of Railway land measuring 3022.19 square yards was unauthorizedly occupied by the dwellers of the adjoining houses situated near Gillani Railway Station, Karachi. In order to regularize the illegal occupation of Railway land, the executive committee of the Railway Board approved the lease of Railway land to the occupants of the houses @ Rs 3,000 per square yard on 10th September, 2002 and notices were issued to them but the requisite amount of lease (Rs 9.023 million) was not recovered.

The matter was discussed with the Deputy Director Property & Land, Karachi Cana: on 1st March, 2003 who remarked that all of the 37 dwellers were issued notices to deposit the dues for area occupied but only 3 persons had deposited the amount. However, efforts would be made to recover the remaining amount. The remarks were not accepted as no further legal action was taken to evict the encroachers or effect recovery from them.

The matter was taken up with the Ministry of Railways on 9th December, 2003 through Draft Para to which no reply had been received. The Secretary/Chairman Railway Board was again requested in February, June and July, 2004 to discuss the Para in DAC meeting. Ultimately the issue was discussed in DAC meeting held on 2nd August, 2004 wherein the Joint Director/Property and Land informed that an amount of Rs 807,000 had since been recovered from the occupants of Railway land. Audit verification revealed that actually an amount of Rs 219,000 had further been recovered and the balance amount stated as recovered did not pertain to the amount taken up by Audit. The amount of Rs 8.804 million was still recoverable. The committee directed the officer to execute lease agreement with the occupants who had paid the amount and recover the amount from others in easy instalments besides taking up the matter with KDA for returning money received against Railway land and report to Audit within two months, which was still awaited.

The PAC may like to issue directive to take steps to redeem the issue and strengthen the asset management controls.

2.7.3 Loss of Rs 2.16 million due to litigation and settlement charges on the cancellation of lease deed.

Railway administration leased out 63.13 acres of land to Pakistan Railways Employees Co-operative Housing Society Karachi on 24th December, 1980 for the Housing Scheme for a term of 99 years. The Prime Minister Inspection Commission recommended that "the land measuring 18.42 acres acquired from Karachi Development Authority near Gilani Railway Station in 1980 should not be utilized for housing and the approach to the Station should be kept open" whereas the Railway administration cancelled the lease agreement of the entire Railway land on 13th April, 1991.

However, on the cancellation of lease deed, the negligence of Railway administration resulted in encroachment and construction of big plazas. Besides, Railway administration had to pay Rs 2.16 million on account of litigation and settlement fee as the allottees lodged suits in the courts of law.

The matter was taken up with the Railway administration and the Ministry through Specific Report and Draft Para in December, 2002 and September, 2003 respectively to which no reply had been received. The Secretary/Chairman Railway Board was again requested in December, 2003, February and June, 2004 to discuss the Para in DAC meeting. However, the Draft Para was discussed in a DAC meeting held on 2nd August, 2004. The DAC constituted a committee headed by Chief Engineer to examine facts in detail and put up the recommendations within three months which was still awaited.

The PAC may like to issue directive to management to make efforts to recover the cost of land from illegal occupants and strengthen the asset management controls.

2.8 PERSONNEL DEPARTMENT

This department deals with all personnel matters of the officers and staff and maintains the service record of all concerned.

Audit Paras

The following financial irregularities were pointed out by Audit as a result of test check of the accounts of the Department.

2.8.1 Overpayment of Rs 2.528 million on account of Special Additional Allowance.

Finance Division Office Memorandum dated 4th September, 2001 provides that Special Additional Allowance is not admissible to the employees appointed on or after 4th September, 2001.

Contrary to the above, Special Additional Allowance was being paid to the employees of different categories appointed in Peshawar, Multan and Quetta Divisions on or after 4th September, 2001, which was irregular and not admissible to them. This resulted in overpayment of Rs 2.528 million upto December, 2003.

The issue was reported to the Secretary/Chairman Pakistan Railways in December, 2003. The matter was afterwards discussed in the Departmental Accounts Committee meeting held in the same month. The irregularity was accepted by the executive who stated that irregular payment had been stopped as pointed out by Audit. The remarks were not convincing as neither the recovery of over payment was initiated nor responsibility for over payment fixed. The matter was again discussed in the Departmental Accounts Committee meeting held on 18th February, 2004 wherein General Manager directed the Chief Personnel Officer to submit final reply upto 10th March, 2004, but no reply had been received despite issuance of three reminders.

The PAC may like to issue directive to the management to follow the financial rules issued by competent authority and to take steps to recover the irregularly paid amount from the concerned employees

2.8.2 Excess payment of Rs 105,000 due to irregular grant of special increment.

A Financial Advisor and two Assistant Financial Advisors were appointed in MP-I and MP-II scale respectively by the Ministry of Railways on contract basis in October, 2001 for a period of 2 years. According to the terms and conditions of their appointment only one annual increment of Rs 10,000 and Rs 7,500 was admissible to them. However, Financial Advisor and two Assistant Financial

Advisors were granted one extra increment each in addition to their permissible increment in January, 2003 which was irregular and against the terms and conditions of their appointment. This resulted in an excess payment of Rs 105,000 during the period from January, 2003 to June, 2003.

The matter was taken up with the Ministry of Railways through Draft Para on 15th September, 2003. It was replied on 24th January, 2004 that one additional increment was granted by the Secretary Railway Board with the financial concurrence of Member Finance, Ministry of Railways. The remarks were not acceptable as the grant of one additional increment was against the terms and conditions of the contract of appointment. On the requests of Audit, a special DAC meeting was held on 2nd August, 2004 wherein the committee concluded that the grant of additional increment was not covered under any rule. It was decided in the meeting that Secretary Railway Board would be requested to clarify the position but the response was still awaited.

The PAC may issue directive to the Railway management to recover the overpaid amount either from the concerned individuals or from those held responsible and the terms and conditions of the contracts should be adhered to in all such cases.

2.8.3 Irregular expenditure of Rs 548,000 on account of pay and allowances due to appointment of an un-qualified Draftsman.

Para 3 (2) of chapter-II of Esta Code provides that the method of appointment and qualifications and other conditions applicable to a post shall be laid down by the Ministry or Division concerned in consultation with the Establishment Division. Accordingly, the minimum educational qualification for the post of Draftsman (B-11) was prescribed as matriculation with three years diploma from a recognized institution by the Ministry of Railways as laid down in Personnel Manual Vol-I.

Contrary to the above, a Draftsman was appointed by General Manager Railways in November, 1983 on the basis of two proficiency certificates in Civil Draftsman and Tracer course from the Punjab Board of Technical Education, Lahore which was irregular and against the rules. Thus, an amount of Rs 548,000 paid to him on account of pay and allowances from the date of joining the service in December, 1983 to the date of Audit inspection in March, 2003 was irregular.

The matter was taken up with the Secretary/Chairman Pakistan Railways through Draft Para in September, 2003 and after three reminders, Departmental Accounts Committee meeting was held on 18th February, 2004. Chief Personnel Officer stated in the meeting of DAC that the appointment of the employee was regularized by General Manager who was competent to relax the educational qualification. Audit stated that General Manager was not competent. The committee, therefore, directed the Chief Personnel Officer to revise the reply by stating that the appointment of the employee was regularized on the announcement of the Prime Minister during his visit to Risalpur Factory. Audit was of the view that necessary ex-post facto sanction of Establishment Division was required to relax the educational qualification. No further response was received despite issuance of reminders.

The PAC may like to issue directive with respect to the contents of this Audit Para.

2.9 BENEVOLENT FUND ORGANIZATION

The Pakistan Railways Benevolent Fund Organization was established in 1969 and regulated under West Pakistan Railways Servant Benevolent Fund Ordinance, 1969. The source of fund is based on compulsory contribution from Railway Servants, grants by Railway and government, other contributions/donations and income from investments made under the Ordinance. The fund is utilized for the relief of Railway Servants/Ex-Railway Servants and their families and expenditure incurred on management of organization.

Audit Para

The following financial irregularity was pointed out by Audit as a result of test check of the accounts of the Department.

2.9.1 Fraudulent drawal of Rs 1.156 million from benevolent fund.

On pointing out by the Manager, Habib Bank Ltd Cantt Branch, Peshawar in November, 2001, it came to the notice that an official of Personnel Branch of Peshawar Division had fraudulently drawn Rs 1.156 million from Benevolent Fund Account during the year 1998 to 2001 by tampering / altering the figures of the cheques issued to various widows. The matter was got probed into by an inquiry committee in March, 2002 who held the dealing official responsible for

the embezzlement. The accused was dismissed from service w.e.f. 29th March, 2003 but without any recovery, which resulted in a loss of Rs 1.156 million to the Railway administration.

The inquiry committee also attributed the fraud to the slack supervision on the part of the supervisory staff. Neither the amount was recovered from the culprit nor any action was taken against the supervisory staff.

The matter was taken up with Secretary/Chairman Pakistan Railways through Draft Para in September, 2003 but no reply was received. However, during Departmental Accounts Committee meeting held on 18th February, 2004 the Chief Personnel Officer intimated that the settlement dues of the dismissed employee estimated to Rs 800,000 and G.P Fund of Rs 41,175 were available which would be confiscated. The remarks were not tenable as the settlement dues of a clerk would never come to Rs 800,000 and moreover, the dismissal of the employee had deprived him of his right to claim the dues.

PAC may like to direct the management to strengthen the internal controls to prevent such occurrence in future and amount involved be recovered from the accused.

SECTION-III

INTERNAL CONTROLS

AN

OVERVIEW

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INTERNAL CONTROLS-----AN OVERVIEW

Internal controls refer to the policies, rules and regulations made within the organization to ensure that various activities are being carried out efficiently and effectively. This should result in safeguard of organizational assets, compliance with the relevant statutory requirements/standard established practices with reasonable assurance to financial aspects. The efforts of the management of an organization are focused on achievements of the desired objectives with efficient use of resources. Thus they plan, organize, lead and control. The internal controls help managers to perform their functions. Controls are developed keeping in view the functions of the organization and are implemented after assessment of risk in order to provide reasonable assurance that policies are in place and provide accountability, encourage sound management and proper management of resources.

The Finance & Accounts Department of Pakistan Railways should assume the role as announced in different departmental codes, in order to safeguard against the misuse of funds, proper maintenance of accounts and to ensure regularity in transactions consisting of receipts and expenditures. Similarly, the office of the Chief Internal Auditor is responsible to carry out independent review of working of executive offices.

Despite the presence of internal controls as well as internal audit mechanisms, the audit paras on the accounts of Pakistan Railways revealed several irregularities.

Loss due to non recovery of rental charges and misappropriation of amounts, sale of bogus tickets and misplacement of tickets, non remittance of cash into the treasury, fraudulent drawal of overtime allowance, loss due to non replacement and acceptance of defective material and loss due to encroachment/illegal occupation of land etc., are all glaring instances of loose internal controls.

Although, various departmental codes provide for internal control methodology and mechanism but they are not being adhered to, resulting in losses to the system. The Internal Audit Department should also be allowed to assume the real role for which it was originally intended at the time of its creation and the requirements of the present times.

An effective internal control mechanism is necessary for good governance, which results in achieving organizational objectives in most economical, efficient and effective manner. Audit therefore, suggests that the internal controls be enforced in letter and spirit and strengthened to avoid such occurrences by improving check and balance system. It is hoped that the above recommendations will help the management to improve the financial health of Railways.

SECTION-IV
FINAL POSITION
OF
AUDIT PARRS AND MFDAC

FINAL POSITION OF AUDIT PARRS

Regularity Audit Reports

(1) Year 1989-90

Chapter/Nature of Irregularities	Total No. of paras	No. of paras responded	No. of paras not responded
Infructuous/wasteful expenditure	6	6	Nil.
Additional Expenditure	8	8	Nil
Avoidable Expenditure	5	5	Nil
Misappropriation	1	1	Nil.
Recoverable.	2	2	Nil
Losses	6	6	Nil
Irregular expenditure	2	2	Nil
Irregular payment	3	3	Nil
Non deposit of Govt. money	1	1	Nil
Non utilization of investment.	1	1	Nil
Irregular appointment	1	1	Nil
Blockage of capital	3	3	Nil
Unnecessary expenditure	1	1	Nil
Shortage of material	1	1	Nil
Total	41	41	Nil

(2) Year 1990-91

Misappropriation/fraud/Embezzlement	11	11	Nil
Wasteful/Infructuous expenditure	5	5	Nil.
Loss of material/freight	7	7	Nil
Loss of revenue	2	2	Nil
Extra avoidable expenditure	3	3	Nil
Irregular expenditure	2	2	Nil
Defective/unnecessary purchase of material	5	5	Nil
Undue benefit to contractor	2	2	Nil.
Un-remunerative expenditure	1	1	Nil
Irregular payment	1	1	Nil
Shortage of store	1	1	Nil
Under charges	1	1	Nil
Non accountal of error sheets	1	1	Nil
Total	42	42^{A11}	Nil

Year 1991-92

Chapter /Nature of Irregularities	Total No. of Paras	No. of Paras responded	No. of Paras not responded
Loss due to short/non recovery of Railway dues	3	3	Nil
Misappropriation/fraud/losses of stores	5	5	Nil
Irregularities in acceptance of tenders	6	6	Nil
Management deficiencies	7	7	Nil
Infructuous expenditure/purchase of defective Material	6	6	Nil
Irregularities in execution of work	3	3	Nil
Irregular payment of pay and allowances	2	2	Nil
Miscellaneous	4	4	Nil
Total	36	36	Nil

4)Year 1992-93

Irregularities involving fraud misappropriation	16	16	Nil
Defective, irregular and unjustified purchase of Material	8	8	Nil
Irregular payment of pay and allowances	8	8	Nil
Management deficiencies	15	15	Nil
Irregularities in execution of work	10	10	Nil
Overpayments, non recovery of Railway dues.	18	18	Nil
Irregularities in acceptance of tender	4	4	Nil
Loss of revenue	10	10	Nil
Miscellaneous.	10	10	Nil
Total	99	99	Nil

5)Year 1994-95

Irregularities involving fraud/ d/ misappropriation.	7	Nil	7
Purchase of defective material/wasteful expenditure.	10	Nil	10
Wasteful, irregular payment of pay and allowances.	28	Nil	28
Uneconomical, excessive infructuous and irregular procurement of material	17	Nil	17
Management deficiencies.	9	Nil	9
Irregular payment/non recovery of Railway dues.	11	Nil	11
Irregularities in execution of contracts/works and evaluation of tender	27	Nil	27
Loss of revenue	12	Nil	12
Miscellaneous	2	Nil	2
Total	123	Nil	123

(7) Year 1995-96

Chapter/Nature of Irregularities	Total No. of Paras	No. of Paras responded	No. of Paras not responded
Fraud/misappropriation embezzlement/theft.	17	10	07
Loss due to wasteful expenditure, purchase of unnecessary/defective material, avoidable/excess payments, non recovery of Railway dues and loss of Revenue.	111	47	64
Uneconomical purchase	4	2	2
Irregular expenditure/payments.	18	08	10
Miscellaneous	3	00	3
Total:	153	67	86

(7) Year 1997-98

Fraud/misappropriation/embezzlement/theft	6	6	Nil
Loss due to wasteful and avoidable/excess Expenditure	16	16	Nil
Purchase of unnecessary/defective material	15	15	Nil
Uneconomical purchases.	3	3	Nil
Non-recoveries of Railway dues and loss of earnings.	7	7	Nil
Irregular expenditure/payments.	6	6	Nil
Miscellaneous	3	3	Nil
Total	56	56	Nil

(8) Year 1998-99

Misappropriation/misuse/wasteful/theft.	10	10	Nil
Over payments.	2	2	Nil
Negligence	16	16	Nil
Violation of rules	6	6	Nil
Violation of propriety	3	3	Nil
Recoverable	11	11	Nil
Others.	2	2	Nil
Total	50	50	Nil

(9) Year 2000-01

Misappropriation	08	07	01
Overpayments	1	01	-
Recoverable	16	16	-
Negligence	13	12	01
Violation of Rules	8	08	-
Violation of propriety	2	02	-
Total	48	46	02*

(10) Year 2001-02			
Misappropriation	05	-	05
Overpayments	05	-	05
Recoverable	03	-	03
Negligence	13	-	13
Violation of Rules/propriety	02	-	02
Total	28		28

PERFORMANCE AUDIT/SPECIAL AUDIT REPORTS.

Year	Total No. of PARs/SARs	No. of PARs/SARs Responded	No. of PARs/SARs not responded.
1989-90	7	7	Nil
1990-91	10	10	Nil
1991-92	9	Nil	9
1992-93	12	Nil	12
1994-95	8	Nil	8
1995-96	8	Nil	8
1997-98	6	Nil	6
1998-99	8	Nil	8
1999-00	-	-	-
2000-01	2	02	-
Total	70	19	51

MFDAC

Sr. No.	Year	No. of Paras	Total no. of paras responded	Paras no responded
01.	1996-97	84	64	20
02.	1997-98	51	51	-
03.	1998-99	48	40	8
04.	1999-2000	63	20	43
05.	2000-2001	37	10	27
06.	2001-2002	47	15	32
Total		330	200	130

SECTION - V

COMPLIANCE OF PAC DIRECTIVES

BY

THE EXECUTIVE

COMPLIANCE OF PAC DIRECTIVES BY THE EXECUTIVE

S.NO.	Audit Report	Total Paras	No. of Paras against which PAC directives were issued	No. of paras in which compliance of PAC directives is awaited
1.	1993-94	67	24	12
2.	1996-97	56	30	18
3.	1999-2000	58	36	30

CERTIFICATION AUDIT

1.	1993-94	23	01	01
2.	1996-97	31	06	05

PERFORMANCE/SPECIAL AUDIT REPORTS.

1.	1993-94	08	02	02
2.	1996-97	4(1+3)	04	2 paras 2 (IDC + sub committee)
3.	1999-2000	39	29	29

AUDIT COMMENTS

1.	1996-97	19	02	02
2.	1999-2000	35	26	26

ACCOUNTS OF PRACS AND RAILCOP

1	1993-94	PRACS RAILCOP		Sub Committee
2	1999-2000	(PRACS) 10 (RAILCOP) 06	06 05	06 05

DETAIL OF PARAS IN WHICH PAC DIRECTIVES WERE NOT COMPLIED WITH

Sr. No.	Audit Report Year	Para No.	Substance of the observation	Amount (Rs. In Million)	Date of PAC's Meeting	Brief Substance of Recommendations.
1	1993-94	4.9	Un-economical Execution of work	0.909	17.10.98	The PAC directed the Ministry of Finance to examine the rational of price increase and report to the Committee within one month. Compliance awaited.
2	1993-94	6(a)	Accounts of PRACS		17.10.98	The PAC constituted a sub-committee under the convener-ship of Syed Zafar Ali Shah MNA, representatives of Audit Department, Ministry of Railways and Ministry of Finance to examine the Para and report to Committee within one month. A number of meetings were held. Final report could not be prepared due to dissolution of National Assembly.
3	1993-94	6(b)	Accounts of RAILCOP		17.10.98	-do-
4	1993-94	Evaluation Report	Pakistan Railways, Carriage Factory, Islamabad		17.10.98	The PAC constituted a sub-committee under the convener-ship of Syed Zafar Ali Shah, MNA, representative of Audit department, Ministry of Railway & Ministry of Finance to examine the para and report to the committee within one month. The report was be submitted to the PAC directly. The report could not be finalized due dissolution of National Assemble.
5	1993-94	7.3	Loss of Rs 0.558 million due to unauthorized sale of plot.	0.558	19.09.97 20.04.99 21.04.99	The Committee directed that the triangular shaped Railway land be auctioned as commercial plot. The plot in question has not been sold as yet. The Para was again discussed in the PAC meeting held on 20-21/4/99. The Audit pointed out that PAC had directed that triangular shaped Railway land be auctioned as commercial plot. The plot in question had not been sold. The PAC referred the issue for examination to the sub-committee already constituted to examine the irregular sale of Railway land at Vehari under the convener ship of Syed Zafar

						Ali Shah, MNA. Before the sub-committee could start its proceedings, the National Assembly was dissolved.
6	1993-94	7.4	Loss of Rs 0.848 million due to undue benefit to a purchaser of Railway Land	0.848	19.9.97 20/21.04.99	The PAC constituted a sub committee comprising Mr. Zafar Ali Shah MNA and representatives of Finance Division, Audit and Railway, who were to visit the site and decide the issue. Before the sub-committee could start its proceedings, the National Assembly was dissolved.
7	1993-94	7.8	Procurement of used Lube oil instead of Creosote oil causing loss of Rs 0.926 million.	0.926	19.09.97 20/21.04.99	An amount of Rs 0.156 million was recovered from the firm. The PAC had directed he PAO to take steps to recover the balance amount and report to the Committee within two months. The selling firm had gone to court and the case is still subjudice.
8	1993-94	7.10	Wasteful expenditure of Rs 20.876 million on computerization of reservation of Pakistan Railways.	20.876	20/21.04.99	PAC directed the Audit department to examine the inquiry report of the concerned department given to the responsible staff commensurate with the findings and the Committee within one month. Inquiry Report is still awaited from the department.
9	1993-94	7.13	Un-economical procurement of 23(5+18) Diesel Electric locomotives	15.911	29-10-97 20/21.04.99	Audit pointed out the PAC in its meeting held on 20-21/4/99 that an IDC was constituted to review the Para and finalize its report within one month. The IDC could not submit its report. The PAC directed that the IDC submit its report within one month. The IDC concluded that the exemptions from International competitive bidding in the said cases was granted by the ECNEC as a result of which financial propriety (as pointed out by Audit was not observed while committing public funds due to the restricted bidding/single tender. The Economic Affairs Division approached the Japanese Embassy to delete the conditions so that international bids could be called for but the donor

						country refused to do so.
10	1993-94	7.24	Fraudulent evaluation of tenders resulting in additional expenditure of Rs 8.5 million.	8.5	20.9.97 20/21.4.99	<p>The PAC directed the Ministry to inquire the matter and fix responsibility within three months. The Railway administration had informed that inquiry in this case has been ordered by the G.M. The Committee has held Dr. Saleem Malik, the then D.M.O. responsible and charge sheet is being issued to him.</p> <p>After hearing the Ministry's reply, the PAC observed that department deliberately delayed to implement the orders of PAC. The Committee directed the department to implement its previous directives within one week and report to the Audit for verification and communication to the PAC. Explanation needs to be called for escaping PAC directives.</p> <p>Show cause was issued to Dr. Saleem Malik to which he has submitted his defence. The Ministry informed in 11/02 that the case for final action against the officer is under process. The officer is on forced leave. Final outcome is awaited.</p>
11	1993-94	7.33	Gross irregularities in conservancy contract for removing Rubbish and night soil from Railway Colonies and Station premises	0.502	1.10.97 25.05.99	<p>The PAC directed the PAO to inquire the matter again, inform the Audit and report to P.A.C. The Railway administration informed that the officers at fault have been charge sheeted, action in the case is in progress.</p> <p>The PAC directed the department to provide the inquiry report and a copy of framed charge sheet to the Audit department and PAC within one month. The inquiry report received on 31.05.2001 was examined. The Ministry replied in 10/2001 that Mr. M. Iqbal EX. D.S./Lahore was dismissed from service with a recovery of Rs 0.382 million. The show cause notice was issued to Dr. Saleem Malik to which he submitted his defence. The officer is on forced leave. Final action taken is awaited.</p>

12	1993-94	7.39	Incurrence of expenditure of Rs. 3.815 million without sanction of the competent authority.	3.815	1.10.97 25.5.99	The PAC directed the PAO to examine the expenditure, verify the work, X the responsibility for negligence and report to the Committee within one month. The PAC was informed that the works were undertaken on sanction of urgency certificate by the G.M and detailed estimate thereof. The PAC constituted an IDC to examine the matter and report to the Committee within one month. Final outcome of the proceedings of the IDC is still awaited.
13	1993-94	7.46	Non-realization of rent amounting to Rs 437.221 million due to improper maintenance of land record.	437.221	1.10.97 25.05.99	The PAC directed the PAO to fix responsibility and take action against persons held responsible. It was directed to take up the issue with Chief Minister Punjab. Railway administration has informed that the case has been referred to Chief Secretary, Government of Punjab, NWFP & Sindh to recover the amount involved. The PAC directed the department to expedite the matter to recover the said amount and report to the Committee within two months. It was replied in September, 202 that out of total amount of Rs. 437.211 million, an amount of Rs. 323.50 million has since been recovered from the food department and concrete efforts were being made to recover the balance amount. The balance amount of Rs 113.721 million is still recoverable.
14	1993-94	7.61	Unjustified expenditure of Rs. 1.493 million.	1.493	17.1.98	The PAC directed the PAO to examine the issue, fix responsibility against the concerned person(s), take action and report to the Committee within one month. Compliance awaited.

15	1993-94	7.64	Excess issue of Raw Material Rs. 0.551 million for manufacturing of R.C.C. Twin Block Sleepers by W.M.(CSF), Kotri during 1993-94	39.572	17.10.98 25.5.99	The PAC directed the department to pursue the case in the court of law actively and report to the Committee within two months. The case is still subjudice.
16	1993-94	7.66	Loss of Rs. 39.572 million due to deficiencies of electric items in coaching stock.	39.572	17.10.98 25.5.99	PAC directed the Railway admin: to take necessary measures to control the theft and report to the Committee within one month. The Railway admn: informed the Committee that entire amount of deficiency cannot be attributed to theft. Deficiency quantum-wise mostly pertains to the pilferage of cables. Inspector General of Railway has now intensified the strength of the preventive railway police on important maintenance depots/yards. The PAC directed the department to take all possible measures to control the theft in the deptt. And report to the committee within two months. The measures to control the theft have been adopted but the loss sustained has not yet been regularized.
17	1993-94	PAR	Privatization of Lahore, FSLD, NWL Chak Amru Section.		20.09.97 25.05.99	The PAC directed the department to pursue the case in the court of law vigorously to protect the interest of Pakistan Railways and ensure action the responsible officer as previously directed. The case for recovery of income tax Rs 3.369 million is still subjudice.

Sr. No.	Audit Report Year	Para No.	Substance of the observation	Amount (Rs. In Million)	Date of PAC's Meeting	Brief Substance of Recommendations.
1	1996-97	7(a)2	Loss of Rs 3.017 million on account of demurrage and insurance charges	3.017	25.5.99	The PAC directed the PAO to conduct inquiry on the loss of Rs 3.017 million and report to the Committee and Audit within two months. The enquiry report is still awaited.
2.	1996-97	7(a)3	Misappropriation of stone ballast costing Rs 2.166 million.	2.166	25.5.99	The PAC directed the PAO to examine the issue and take appropriate measures to stop the misappropriation and report to the committee within two months. The result of examination is still awaited.
3.	1996-97	7(a)9	Fictitious/unjustified payment of overtime allowance amounting to Rs 727,000.	0.727	25.5.99	An IDC meeting was held on 1.7.99 and the Railway representative stated that payment of overtime on account of loco-70 has been controlled to a great extent. This aspect was verified by Audit. The representative of the deptt: was asked to prepare brief for consideration in the next meeting of IDC. The brief is still awaited.
4.	1996-97	7(a)13	Loss of Rs. 508,000 due to theft of permanent way material.	0.508	15.5.2001	The PAC directed the department to get the loss written off from the competent authority and report to the committee within one month. The report is still awaited.
5.	1996-97	7(a)16	Misappropriation of govt. money amounting to Rs 137,000	0.137	25.5.99	The PAC directed the PAO to take action against supervisory officer of the culprit. The reply received has been examined. An amount of Rs .0.124 million is still recoverable from the culprit.
6.	1996-97	7(b)3	Wasteful expenditure of Rs 1.173 million on the replacement of an abandoned tube well	1.173	25.5.99	The PAC directed the PAO to examine the issue in detail and report to the committee within two months. Compliance is awaited.
7.	1996-97	7(b)5	Loss of Rs. 109,340 due to negligence of the Railway administration.	0.109	15.5.2001	The Committee directed the ministry to investigate the issue regarding the loss due to negligence of the respective office, fix responsibility and take action against the

						concerned person(s) and report to the PAC within one month. Enquiry completed. Action taken against the persons held responsible is awaited.
8.	1996-97	7(c)1	Un-necessary procurement of material valuing Rs 26.786 million resulting in blocking of capital	26.786	15.5.2001	The PAC settled the Para subject to verification of stated fact, by Audit. The Ministry had appraised the Committee that material valuing Rs 22.646 million has been issued and the material valuing Rs 4.140 million is subjudice. The reply was verified. The whereabouts of court case could not be made available. The Railway administration was asked to supply the briefs of the case pending in the court of law alongwith the efforts being made to get the case decided which is still awaited.
9.	1996-97	7(c)5	Blocking of Rs 2.035 million due to unnecessary procurement of material	2.035	5.8.99	The PAC directed the PAO to determine the retention of material. If the said material is not required by the department then it may be sold in the open market and report to the committee within two months. Out of 27486 items only 7200 items have been utilized upto now the pace of utilization is very slow. The material worth Rs 1.094 million is still lying un-utilized.
10.	1996-97	7(d)2	Irregular and un-economical purchase of material valuing Rs 3.655 million	3.655	5.8.99	The PAC directed the PAO to examine the issue on merit and report to the committee within two months. The compliance is awaited.
11.	1996-97	7(e)1	Non realization of railways dues amounting to Rs 224.326 million.	224.326	5.8.99	On presentation the Public Accounts Committee directed the PAO to make special efforts for reconciliation jointly with Customs Department and be got verified from Audit. The case has not been finalized by the CBR/Islamabad and Custom Appellate Tribunal.
12	1996-97	7(e)2	Non realization of Railway dues amounting to Rs 1.989 million.	1.989	15.5.2001	The Committee directed the department to take up the issue with the Federal Government Adjuster for recovery of Railway's dues from the KDA/KMC, if efforts made with the Provincial Government or KDA do not turn fruitful.

						Compliance is awaited.
13.	1996-97	7(e)6	Non-realization of rental charges amounting to Rs 458,000	0.458	15.5.2001	The Committee directed the department to pursue the case in the court of law vigorously. The matter is still subjudice in the court of law.
14.	1996-97	7(e)12	Loss of Rs 84,000 on a deposit work and tampering with record to conceal the loss.	0.084	15.5.2001	The PAC settled the Para subject to verification of stated facts by Audit. The reply of the Ministry verified. The Ministry has stated that the work was completed at a cost of Rs 0.938 million against the deposit of Rs .1.237 million whereas the actual expenditure was more than 1.3 million as verified from the records of Rawalpindi and Peshawar Divisions. Department has been asked to clarify the position.
15.	1996-97	7(e)13	Over payment of Rs 28.160 million to custom department.	28.160	5.8.99	Committee directed the Principal Accounting Officer to make special efforts for reconciliation jointly with Customs and be got verified by Audit. It was replied that the amount of Rs 28.160 million is inclusive of amount of Rs 224.326 million pointed out in Para 7(e)1/96-97. These were refund claims. Out of Rs 28.326 million Rs 12.191 million have been recovered. The refund claims filed with custom are being pursued vigorously. On verification by Audit refund of Rs 8.478 million could be proved. The Railway administration has been asked to clarify the difference of Rs 3.713 million.
16.	1996-97	7(e)17	Loss of Rs. 1.063 million due to non-awarding of contracts of cycles/motor cycles stands to highest bidders.	1.063	5.8.99	The PAC constituted an Inter Departmental Committee under the convenorship of Dr. Aleem Mahmood Additional Secretary (M/O Finance, Expenditure), a nominee from Audit Department and a nominee from Ministry of Railways to examine the issue and report to the Committee within two months. The report of IDC has been sent to National Assembly Secretariat on 22-12-2001. PAC may consider the report of the IDC.
17.	1996-97	7(g)1	Loss of Rs. 5.178 million	5.178	15.5.2001	The Committee settled the para subject to

			due to burnt material			verification of stated facts by Audit. The write off statement is awaited.
18	1996-97	7(g)4	Unauthorized utilization of Railways receipts amounting to R. 0.185 million towards expenditures.	0.185	5.8.99	The PAC referred the issue to the Finance Division for comprehensive examination. Finance Division has t report to PAC.
19	1996-97	4.1	Irregular purchase of medicines worth Rs. 18.593 million.	18.593	15-5-2001	The PAC conveyed its displeasure on the issue and directed the PAO to take all possible measures to recover the loss from the culprits and report to the Committee within three months. The Committee also directed the department to pursue the case in the court of law. As a result of departmental action four officers have been dismissed/compulsorily retired from seervice4 with penalty of Rs. 2.29 million, 2.2 million,0.54 million and 0.16 million respectively. The action has been taken against the official held responsible. The amount of penalty is yet to be recovered.
20	1996-97	4.2	Loss of Rs. 18.658 million on account of unjustified expenditure ranging from Rs. 0.389 million to Rs. 0.476 million per month on Lahore Railways Station.	18.658	15-5-2001	The PAC directed the PAO to investigate the matter and submit a report thereon along with details of expenditure on polishing of tiles at different stations within one month. The Committee will then decide to send the issue to the Prime Minister for necessary action. The inquiry report has not yet been received.
21	1996-97	4.4	Irregular expenditure of Rs. 0.297 million without preparing proper detailed estimate.	0.297	5.8.99	The PAC directed that the PAO to examine the issue and take action against those responsible for carrying out the work without preparing detailed estimate and report to the Committee within one month. The decision of Ministry of Railway is awaited.
22	1996-97	4.9	Loss of Rs. 1.464 million due to escalation claim to contractor	1.464	15.5.2001	The Committee directed the department to provide a copy of the recommendations of the escalation committee to Audit. If Audit is satisfied, the para may be treated as settled. The recommendations

						of escalation committee have been examined. The grant of escalation due to delay in acquisition of land, preparation of plans and inadequate allocation of funds is not justified. As acquisition of land providing of plans to contractor and allocation of funds were pre-requisite for award of contract/commencing of work, responsibility for which may please be fixed.
23	1996-97	4.27	Fraudulent withdrawal of Rs 0.406 million (0.359+0.047) from G.P.F	0.406	15-05-2001	The PAC directed the Ministry to make all possible efforts to recover the outstanding amount (0.049 million were recovered) from the responsible officer/ official(s). The Committee also directed the PAP to make a list of the court cases and approach the Chief Justices (Supreme/High Courts) through Ministry of Law for early decisions. The compliance is awaited.
24	1996-97	Appropriation Accounts	i) Alarming Financial Position ii) Grant No.114 & 191	-	20/21-4-99 -do-	Latest position to be intimated by the Ministry of Railway. Required material is awaited.
25	1996-97	Performance/ Special Audit Report. Land Management	1. Accumulation of Rs 882.081 million as rent.	882.081	20/21.4.99	The PAC directed the Ministry to take immediate steps to expedite recovery of long outstanding rent amounts and also directed Finance Division to help the Ministry of Railway in this respect. An amount of Rs 276.570 million has so far been recovered and balance amount of Rs 605.511 million is still recoverable.
26	1996-97		2. Multiple Allotments of Plots in Housing Societies.	-		The PAC directed the department to enforce the by Laws while allotting the plots to the employees. The Committee further directed the department to take immediate action against remaining 137 officers holding multiple plots violating the rules and regulations within two months. The Committee showed its displeasure for delaying action in this regard. The department had pointed out that officers have been given dead line of October 31, 2001 to either

						surrender the second plot or pay the amount as per current market price. The latest position is awaited.
27	1996-97	Performance Audit Report	Performance Audit Report on Modification of 84 Japanese Trailers to enhance seating capacity.	-	20/21.04.99	The PAC constituted an Inter-Departmental Committee comprising representative of Planning Division, Ministry of Finance, Audit Department and Ministry of Railways to review the issue and report to the Committee within two months. IDC has not yet finalized its report.
28	1996-97	Performance Audit Report	Performance Audit Report on Recommissioning of 90-excessively damaged carriages.	-	-do-	-do-
29	1996-97	Performance Audit Report	Performance Audit Report on the Project of Procurement of 18 D.E Locomotives.	-	-do-	The PAC constituted a sub-committee under the Chairmanship of Nawab Salah-ud-Din Abbasi, MNA, Mr. Adnan Aurengzaab MNA and representative of Ministry of Finance, Ministry of Railway and Audit Department to look into the matter and report to committee within three months. No meeting of the sub-committee could be held due to dissolution of National Assembly in 10/99 as such the report could not be finalized.
24	1996-97	Appropriation Accounts	i) Alarming Financial Position ii) Grant No.114 & 191	-	20/21-4-99 -do-	Latest position to be intimated by the Ministry of Railway. Required material is awaited.
25	1996-97	Performance/ Special Audit Report. Land Management	1. Accumulation of Rs 882.081 million as rent.	882.081	20/21.4.99	The PAC directed the Ministry to take immediate steps to expedite recovery of long outstanding rent amounts and also directed Finance Division to help the Ministry of Railway in this respect. An amount of Rs 276.570 million has so far been recovered and balance amount of Rs 605.511 million is still recoverable.
26	1996-97		2. Multiple Allotments of Plots in Housing	-		The PAC directed the department to enforce the by Laws while allotting the plots to the

			Societies.			employees. The Committee further directed the department to take immediate action against remaining 137 officers holding multiple plots violating the rules and regulations within two months. The Committee showed its displeasure for delaying action in this regard. The department had pointed out that officers have been given dead line of October 31, 2001 to either surrender the second plot or pay the amount as per current market price. The latest position is awaited.
27	1996-97	Performance Audit Report	Performance Audit Report on Modification of 84 Japanese Trailers to enhance seating capacity.	-	20/21.04.99	The PAC constituted an Inter-Departmental Committee comprising representative of Planning Division, Ministry of Finance, Audit Department and Ministry of Railways to review the issue and report to the Committee within two months. IDC has not yet finalized its report.
28	1996-97	Performance Audit Report	Performance Audit Report on Recommissioning of 90-excessively damaged carriages.	-	-do-	-do-
29	1996-97	Performance Audit Report	Performance Audit Report on the Project of Procurement of 18 D.E Locomotives.	-	-do-	The PAC constituted a sub-committee under the Chairmanship of Nawab Salah-ud-Din Abbasi, MNA, Mr. Adnan Aurengzaab MNA and representative of Ministry of Finance, Ministry of Railway and Audit Department to look into the matter and report to committee within three months. No meeting of the sub-committee could be held due to dissolution of National Assembly in 10/99 as such the report could not be finalizes.

**MINUTES OF THE MEETING OF THE AD-HOC PUBLIC
ACCOUNTS COMMITTEE ON THE FEDERAL GOVERNMENT
ACCOUNTS FOR THE YEAR 1999-2000**

MINISTRY OF RAILWAYS

1. **PRESENTATION GIVEN BY SECRETARY/CHAIRMAN PAKISTAN,
RAILWAYS TO THE APAC ON PAKISTAN RIALWAYS.**

The PAO/Chairman Pakistan Railways gave a detailed presentation to the APAC regarding the measures taken by the present management for improvement of Pakistan Railways and informed that:-

- A vigilance Directorate was set up to check corruption and other irregularities. Till now a total of 3820 cases had been detected involving Rs 850 million.
- Marketing Directorate was created for commercial exploitation of land and other assets, beside Directorate of Information Technology.
- Financial Advisory Cell was established by employing highly qualified professionals to handle strategic financial policy matters.
- Rehabilitation of 48 DE locomotives was underway. So far, 15 locomotives had been rehabilitated.
- Computerized reservation systems at Lahore, Rawalpindi and Karachi were linked up through routers.
- Pakistan Railway's Website www.pakrail.com was launched.
- A project of doubling of track from Lodhran to Khanewal via Multan (121 km) at an estimated cost of Rs 3288 million was under consideration and that project would be sponsored by Austria.
- Another project of doubling of rehabilitation of 450 passenger coaches would be launched soon at an estimated cost of Rs 2145 million.
- Signalling project and procurement of 1600 high capacity wagons were under evaluation.

The Deputy Auditor General (Senior) appreciated the measures adopted by the present management in making the Railways service oriented and profitable. However, he apprehended that there seemed to be no harmony in the revenue receipts vis-a-vis revenue expenditure. He advised the management to keep commercialization of its assets transparent and safeguard the interest of common man (passenger) while framing any policy. He also desired that hard copies of presentation might be provided to the PAC and the Director General Audit Railways.

PAC DIRECTIVES

The APAC complimented Ministry for the progress and expressed its satisfaction on the steps taken by the present management and directed that:-

i)	Re-structuring of Railways should be completed at the earliest;	Compliance awaited.
ii)	Scrap disposal mechanism should be evolved in a fair manner;	
iii)	Capacity utilization (per seat) should be enhanced;	
iv)	Passenger fares should be controlled; and	
v)	Every document as and when demanded by Audit, should be provided to them for verification.	

Sr. No.	Audit Report Year	Para No.	Substance of the observation	Amount (Rs. In Million)	Date of PAC's Meeting	Brief Substance of Recommendations.
1	1999-2000	6(a)1	Loss of Rs 62.944 million due to deficiencies of fittings/equipment in coaching and goods stock.	62.944	17/18.10.2001	The PAC directed the PAO to investigate the matter, identify and punish the person(s) if found responsible. However the Committee remarked that on satisfaction of the PAO the said Para may be treated as settled. A report in regard to measures adopted to control the theft has been submitted by the department to the PAO in 2002. Final decision of the PAO is awaited.
2	1999-2000	6(a)2	Loss of Rs 21.152 million due to theft of exchangeable and duplicating items in trains.	21.152	-do-	-do-
3	1999-2000	6(a)3	Loss of Rs 26.466 million due to deficiencies of electrical items in coaching stock.	26.466	-do-	-do-
4	1999-2000	6(a)5	Shortage/non-remittance of railway earning of Rs 6.752 million by the city booking agencies.	6.752	-do-	The PAC directed the PAO to recover the outstanding amount from the respective agencies and get all the facts (as stated by the ministry) verified by Audit. The Committee also decided that the para might be treated as settled on completion of recovery/verification of recovery of the total amount. An amount of Rs. 1.533 million has been recovered from the DBA. In case of remaining amount, the cases are pending in the court of law.
5	1999-2000	6(a)7	Loss of Rs 2.977 million due to deficiencies in fittings of carriages and wagons (Rolling Stock).	2.977	-do-	-do-

6	1999-2000	6(a)8	Wasteful expenditure of Rs 1.823 million incurred on repair of Traction Motors.	1.823	-do-	The PAC directed the PAO to investigate the matter, fix responsibility and take action against the responsible person (s). The Committee also directed the PAO to certify as to whether the international standards were followed in the said work and report to the Committee. Compliance awaited.
7	1999-2000	6(a)9	Wasteful expenditure of Rs 1.160 million on the pay and allowances of idle staff of Track Machines.	1.160	17/18-10-2001	The PAC directed the PAO to inquire and satisfy himself that no neglect or malafied intention could be proved. If he conveys his satisfaction to the PAC, Para will be treated as settled. Compliance awaited.
8	1999-2000	6(a)12	Loss of Rs 0.450 million due to misappropriation and non-recovery of rental charges.	0.450	-do-	The PAC directed the PAO to fix responsibility, take action against the persons, responsible for delay/non recovery of rental charges and report to the PAC. The Committee also directed the Ministry to pursue the case in the court of Law vigorously. An inquiry was conducted in the case Mr. Ashiq Hussain Ex: AIOW/LON was held responsible for delay in recovery of rental charges. An amount of Rs 0.137 million has been withheld from his settlement dues. The case for recovery from the licensee is still pending in court of law.
9	1999-2000	6(a)13	Fraudulent drawal of Rs 0.376 million from G.P.F. account.	0.376	-do-	The PAC directed the PAO to take action as pointed out by the departmental enquiry committee and take all possible steps to recover the amount from them (Persons mentioned in the M.R.) and get it verified by Audit. The amount of Rs 0.297 million so far recovered has been verified. The remaining amount of Rs 0.097 million is still recoverable.
10	1999-2000	6(a)17	Loss of Rs. 1.358 million due to excessive use of ballast.	1.358	-do-	The PAC settled the Para subject to verification of the stated facts by Audit. Audit verification carried out. Excessive utilization of ballast amounting to Rs. 0.562 million is yet to be regularized.
11	1999-2000	6(b)4	Loss of Rs 0.944 million due to wrong re-booking of wagon loaded with	0.944	-do-	The PAC appreciated the action taken against the concerned person (s) (3 employees & 4private persons) by the Ministry. However, the Committee directed the

			Railway material.			Ministry to pursue the case in the court of law vigorously. The case is still subjudice.
12	1999-2000	6(b)6	Unjustified excessive procurement of medicines resulting in loss of Rs 0.349 million due to expiry of the same.	0.349	-do-	The PAC appreciated the Ministry for effecting recovery of Rs. 0.15 million and directed the PAO to take steps to recover the balance amounts. The Committee also directed the PAO to get the recovered amount verified by Audit. The Para may be treated as settled on recovery of the balance amount and verification of the amount recovered. In fact no amount has so far been recovered. However, medicines worth Rs 0.026 million have been replaced and loss worth Rs 0.037 million has been written off. The remaining amount of RS 0.286 million is recoverable from EX M.S/Railway Hospital Rawalpindi. Case for legal proceedings for recovery through court of law is under process.
13	1999-2000	6(C)2	Unnecessary blockage of Capital valuing Rs 9.333 million	9.333	-do-	The Committee settled the Para subject to verification by the Audit that the inventory has been duly consumed and appropriate measures have been taken to improve inventory Management System. As a result of verification it was found that material worth Rs. 5.299 million had been consumed/issued. The material worth Rs 4.034 million is still lying in store. The measures adopted to streamline the procedure are still awaited.
14	1999-2000	6(C)4	Irregular incurrence of expenditure amounting to Rs 110.683 million over and above the estimate.	110.683	-do-	The PAC settled the Para, however, directed the PAO to get the departmental inquiry report completed and produced to the Audit for verification. The inquiry report is awaited.
15	1999-2000	6(C)6	Irregular expenditure of Rs 68.867 million on a work.	68.867	-do-	The PAC settled the Para subject to verification by Audit that the required adjustments/corrections in the respective Accounts have been made. Action taken to adjust the expenditure is awaited.

16	1999-2000	6(d)4	Loss of Rs 3.458 million due to purchase/non replacement of defective material.	3.458	-do-	The PAC appreciated the Ministry for effecting recovery of Rs 1.686 million and for measures taken to recover the remaining amount. However, the Committee directed the PAO to get the Departmental Inquiry Report completed and produce before the Audit for verification. The Inquiry Report is still awaited. Balance amount of Rs 0.039 million is yet to be recovered.
17	1999-2000	6(e)1	Loss of Rs 131.930 million due to non-realization of rental charges for wheat storage.	131.930	-do-	The PAC directed the PAO to produce that record to Audit for verification of the stated facts. The Committee also directed the PAO to recover the remaining amount from different departments and report to the Committee. An amount of Rs. 82.452 million has since been recovered. The recovery of the remaining amount is awaited.
18	1999-2000	6(e)2	Recoverable amount of Rs.15.416 million from other Government departments and various private bodies on account of rental charges.	15.416	-do-	The PAC settled the Para subject to verification of the amount recovered (Rs 4.6 million as stated by the Ministry) and directed the PAO to recover the remaining amounts expeditiously. The recovery of Rs 4.659 million has been verified. Balance amount of Rs 10.757 million is yet to be recovered.
19	1999-2000	6(e)3	Non-realization of maintenance charges Rs 10.437 million from Defence Department and private bodies.	10.437	-do-	The PAC directed the Ministry to take effective steps recover the remaining amount and get the recovered amount verified by the Audit. The Committee advised the Ministry of Railway to change the practice of charging individual transactions of the Defence on subsidized rates and claiming the differential on departmental basis later on, full recovery of charges should be made at the time of service is rendered. Any subsidy/concession could be claimed by the individuals from their department/organization. Amount of Rs 1.452 million recovered by the department has been verified. The department was asked to recover the balance amount to which compliance awaited.

20	1999-2000	6(e)4	Loss of Rs 7.979 million due to non-realization of rental charges of Railway land leased out to the oil companies.	7.979	-do-	The PAC directed the PAO to take all possible measures to recover the remaining amount and get the recoveries verified by the Audit. Amount of Rs 3.158 million recovered has been verified. The balance amount of Rs 4.821 million is yet to be recovered.
21	1999-2000	6(e)5	Outstanding admitted and objected debits of Rs 6.485 million against the station staff raised through Error Sheet.	6.485	-do-	The PAC directed the PAO to take all possible measure to recover the remaining amount and get the recoveries verified by the Audit. The debit for Rs 6.298 million has been withdrawn by the FA & CAO in 10/2001 as the debit raised was not based correct. Rs 0.016 million has been recovered and balance amount of Rs 0.171 million is yet to be recovered.
22	1999-2000	6(e)6	Financial loss of Rs 3.925 million due to non-payment of lease charges of Railway land/plots.	3.925	-do-	The PAC directed the PAO to recover the remaining amount and get the amount recovered verified by the Audit. Neither any amount has been recovered nor the land has been retrieved from the encroachers.
23	1999-2000	6(e)7	Loss due to non-recovery of Rs 2.051 million on account of Electric charges from vendors and outsiders.	2.051	-do-	The PAC directed the Ministry to get the recovery of Rs 1.298 million verified by the Audit and take all possible measures to recover the remaining amount. The Committee also decided that Para may be treated as settled on recovery/verification of the total amount. Rs 1.537 million have been recovered & verified and the balance amount of Rs 0.514 million is yet to be recovered.
24	1999-2000	6(e)8	Non-recovery of rental charges amounting to Rs 1.766 million	1.766	-do-	The PAC directed the PAO to pursue the cases in the court of law vigorously and take steps to recover the outstanding amount at the earliest. Compliance awaited.
25	1999-2000	6(e)9	Loss of Rs 0.803 million due to non-recovery of rent from contractors.	0.803	-do-	The PAC directed the PAO to take all possible measures to recover the remaining amounts and get the recoveries verified by the Audit. An amount of Rs 0.075 million has been recovered. Recovery of the remaining amount is awaited.

26	1999-2000	6(e)10	Loss of Rs 0.666 million due to non-recovery of rental charges from other Government departments.	0.666	-do-	The PAC directed the PAO to take all possible measures to recover the remaining amounts and get the recoveries verified by the Audit. The department now informed that the recoverable amount is Rs 0.349 million and not 0.666 million but no recovery has so far been effected.
27	1999-2000	6(F)1	Excess expenditure of Rs 73.220 million on account of fitting of Air Brakes on BTOS.	73.220	-do-	The PAC settled the Para subject to regularization of the expenditure from the competent authority. Compliance awaited.
28	1999-2000	6(F)2	Encroachment of Railway land valuing Rs 48.324 million and non-disposal of surplus land costing Rs 24.996 million in Peshawar Division	48.324	17/18-10-01 8.8.2002	After hearing the Audit as well as the Ministry's point of view. The PAC directed the PAO to include the issue in the presentation to be given by the Ministry of Railway to the Committee. On presentation by the PAO, the PAC directed the PAO to take all possible measures to retrieve the encroached land and utilize the valuable land commercially to generate revenue. The Committee also advised that issuance of a Presidential Order for resolution of the matter in question may be an option. The Committee suggested that litigation between Govt. departments and Railway could be settled if an arbitration mechanism is devised through a Presidential Orders notwithstanding the provisions of the existing laws. The Committee directed the PAO to ensure the protection of the surplus land from encroachment. Compliance awaited.
29	1999-2000	6(F)5	Loss of Rs 1.193 million due to shortage of 500 Brake Blocks.	1.193	17/18-10-01	The PAC directed the PAO to investigate the matter, identify and punish the person (s) if found responsible. However the Committee remarked that on satisfaction of the PAO the said Para may be treated as settled. A report in regard to measures adopted to control the theft has been submitted by the department to the PAO in 2/2002. Final decision of the PAO is awaited.

30	1999-2000	6(f)6	Loss of Rs. 0.642 million due to unauthorized occupation of Railway accommodation.	0.642	-do-	The PAC directed the Ministry to pursue the case with Wafaqi Mohtasib and take steps to recover the amount mentioned in the Para. Compliance awaited.
31	1999-2000	2.1	Financial Results		8-8-2002	The Ad-hoc PAC settled the Para subject to completion of requisite action as decided by the DAC and its verification by Audit. Compliance awaited.
32	1999-2000	2.2	Traffic Variations		-do-	-do-
33	1999-2000	3.2	Appropriation Accounts/Audit Comments Grant No. 100 Revenue expenditure		17/18.10.2001 8.8.2002	The PAC regularized the excess amount in grant No. 100 and directed the PAO to improve the monitoring system in the Ministry for better budgetary discipline in future. However, the committee also regularized savings/excesses reported in all the other grants of the Ministry. Action taken to improve the monitoring system for better budgetary discipline is awaited.
34	1999-2000	3.3(a)	Grant No. 156 Capital Outlay Pakistan Railway Savings of Rs. 1158.839 million.		-do-	The PAC conveyed its displeasure on un-spent amount mentioned in the grant No. 156. The Committee regularized the grant. However, the committee directed the PAO to improve the departments' financial and accounting system with the help of computerization in the shortest period of time. Compliance awaited.
35	1999-2000	3.3(b)	Open-line motive power and rolling stocks (DRF)		8-8-2002	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
36	1999-2000	3.3(C)	Bridge Works (Capita)		8-8-2002	The Ad-hoc PAC settled the Para subject to completion of requisite action as decided by the DAC and its verification by Audit. Compliance awaited.
37	1999-2000	3.5	Reconciliation of Bank balance with the cash balance		-do-	-do-

38	1999-2000	3.6	Profit & loss account		-do-	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
39	1999-2000	3.7(a)	Balance Sheet of Pakistan Railway.		-do-	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
40	1999-2000	3.7(b)	Depreciation Reserve Fund		-do-	-do-
41	1999-2000	3.7(c)	Over Draft		-do-	-do-
42	1999-2000	3.7(e)	Investment.		17/18.10.2001 8-8-2002	The PAC considered that the investment made by M.O/Railway in West Pakistan Road Transport corporation, PRACS and RAILCOP was a bad decision. The Committee directed the PAO to recover the amount from the West Pakistan Road, Transport Corporation, or from its liquidator if either of them exists. Otherwise the amount should be got written off by the competent authority. Compliance awaited.
43	1999-2000	3.7(f)	Bills Receivable		8-8-2002	The Ad-hoc PAC settle the Para subject to completion of requisite action as decided by the DAC and its verification by Audit. Compliance awaited.
44	1999-2000	4.2	General Provident Fund		-do-	The PAC directed the PAO to complete reconciliation within six months with a report to the Committee/Audit. Compliance awaited.
45	1999-2000	4.3(i & ii)	Misc: Advance (Revenue Rs. 566.799 million.		-do-	The Ad-hoc PAC expressed its concern over continuous piling-up of amounts in the suspense head. The Committee directed the PAO to give special attention to the issue and get this head cleared within one year with a report to committee/Audit. Compliance awaited.
46	1999-2000	4.3(iii)	Advance for local		-do-	The Ad-hoc PAC settled the para subject to completion of requisite action as decided by the DAC and its verification

						by Audit. Compliance awaited.
47	1999-2000	4.3 (iv)	Electrical Charges.		17/18.10.2001 8.8.2002	The PAO apprised the Committee that out of Rs. 21.032 million, Rs. 15 million had already been recovered and strenuous efforts were being made to recover the remaining amount. The Ad-hoc PAC settle the Para subject to full recovery and its verification by Audit. Outstanding amount has not been recovered so far.
48	1999-2000	4.3 (v)	Sui gas Charges.		-do-	The Ad-hoc PAC directed the PAO to make genuine efforts to recover the amount wherever possible from the available employees within one year. After that the amount may be got written off from the competent authority. Compliance awaited.
49	1999-2000	4.3 (vi)	Telephone Charges.		-do-	The Ad-hoc PAC settle the Para subject to completion of requisite action as decided by the DAC and its verification by Audit. Compliance awaited.
50	1999-2000	8.1 & 8.2	Unsanctioned expenditure.		-do-	-do-
51	1999-2000	8.3	Under charges in traffic earning.		-do-	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
52	1999-2000	8.4 & 8.4(a)	Loss due to remission and abandonment of claims		-do-	The Ad-hoc PAC settled the Para subject to completion of requisite action as decided by the DAC and its verification by Audit. Compliance awaited.
53	1999-2000	8.4(b)			-do-	-do-
54	1999-2000	8.4(c)			-do-	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.

AUDIT COMMENTS ON THE ACCOUNTS OF PRACS

55	1999-2000	5(a)(ii)			8.8.2002	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
56	1999-2000	5(a)(iii)			-do-	-do-
57	1999-2000	5(a)(iv)			-do-	-do-
58	1999-2000	5(a)(vii)			-do-	-do-
59	1999-2000	5(a)(viii)			-do-	-do-
60	1999-2000	5(a)(ix)			-do-	-do-

AUDIT COMMENTS ON THE ACCOUNTS OF RAILCOP

61	1999-2000	5(b)			-do-	-do-
62	1999-2000	5(b)ii	Liabilities		-do-	-do-
63	1999-2000	5(b)iii	Accounts Receivable		-do-	-do-
64	1999-2000	5(b)iv	Contract receipts		-do-	-do-
65	1999-2000	5(b)v	Administrative expenses		-do-	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
66	1999-2000		Special Audit Report on "Functioning of	1.095	17/18.10.2001 8.8.2002	The PAC settled the para subject to reconciliation of facts (as stated by the Railways) with the Audit. Compliance awaited.

**PERFORMANCE AUDIT REPORT ON THE PROJECT PROVIDING TRACK CIRCUITS ON BERTHING
PASSENGER LINES AT 94 STATIONS ON HYDERABAD-PESHAWAR MAIN LINE SECTION.**

67	1999-2000	4.1	Wasteful expenditure of Rs. 18.39 million	18.39	8.8.2002	The Ad-hoc PAC endorsed recommendations of the DAC and directed the PAO to comply with each of the recommendation with a report to the Committee/Audit within three months. Compliance awaited.
68	1999-2000	4.4	Bogus payment of Rs. 0.53 million to a contractor	0.53	8.8.2002	-do-
69	1999-2000	4.6	Unjustified payment of Rs. 14.846 million to M/s RAILCOP on account of sleeper renewal	14.846	8.8.2002	-do-
70	1999-2000	4.9	Incurrence of expenditure of Rs. 447.522 million on a work without detailed measurement.	447.522	8.8.2002	-do-
71	1999-2000	4.10	Non achievement of Targets		8.8.2002	-do-
72	1999-2000	4.12	Closing of a station within one week after its opening.		8.8.2002	-do-
73	1999-2000	Para 5	Time and cost over-run		8.8.2002	-do-

			Quetta Chaman Section Pakistan Railways.			
		3.3	Loss of Rs 1.095 million on account of under charges due to incorrect application of class rates on the commodity of “GITA Traffic”.			
		3.6	Encroachment of valuable Railway land at Chaman measuring 313.71 acres valuing Rs 250.968 million			

PERFORMANCE AUDIT REPORT ON THE PROJECT INSTITUTIONAL DEVELOPMENT, TRAINING AND RE-ORGANIZATION OF PAKISTAN RAILWAYS.

74.	1999-2000	5.2.2	Irregular expenditure of US.\$ 0.198 million	US.\$ 0.198	8.8.2002	The Ad-Hoc PAC directed the PAO to hold an enquiry regarding irregular expenditure and un-realistic proposals made by the consultants, fix responsibility against the culprit person(s) and report to the Committee/Audit within 60 days. Compliance awaited.
75.	-do-	5.3	Inadequate un-realistic proposals made by the consultants.		-do-	-do-

PERFORMANCE AUDIT REPORT ON PROVIDING TERMINAL FACILITIES FOR PSO FOR LOADING FURNACE OIL AT MARSHALLING YARD PIPRI, KARACHI

76.	1999-2000	4.1	Defective planning le to non achievement of targets		8.8.2002	The Ad-Hoc PAC advised the PAO that unrealistic projects should be avoided in future. The Ad-Hoc PAC also directed the PAO to provide a complete Balance Sheet of the project to Audit within three months for the verification of facts and report to the Committee. Compliance awaited.
77.	1999-2000	4.3	Incomplete fuel filling arrangements at PSO Terminal Marshalling Yard, Pipri.		-do-	-do-

78.	1999-2000	4.4	Short fall in estimated earning of PSO Terminal at Marshalling Yard, Pipri.		-do-	The Ad-Hoc PAC advised the PAO that unrealistic projects should be avoided in future. The Ad-Hoc PAC also directed the PAO to provide a complete Balance Sheet of the project to Audit within three months for the verification of facts and report to the Committee. Compliance awaited.
79.	1999-2000	4.5	Decrease in transportation of fuel from Keamari Yard.		-do-	-do-
80.	1999-2000	4.6	Un-realistic shifting of the transportation of furnace oil from Keamari (Relief Goods) to Marshalling Yard, Pipri.		-do-	-do-
81.	1999-2000	4.14	Short fulfillment of demand of wagons by Pakistan Railways.		-do-	-do-
82.	1999-2000	4.15	Non levying of 5% additional surcharge on "To-Pay" consignments		-do-	-do-
83.	1999-2000	4.2	Wasteful expenditure of Rs. 21.472 million	21.472	-do-	The Ad-hoc PAC settled the Para subject to completion of requisite action as decided by the DAC and its verification by Audit. Compliance awaited.
84.	1999-2000	4.3	Acceptance of higher tender rates resulting in loss of Rs. 19.600 million	19.60	-do-	-do-

85.	1999-2000	4.5	Irregular expenditure of Rs 21.852 million due to splitting up a work to avoid sanction of the higher competent authority.	21.852	-do-	-do-
86	1999-2000	4.8	Irregular payment of Rs 5.953 million to RAILCOP on account of packing of track.	5.053	-do-	-do-
87	1999-2000	4.11	Un-satisfactory working of the system		-do-	-do-
88	1999-2000	4.13	Un-necessary grant of extensions in time limit for pre-installations work.		-do-	-do-
89	1999-2000	4.2	Non-drawal of completion reports.		-do-	-do-
90	1999-2000	4.7	Over filling		-do-	-do-
91	1999-2000	4.8	Maintenance off track and other installations.		-do-	-do-
92	1999-2000	4.9	Scattered record of transportation of furnace oil.		-do-	-do-
93	1999-2000	4.16	Non-availability of shallow pits at Pakistan State Oil Terminal Marshalling Yard, Pipri.		-do-	-do-

SECTION-VI
RECOVERIES MADE AT THE
INSTANCE OF AUDIT

**RECOVERIES MADE AT THE INSTANCE OF AUDIT DURING
2002-2003**

S.NO.	PARTICULARS	AMOUNT RS.
1	MFDAC	8,239,835
2	REPORT	463,864
3	PAC	1,129,174
4	CONSOLIDATION AUDIT REPORT SECTION	423,785
	TOTAL	10,256,658

NATIONAL ASSEMBLY SECRETARIAT
(Public Accounts Committee Wing)

No. F.1(3)/2015-PAC-II

Islamabad, the 23rd December, 2015

Subject: - ACTIONABLE POINTS ARISING OUT FROM DISCUSSION OF THE MEETING OF SUB-COMMITTEE-II OF PAC HELD ON 30TH SEPTEMBER, 2015. PERTAINING TO M/O RAILWAYS ON APPROPRIATION ACCOUNTS/AUDIT REPORTS / SPECIAL AUDIT REPORTS FOR THE YEAR 2003-04.

Please find enclosed herewith Actionable Points arising out from discussion of the Meeting of the Sub-Committee-II of the Public. Accounts Committee meeting held on 30th September, 2015, in Committee Room No. 2, Parliament House, Islamabad pertaining to the M/o Railways for information and further necessary action please.

2. Kindly acknowledge the receipt.

-sd-
(INHAMUL HAQ KHAN)
S.O/Secretary Sub-Committee-II
Ph: 051-9201781

The Secretary,
M/o Railways,
Government of Pakistan,
Islamabad.

Copy along with a copy of subject Actionable Points is forwarded for information and necessary action to:-

1. The Deputy Auditor General (FAO), Audit House, Constitution Avenue, Islamabad.
2. The Accountant General of Pakistan Revenue (AGPR) Complex, G-8/4, Islamabad.
3. The Director General Audit (Railways), Railways Headquarter, Empress Road, Lahore.
4. The Joint Secretary/Director (PI), Finance Division, Islamabad.
5. The Section Officer (PAC Imp), N.A. Secretariat, Islamabad.

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(INHAMUL HAQ KHAN)
S.O/Secretary Sub-Committee-II

NATIONAL ASSEMBLY SECRETARIAT

(PAC Wing)

Actionable Points

Actionable Points arising from the discussion of meeting of PAC's Sub-Committee-II held on 30th September, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of M/o Railways are given below:

PAKISTAN RAILWAY
APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. **Grant No 157-Capital Outlay on Pakistan Railway**

The AGPR pointed out that the grant closed without any saving/excess.

SUB-COMMITTEE DIRECTIVE

The Committee recommended the grant for settlement.

DIRECTOR GENERAL AUDIT RAILWAYS LAHORE

2. i) **Grant No 102-(Revenue)**
Saving of Rs. 1,311.828/-

The Audit pointed out that the grant closed with a saving of Rs. 1,311.828 million which was worked out to 5.97% of the total grant.

ii) **Grant No 157-(Capital Outlay)**
Saving of Rs. 1,005.831/-

Audit pointed out that the grant closed with a saving of Rs. 1,005.831 million which was worked out to 13.21% of the total grant.

SUB-COMMITTEE DIRECTIVE

The Committee recommended the above two grants for settlement.

DIRECTORATE GENERAL AUDIT RAILWAYS, LAHORE

3. **Pafa-2.1.1, AR 2003-04**

WASTEFUL EXPENDITURE OF RS 9.154 MILLION DUE TO INADEQUATE PLANNING

The work of extension of loops to accommodate 72 wagons load and providing Standard III Signalling system at six stations on Jacob Abad-Kashmor Section was approved by Railway Board in February 1979 at a cost of Rs 5.273 million. The work was started in 1976-77 prior to approval of PC-I. The expenditure of Rs 4.845 million incurred on structural portion of the work upto August 1978 had gone waste as the provision of Standard III Signalling system was dropped. This issue was taken up vide Para 4.3 of Audit Report 1982-83 and discussed in PAC meeting held in April 1986 wherein it was directed by the PAC to fix responsibility for lack of planning and intimate the names of the defaulters with their explanation.

The work was restored and PC-1 was revised for the six stations at a cost of Rs 24.187 million and got approved by the DDWP in July 1990. Only two stations, Dil Murad and Haibat Shaheed, were completed at

a cost of Rs 3.551 million and remaining four stations were left incomplete/unfinished after incurring an expenditure of Rs 9.154 million.

The PAO informed that the funds were partially released and full funds for the project were not made available at any stage therefore the work also progressed at slow pace. He further stated that two stations have been completed and the work is in progress while in other stations the funds are being spent in proper way. It is a very old case, therefore, it is not possible to inquire the issue and fix the responsibility because officers responsible for the delay may have died.

SUB-COMMITTEE DIRECTIVE

The Committee directed the PAO to hold enquiry to probe the non-completion of Civil works in time and their start without approval of PC-I, fix responsibly take action & report within one month.

4. Para-2.5.1 2003-04

LOSS OF RS 41.722 MILLION DUE TO NON-REPLACEMENT OF DEFECTIVE MATERIAL

Railway administration procured certain material during the period from November 1992 to August 1997 from M/s Valtec Pakistan Lahore, on behalf of their foreign Principal M/s Valtec Locomotive, Canada. Material valuing Rs 42.015 million (Us \$ 807,985.44xRs 52) was found short, of wrong specifications, damaged or defective. On issuing the Show Cause Notice to the firm on 2nd December 1999, the firm deposited Rs 0.293 million on 16th September 2000. However, despite lapse of a considerable period, the firm neither replaced the remaining defective material nor refunded the cost of material i.e. Rs 41.722 million.

The PAO informed that an inquiry committee was constituted to probe the subject Audit para. According to the findings of the inquiry committee, an amount of US\$ 335535/- has been settled/recovered, from the firm and only US\$ 60568/- are yet to be recovered from M/s Valtec Locomotive, Canada. For the recovery of the balance amount, Canadian Mission in Islamabad was contacted which informed that the said company has been dissolved on 10th June, 2004 and the dissolution certificate was issued on the-same day. However, the bank guarantee was cashed and firm was blacklisted.

SUB-COMMITTEE DIRECTIVE

The Committee recommended the para for settlement subject to verification of record by the Audit.

5. Para-2.5.3 2003-04

IRREGULAR PROCUREMENT OF A SELF DRIVEN TRACK CRANE VALUING RS 11.080 MILLION

Railway administration procured a Self Driven Track Crane from a firm of China in terms of agreement dated 10th September 1996 at a cost of Rs 11.080 million. The said Track Crane was purchased against Railway specifications and did not perform its function satisfactorily even during its warranty period. In order to accommodate the wrong purchase decision, an amendment of specification in the contract was made after the lapse of warranty period in 1999. The crane was out of order since 14th April, 2002 and needed major overhauling. It indicated that the decision of procurement of the said Track Crane was not processed according to rules, procedures and specifications which resulted in wasteful expenditure of Rs 11.080 million.

The PAO informed that the objection of the Audit was correct and to fix the responsibility, an inquiry was conducted. Mr Nasir Amin, Chief Engineer, was held responsible in the finalization of tender for gross neglect of tender specifications clause and recommending hydraulic system without ensuring supply of quality product from the supplier. Further proceedings in the light of the inquiry report could not be finalized.
finalized.

SUB-COMMITTEE DIRECTIVE

The committee directed the PAO to finalize the inquiry report within 30 days and submit report to the PAC/Audit.

6. Para-2.7.1, 2003-04

ENCROACHMENT OF VALUABLE LAND COSTING RS 14.910 MILLION

A piece of land measuring 24 Kanals & 17 Marlas was acquired by the Railway administration in 1918 for providing a siding known as Hayat Siding at Jhelum at a total cost of Rs 19,918. Later on siding was dismantled and due to negligence of the Railway administration, this valuable land was encroached by the outsider. Most of them constructed residential buildings on it. Railway administration could not get the said land vacated. The encroachers approached the Railway administration for sale of land to them at market rate but no action was taken. Non-vacation of land resulted in a loss of Rs 14.910 million on account of cost of land at the prevailing market rate of Rs 30,000 per Marla.

The PAO informed that there is 24 kanals of land out of which, only 11 kanals have been utilized in the construction of road and 11 kanals is lying with the Railways department. There are seven houses which have encroached a few feet of the Railway land.

SUB-COMMITTEE DIRECTIVE

The Committee directed the PAO to remove the encroachments within 30 days and submit a report to the PAC/Audit.

Para-2.9.1 2003-04

FRAUDULENT DRAWL OF RS. 1.156 MILLION FROM BENEVOLENT FUND

An official of Personnel Branch of Peshawar Division had fraudulently drawn Rs. 1.156 million from Benevolent Fund Account during the year 1998 to 2001 by tampering/altering the figures of the cheques issued to various widows. The matter was got probed into by an Inquiry Committee in March 2002 who held the dealing official responsible for the embezzlement. The accused was dismissed from service w,e,f. 29th March 2003 but without any recovery, which resulted in a loss of Rs 1.156 million to the Pakistan Railway.

The PAO informed that in the light of the findings of the inquiry committee, Mr. Farman Ullah UDC, was held responsible for embezzlement. Disciplinary and criminal proceedings were started against him and he was handed over to the NAB for recovery. Later on, on the direction of DAC, the recovery of embezzlement has been started from Mr. Farman Ullah from his salary. Till now, an amount of Rs. 3.8 million has been recovered. Moreover, the court has dismissed the case being in fructuous as the recovery is already being made from the defendant.

SUB-COMMITTEE DIRECTIVE

The Committee recommended the para for settlement subject to verification of record of recovery by the Audit.

8. i) **Para-2.1.2 2003-04**
Wasteful expenditure of Rs 0.748 million due to mis-utilization of labour
- ii) **Para-2.3.2 2003-04**
Loss of Rs 2.105 million due to non- recovery of mis-appropriated amount by an employee
- iii) **Para-2.8.1 2003-04**
Over-payment of Rs 2.528 million on account of special additional allowance SUB-

COMMITTEE DIRECTIVE

The Committee directed the PAO to pursue the above three paras at DAC level.

9. i) **Para-2.4.2 2003-04**
Ill gal drawl of overtime allowance amounting to rs 1.981 million by the electrical staff of Karachi division
- ii) **Para-2.7.2 2003-04**
Non recovery of rs. 8.804 million from illegal occupants of railway land
- iii) **Para-2.7.3 2003-04**
Loss of rs 2.160 million due to litigation and settlement charges on the cancellation of lease deed

SUB-COMMITTEE DIRECTIVE

The Committee directed the PAO to pursue the court cases vigorously related to above three Para and update the PAC/Audit quarterly.

10. i) **Para 2.1.3 2003-04**
Loss of rs 0.732 million due to poor workmanship of RAILCOP labour
- ii. **Para 2.2.1 2003-04**
Non-recovery of Rs. 174.454 million from supplier on account of liquidated damages and consumable stores
- iii. **Para-2.2.2 2003-04**
Over payment of rs 1.618 million on account of transfer of technology
- iv. **Para 2.2.3 2003-04**
Loss of rs 0.306 million due to non-recovery of rental charges
- v. **Para 2.3.1 2003-04**
Non-recovery of penalty charges of rs 0.118 million from PRACS
- vi. **Para 2.3.3 2003-04**
Sale of bogus tickets valuing rs 2.013 million and misplacement of tickets worth rs 52,000
- vii. **Para 2.3.4 2003-04**
Non-remittance of cash and surcharges of rs 0.127 million into the treasury by a city booking agency
- viii. **Para 2.3.5 2003-04**
Non-recovery of rs 0.136 million from an employee
- ix. **Para 2.4.1 2003-04**
Loss of rs 5.050 million due to blockage of capital of rs 4.119 million
- x. **Para-2.5.2 2003-04**
Supply of defective material worth rs 27.054 million
- xi. **Para 2.6.1 2003-04**
Non remittance of rs 4.026 million in the railway account
- xii. **Para 2.8.2 2003-04**
Excess payment of Rs. 0.105 million due to irregular grant of special increment
- xiii. **Para-2.8.3 2003-04**
Irregular expenditure of Rs. 0.548 million on account of pay and allowances due to appointment of an un-qualified draftsman

SUB-COMMITTEE DIRECTIVE

The Committee recommended the above thirteen paras for settlement on the recommendation of the DAC.