

**AUDIT REPORT
VOLUME-VI
PAKISTAN RAILWAYS
1998-99**

AUDITOR GENERAL OF PAKISTAN.

LIST OF OTHER VOLUMES

VOLUME-I	..	..	CIVIL
VOLUME-II	..	..	CIVIL WORKS
VOLUME-III	..	..	INDIRECT TAXES
VOLUME-IV	..	..	DIRECT TAXES
VOLUME-V	..	..	DEFENCE SERVICES
VOLUME-VII	..	..	WAPDA
VOLUME-VIII	..	..	PAKISTAN POSTAL SERVICES CORPORATION.
VOLUME-IX	..	..	TELECOMMUNICATION SECTOR.
VOLUME-X	..	..	PUBLIC SECTOR ENTERPRISES
VOLUME-XI	..	..	.. PERFORMANCE EVALUATION

TABLE OF CONTENTS

	Pages
(i) Preface	1
(ii) Overall Performance of the Pakistan Railways	3
(iii) Comparison of Auditable Expenditure of Pakistan Railways for the year 1998-99	5
(iv) Section-I Abridged Report	7
(v) Section-II Detailed Report	15
1. Summary of Audit Report	16
2. Financial Results	21
3. Control Over Expenditure and Maintenance of Accounts	27
4. Review of Balances	41
5. Accounts of Autonomous Bodies under the Ministry of Railways	45
(a) Accounts of PRACS and Audit Comments thereon	47
(b) Accounts of RAILCOP and Audit Comments thereon	53
6. Financial irregularities	59
7. Financial position of Audit Report & MFDAC	107
8. Other Topics of Interest	111

APPENDIX

Recoveries at the instance of Audit	117
Annexure-1 PAC Directives	



PREFACE

This Audit Report is submitted to the President of Pakistan in terms of Article 171 of the Constitution of the Islamic Republic of Pakistan read with Clause 11 of the Pakistan (Audit and Accounts) Order 1973. It contains results of audit of the accounts of Pakistan Railways for the year 1998-99. It also includes the results of the Performance Audits carried out during the year which have been printed separately for the sake of convenience.

The Accounts of Pakistan Railways are compiled by the Financial Adviser and Chief Accounts Officer and are audited by the Director General Audit, Railways, in accordance with Government auditing procedures. Cases of financial irregularities, losses, wastage etc. and management deficiencies identified in this report indicate the state of financial discipline, effectiveness of internal controls and problem areas which need the attention of the Government.

Dated: **April 1, 2000**

MANZUR HUSSAIN
Auditor-General

OVERALL PERFORMANCE OF PAKISTAN RAILWAYS AS ON 30TH JUNE, 1999.

Pakistan Railway is operating with a route and track length of 7791 kilometres and 11,526 kilometres respectively. In 1998-99, the Railways had 596 locomotives, 1718 coaching vehicles, 384 other coaching and 24,456 freight wagons in its inventory and 95,162 employees on its roll, whereas in 1997-98, the Railways owned 587 Locomotives, 1768 coaching vehicles; 23,893 freight wagons and 96,111 employees.

A review of budgetary, financial, accounting and operating information indicates that the overall performance of Pakistan Railways has continued to deteriorate. The comparison of following facts and figures for 1997-98 and 1998-99 show that there has been a shortfall in earnings/revenues against budgeted figures.

BUDGETARY PERFORMANCE

(Rs In Million)

Head of Accounts		Budgeted		Actual		Variation (-) less (+) Excess	
		1997-98	1998-99	1997-98	1998-99	1997-98	1998-99
(a)	Revenue Receipts	10,180.000	11,130.000	9,942.770	9,310.589	(-) 237.230	(-) 1,819.411
(b)	Revenue Exp.	13,466.705	14,009.464	15,735.425	16,381.990	(+) 2,268.720	(+) 2,372.526
(c)	Capital Works	243.500	169.055	201.406	145.149	(-) 42.094	(-) 23.906
(d)	DRF Works	4,318.860	1,954.685	2,017.400	3,304.777	(-) 2,301.460	(+) 1,350.092
(ii)	FINANCIAL	For 1997-98	For 1998-99	Upto 30.06.98	Upto 30.06.99	-	-
(a)	Investment in Railways by the Govt.	1,974.827	986,740	23,603.728	24,600.467	-	-
(b)	Loss	5,498.510	6,806.275	20,489.126 (Cumulative)	25,144.510 (Cumulative)	-	-
(c)	Outstanding long term liabilities on account of foreign loans	107.428	1,287.045	7,513.860	8,800.904	-	-
(d)	Bank overdraft	3,169.925	4,870.092	12,492.318	17,362.410	-	-
(iii)	INTEREST ON DEBT						
(a)	Foreign loans	611.293	592.380	-	-	-	-
(b)	Bank Overdraft	300.000	874.396	2,068.649	2,731.066	(+)1,768.649	(+) 1,856.670

Financial discipline is on rapid decline. A large number of financial irregularities aggregating Rs 624.455 million involving violation of government rules, procedure and instructions, were noticed. These irregularities suggest the prevalence of an ineffective financial control environment in the organization.

The overdraft taken by the Railways from the State Bank of Pakistan rose from Rs 12,492.318 million on 30th June, 1998 to Rs 17,362.410 million on 30th June, 1999 which indicates that the administration failed to control the expenditure effectively. Gross earning of the Railways during 1998-99 were Rs 9,310.589 million as against the gross earnings of Rs 9,942.770 million in the previous year. The earning has decreased to Rs 632.181 million during the year. It is for the first time that even earnings figures of previous year was not achieved.

During 1998-99 the total operational loss of the Pakistan Railways was Rs 6,806.275 million, but no funds had been provided as compensation by the Government during 1998-99 as part of its public service obligation for maintaining/operating certain un-remunerative sections.

During 1998-99 the Railways was provided Rs 2,123.740 million for its Annual Development Programme. The actual expenditure under this head was Rs 3,449.926 million resulting in excess expenditure of Rs 1,326.186 million. This needs to be investigated as to how this huge excess was incurred without revision of Annual Development Programme.

OPERATING PERFORMANCE

The once lucrative freight operations have shown a steady decline. The operational data for the last three years is given below:-

(Figures in Thousand)

	1996-97	1997-98	1998-99	Variation 1997-98 and 1998-99 less (-) Excess (+)
Passengers carried	68,801	64,870	64,988	(+) 118
Tonnes of freight carried	6,380	5,977	5,448	(-) 529
Passengers Kilometres	19,114,366	18,773,751	18,979,838	(+) 206,087
Tonnes Kilometres	4,607,019	4,447,264	39,69,512	(-) 477,752

Carriage of freight during 1998-99 was to the extent of 5,448 thousand Tonnes as against 5,977 thousand tonnes in the preceding year.

**COMPARISON OF AUDITABLE EXPENDITURE OF
PAKISTAN RAILWAYS FOR THE YEAR 1998-99.**

	Rs in million
1. Total auditable expenditure of Pakistan Railways. (Receipts + Expenditure + Foreign Loans).	29,210.928
2. Audit expenditure.	16.517
3. Ratio of Audit budget to Railways, auditable expenditure.	1:1768

Note: The office of the Director-General Audit Railways is allocated Rs 1 (one) for the audit of Rs 1768 of the auditee's budget.

SECTION – I

ABRIDGED REPORT

SECTION - I**ABRIDGED REPORT****CHAPTER 1**

This Chapter contains a Summary of the Audit Report.

CHAPTER 2**1. FINANCIAL RESULTS**

The gross earnings of Pakistan Railways decreased from Rs:9,942.770 million (1997-98) to Rs:9,310.589 million in the year 1998-99. Whereas, net earnings also decreased from Rs:9,698.062 million (1997-98) to Rs:9,292.166 million in the year 1998-99.

Revenue expenditure for the year 1998-99 was Rs:16,381.990 million. Operational loss was Rs:6,806.275 million which was partially absorbed by the Federal Government and an un-adjusted/uncovered loss of Rs:4,655.384 million was carried to balance sheet.

Action Required

Revenue expenditure may be controlled by adopting economy measures. Effective steps may be taken to increase earnings from passenger and goods traffic.

CHAPTER 3

Control over Expenditure and maintenance of Accounts.

3.1 GRANT NO.99 (Revenue Expenditure)

It was noticed that excess expenditure of Rs 2,490.380 million has been incurred against the final grant.

Action Required

Reasons for excess under various sub heads may be explained and responsibility be fixed. Arbitrary appropriations and re-appropriations may be discouraged.

3.2 GRANT NO.155 CAPITAL OUTLAY.

It was noticed that excess expenditure of Rs 1,326.186 million has been incurred against the final grant.

Action Required

Reasons for excess expenditure may be explained and responsibility fixed.

3.3 RECONCILIATION OF BANK BALANCES.

A difference of Rs:291.096 million has been noticed between the Railway books and those of State Bank of Pakistan.

Action Required

Immediate measure be taken to clear the difference pointed out in the re-conciliation statement.

3.4 BALANCE SHEET OF PAKISTAN RAILWAYS.

Items like cumulative loss, DRF, fixed assets, foreign loans, revenue reserve, sundry creditors, investment and accounts receivables are discussed and certain measures has been recommended.

Action Required

Measures recommended by Audit may be considered for implementation.

CHAPTER 4**4.1 Review of Balances**

It was observed that GPF balances have not been reconciled with general books since many years Similarly heavy amounts are recoverable from Railway staff and officers under **miscellaneous advance** (Revenue).

Action Required

Audit advises that GPF balances must be reconciled periodically. Outstanding bills of electricity, Sui Gas and local purchase advances be recovered on priority.

CHAPTER 5**Accounts of Autonomous Bodies.****5.1 ACCOUNTS OF PRACS.**

Pakistan Railways Advisory and Consultancy services is a subsidiary company of Railways which was established in 1976. The financial performance of the PRACS remained unsatisfactory. Profit for the year 1998-99 declined by Rs 1.953 million as compared to previous year's profit. Trade debts are on higher side. Profits earned are generally kept as retained earnings.

Action Required

Need is pointed out to make PRACS a profitable and viable entity rather than a parasite on Railways. It should concentrate more on acquisition on consultancy jobs from other departments and organizations. It should declare reasonable cash dividends for Railways.

5.2 ACCOUNTS OF RAILCOP.

Railcop was incorporated in 1980 with an investment of Rs 50.000 million by Railways. Rather than providing financial relief to Railways, RAILCOP is concentrating on its own expansion or building up its reserves. Retained earnings are as high as 235% of the paid up capital. Cash and bank balances are accumulating which are Rs 285.865 million as on 30.06.1999. Liabilities and Accounts Receivable of Rs 37.136 million and Rs 49.758 million respectively are on higher side. Administrative expenses are also on higher side:

Action Required

Need is pointed out to control the administrative expenses. Immediate steps should be taken to recover the outstanding bills receivable from the parties concerned.

CHAPTER 6 (a)

Ten cases of fraudulent withdrawal/misappropriation were noticed. An embezzlement case involving a hefty amount of Rs 1.621 million is also discussed in this chapter. A brief description of these cases is given below:-

S. No.	Formation	Ref. To PAR DP No.	Amount In million	Description.
1.	Divisional Superintendent, Peshawar	6(a)(1)	5.694	Loss due to theft of railway material.
2.	Divisional Superintendent, Lahore	6(a)(2)	4.323	Fraudulent drawal of commutation/gratuity.
3.	Divisional Superintendent, Karachi	6(a)(3)	2.058	Fraudulent payment on account of fictitious training out of ballast.
4.	Commercial Staff, Hyderabad	6(a)(4)	1.621	Embezzlement by Commercial Staff, Hyderabad.
5.	Divisional Superintendent, Rawalpindi	6(a)(5)	1.336	Wasteful expenditure due to replacement of a tube well.
6.	Assistant Engineer, Mirpur Khas	6(a)(6)	0.853	Mis-appropriation of stone ballast.
7.	Divisional Superintendent, Lahore	6(a)(7)	0.428	Loss due to pilferage of Railway material.
8.	Dy. Manager Inspection, Moghalpura	6(a)(8)	0.427	Fraudulent payment to a contractor.

9.	Divisional Superintendent, Lahore	6(a)(9)	0.323	Suspected misappropriation of cement
10.	Chief Controller of Purchase	6(a)(10)	0.120	Fraudulent drawal of overtime allowance.

Action Required

Each case of fraud, misappropriation and embezzlement be investigated, losses be made good, internal controls be strengthened to check the recurrence of such events and disciplinary action be taken against the person(s) held responsible.

CHAPTER 6 (b)

Two cases of overpayment are pointed out in this chapter. A brief description is given as under:-

S. No.	Formation	Ref. to PAR DP No.	Amount In million	Description.
1.	Zonal Civil Engineer-I, Lahore	6(b)(1)	0.660	Extra expenditure due to acceptance of tender at higher rate.
2.	Assistant Engineer, Quetta	6(b)(2)	0.325	Loss due to non/less recovery on account of shrinkage of earth.

Action Required

Irregular expenditure may be regularized under sanction of the competent authority and amount over paid be recovered from those held responsible. Disciplinary action may be taken against the official(s) at fault.

CHAPTER 6 (c)

Sixteen cases of negligence were noticed. These cases are presented in the table below:-

S. No.	Formation	Ref. to PAR DP No.	Amount In Million	Description.
1.	Senior Mechanical Engineer, Lahore + Assistant Controller of Stores/Diesel, Rawalpindi	6(c)(1)	102.832	Un-necessary procurement of spares of machines resulting in blockage of capital.
2.	Dy. Manager, S&D/IBU, + Dy. Controller of Stores/S/ Karachi Cantt.	6(c)(2)	38.188	Loss due to payment of demurrage, storage and wharfage charges.
3.	Assistant Engineer, Kundian	6(c)(3)	20.280	Financial loss due to encroachments of surplus Railway land.
4.	Director Procurement, Lahore	6(c)(4)	4.555	Loss due to acceptance of defective rails.

5.	Divisional Stores Keeper, Moghalpura.	6(c)(5)	4.265	Loss due to non-replacement Of defective material.
6.	Managing Director/PRACS	6(c)(6)	3.800	Loss due to purchase of defective material.
7.	Production Engineer/Loco	6(c)(7)	3.560	Wasteful expenditure due to manufacture of components for deleted steam locomotives.
8.	Dry Port, Lahore	6(c)(8)	2.618	Loss of revenue due to non-auction of un-delivered consignments.
9.	Dy. Controller of Stores, Karachi Cantt	6(c)(9)	2.225	Loss due to purchase of defective material.
10.	Zonal Manager/IBU, Lahore	6(c)(10)	2.184	Un-necessary purchase of carbonized paper.
11.	Works Manager/CSF/Kohat	6(c)(11)	1.576	Infructuous expenditure due to non-utilization of spare parts of Furukawa Loader. .
12.	Dy. Manager(Inspection), Moghalpura.	6(c)(12)	1.423	Loss due to procurement of defective material.
13.	Station Manager, Railway Station, Jhelum + Lahore	6(c)(13)	1.008	Loss due to unnecessary detention of wagons.
14.	Divisional Stores Keeper, Moghalpura.	6(c)(14)	0.875	Loss due to purchase of defective material.
15.	Dy. Manager(Inspection), Moghalpura	6(c)(15)	0.745	Loss due to un-necessary purchase of material.
16.	Dy. Controller of Stores, Karachi Cana.	6(c)(16)	0.316	Purchase of defective material.

Action Required

All the cases be investigated and action be taken against the person(s) held responsible for negligence.

CHAPTER 6 (d)

Six cases of violation of rules are pointed out in this chapter. These are presented in the table below:-

S. Na	Formation	Ref. to PAR DP No.	Amount In million	Description.
1.	District Controller of Stores/Diesel/Karachi Cantt.	6(d)(1)	132.804	Un-necessary procurement of material resulting in blockage of capital.
2.	Director Land Management, Lahore	6(d)(2)	16.482	Un-justified/un-remunerative expenditure on acquisition of land and recurring loss of Rs 2.000 million per annum.

3.	District Controller of Stores/Diesel/Karachi Cantt	6(d)(3)	8.462	Un-necessary procurement of material beyond the fixed limits resulting in financial loss.
4.	Zonal Telecom Engineer, Lahore	6(d)(4)	1.489	Irregular/un-economical purchase of material.
5.	Works Account Branch, Sukkur	6(d)(5)	0.908	Irregular expenditure on the works.
6.	Works Manager, Steel Shop, Moghalpura	6(d)(6)	0.846	Un-necessary procurement of material resulting in blockage of capital.

Action Required

Audit suggests investigation of these cases and disciplinary action against the person(s) at fault. Remedial measures may also be adopted.

CHAPTER '6 (e)

Three cases of violation of propriety are pointed out in this chapter. These case are presented in the table given below:-

S. No.	Formation	Ref. to PAR DP No.	Amount In million	Description.
1.	Works Manager, Signal Shops, Lahore	6(e)(1)	38.309	Loss due to unjustified payment of overtime allowance.
2.	Zonal Telecom Engineer, Lahore	6(e)(2)	0.451	Financial loss due to unnecessary purchase of pagers.
3.	Dy. Manager/Inspection, Moghalpura	6(e)(3)	0.297	Loss due to injudicious payment of overtime allowance.

Action Required

Investigation be made in each case and disciplinary action be taken against the defaulters. Remedial measures may also be taken to prevent such recurrence in future.

CHAPATER 6. (f)

Eleven cases of amount recoverable from Government Departments, Semi-Government Departments and private parties are discussed in this chapter. A brief description is given below:-

S. No.	Formation	Ref. to PAR DP No.	Amount In million	Description.
1.	Senior Accounts Officer, Traffic, Lahore	6(f)(1)	121.016	Recoverable amount from other Govt. Deptts and oil companies.
2.	Chief Commercial Manager/FBU	6(f)(2)	43.827	Non-recovery. of freight and demurrage charges from Fertilizer Import Department, Karachi
3.	Director Procurement, Railway Board	6(f)(3)	11.835	Loss due to non-recovery of demurrage charges etc and cost of defective/ broken timbers.
4.	Project Director/ Railcop	6(f)(4)	5.707	Non-realization of outstanding dues from NLC Department for construction of rail over bridges.
5.	Chief Commercial Manager/FBU, Lahore	6(f)(5)	5.429	Loss due to non-recovery of railway dues.
6.	Divisional Engineer, Moghalpura	6(f)(6)	5.241	Loss due to non-recovery of rental charges.
7.	Divisional Superintendent, Multan	6(f)(7)	3.579	Non-remittance of railway earnings by a City Booking Agency, Dera Ismail Khan.
8.	Director Procurement	6(f)(8)	2.399	Loss due to failure to get refund of excess payment to custom department.
9.	Station Manager, Sargodha+Faisalabad	6(f)(9)	1.385	Loss due to non-recovery of demurrage charges.
10.	Divl. Superintendent, Peshawar	6(f)(10)	1.082	Recoverable amount for un-authorized occupation of railway land.
11.	Divl. Superintendent, Lahore	6(f)(11)	0.803	Non-recovery of rent of Cycle Stand and Car Parking from the contractor.

Action Required

Amount involved in each case be recovered and Internal Controls be strengthened.

CHAPATER 6 (g)

Two cases involving miscellaneous observations are pointed out in this chapter. A brief description is given below:-

S. No.	Formation	Ref. to PAR DP No.	Amount In million	Description.
1.	Project Director, Lilly Road Over Bridge, Karachi Cantt.	6(g)(1)	10.934	Loss due to non-completion of deposit work in time.
2.	HTXR/W/Lahore	6(g)(2)	2.554	Loss due to inordinate detention of coaches.

Action Required

Action as suggested by Audit in each case be taken up.

CHAPTER 7**OTHER TOPICS OF INTEREST**

The issues of un-sanctioned expenditure, outstanding under-charges and remission and abandonment of claims are discussed in this chapter.

7.1 & 7.2 Unsanctioned expenditure of Rs 2.342 million has been incurred during the year 1998-99. Cumulative un-sanctioned expenditure has been risen to Rs29.541 million by 30-06-1999.

Action Required

Need is stressed for expeditious regularization of the above mentioned un-sanctioned expenditure.

7.3 OUTSTANDING UNDER CHARGES

A heavy amount of Rs 49.516 million is out-standing under this head.

Action Required

Audit advises to accelerate the pace of recovery keeping in view the financial constraints of Pakistan Railways.

SECTION - II
DETAILED REPORT

SUMMARY OF AUDIT REPORT

A chapter-wise summary of the Railway Audit Report for the year 1998-99 is as under:-

2. FINANCIAL RESULTS.

In 1998-99, Pakistan Railways gross earnings and net earnings were Rs 9,310.589 million and Rs 9,292.166 million respectively. This reflected decrease of Rs 632.181 million and Rs 405.896 million as compared with gross earnings and net earnings respectively for the year 1997-98.

Revenue expenditure for the year 1998-99 was Rs 16,381.990 million which resulted in operational loss of Rs 6,806.275 million for the year. The loss was off set to the tune of Rs 2,150.891 million by a grant from the Federal Government. Balance of unadjusted loss of Rs 4,655.384 million was transferred to the Balance Sheet.

3. CONTROL OVER EXPENDITURE AND MAINTENANCE OF ACCOUNTS.

i) Grant No. 99

Excess expenditure of Rs 2,490.380 million over and above the budget provision had been incurred in Revenue Grant No.99. One fails to understand as to why the Account and Finance Department of the Railways which acts as a watch dog failed to keep the expenditure within the budget especially under those items payments of which were not mandatory like payments to contractors.

ii) Grant No. 155

Funds for Rs 2,123.740 million was allocated by the Government under grant No. 155. The actual expenditure was Rs 3,449.926 million. The excess expenditure of Rs 1,326.186 million in this grant is required to be explained.

iii) Balance Sheet

- a) *Cumulative Losses.* Cumulative loss of Rs 25,144.510 million on 30.06.1999 demands to strengthen the internal controls to avoid further loss to Railways.
- b) *Depreciation Reserve Fund.* A fixed annual contribution to this fund is being made since 1988-89 which is contrary to the codal provision.
- c) *Fixed Assets.* Value of assets shown as Rs 13,869.546 million at original cost is against the accepted principles of Commercial Accounting. Policy for valuation of assets on present cost basis needs to be adopted to depict Railway's net worth explicitly. Moreover the value of Railway lands has been understated in the Balance Sheet.

- d) *Revenue Reserve.* Revenue reserve shown as liability of the Federal Government since 0.1.07.1970 needs to be settled with the Finance Division.
- e) *Foreign Loans.* The matter regarding revaluation of Pakistan Railway's liability on account of foreign loans and credits needs serious attention since 12.05.1972, the date of devaluation of currency.
- f) *Sundry Creditors* Against the permissible limit of Rs 300.000 million for the advance drawal from the State Bank of Pakistan, an overdraft of Rs 17,362.410 million has been drawn upto 30th June, 1999. An interest of Rs 2,731.066 million has also been paid on this overdraft which clearly indicates poor financial discipline.
- g) *Investment.* An investment of Rs 2.000 million and 50.000 million in "PRACS" AND "RAILCOP" has never realised interest/profit on the amount on yearly basis.
- h) *Accounts Receivable.* Cumulative receivable amounting to Rs 1,439.685 million as on 30.06.1999 warrants an appropriate and serious action by the Railway Administration.

4. **REVIEW OF BALANCES.**

- a) *GP.F. (CR) Rs 2,658.930 million.* The ledger balances under this head have not been reconciled with the General Books throughout the Railway so the same are un-authentic and hence chances of mis-appropriation and fraud cannot be ruled out.
- b) *Miscellaneous Advances (Revenue).* Heavy balances are outstanding under this head which are recoverable from Railway staff/officers on account of electricity (Rs 23.287 million) Sui-Gas charges (Rs 439.125 million) and advances for local purchase (Rs 5.064 million) etc. which warrant immediate attention.

5. **ACCOUNTS OF AUTONOMOUS BODIES.**

- a) Pakistan Railways Advisory and Consultancy Services (PRACS) was registered in 1976 with an investment of Rs 2.000 million. The Firm has failed to assist Railway's economy and surviving merely on the commission received from Railways for running City Booking Agencies and sale of tickets.
- b) Railway Construction Pakistan Ltd. (RAILCOP) was registered in 1980 with an investment of Rs 50.000 million by Railways. The main source of income of the company is interest accrued on the Bank deposits consisting of Railway's investment. Being a subsidiary organization of Pakistan Railways, the retained earnings are required to be transferred to Railway Fund to ease the financial

position of Pakistan Railways which is running on heavy overdraft. Interestingly, in all projects, the contract expenses were more than the contract receipts so much so that in one project i.e. ARRORE there was no earning although the Company had to spend Rs 312,836 without any justification.

6. FINANCIAL IRREGULARITIES.

- a) This chapter contains 50 paras depicting serious financial irregularities involving a total amount of Rs 624.455 million. Irregularities of identical nature have been grouped together. Each group of irregularities and amount involved is as under:

S.No.	Description	No. of Paras	Amount Rs
a)	Misappropriation/Mis-use/Wasteful/Theft	10	117,182,552
b)	Overpayments	02	985,000
c)	Negligence	16	190,449,885
d)	Violation of Rules	06	160,990,125
e)	Violation of Propriety	03	39,056,900
t)	Recoverable	11	202,302,615
g)	Others	02	13,488,000
	Total:	50	624,455,077

7. OTHER TOPICS OF INTEREST.

- a) Unsanctioned expenditure incurred during the year 1998-99 amounting to Rs 2.342 million warrants a serious attention of P.A.C.
- b) Outstanding under charges awaiting recovery of Rs 49.516 million as on 30.06.1999 also contribute adversely to Railway financial position.
- c) An amount of Rs 0.145 million written off on account of Demurrage & Wharfage charges during the year 1998-99. Railway Officers' liberal exercise of discretionary powers has put into jeopardy the financial interest of the Railways which is already suffering huge losses.

8. RECOVERIES MADE AT THE INSTANCE OF AUDIT.

Rs 4.017 million have been recovered and remitted into the treasury during 1998-99 at the instance of Audit as compared with the recovery of Rs 8.784 million in the previous year.

9. PAC DIRECTIVES

The PAC while discussing this report on 27.05.2015 issued directions out of which two were complied with and action taken. Besides an amount of Rs 162.847 million was recovered. The PAC directives are attached as Annexure-1.

2. FINANCIAL RESULTS.

FINANCIAL RESULTS

2.1 Revenue earnings of Pakistan Railways for 1998-99 amounted to Rs 9,310.589 million showing decrease of Rs 632.181 million (6.35%) as compared to the revenue earnings of. 1997-98. Source-wise break up of earnings and variation for the two years is given below:-

EARNINGS AND VARIATION

(Rs in
Million)

S.No.	Source of Earnings	1997-98	1998-99	Variation Decrease (-) Increase (+)	% age.
1.	Coaching	5,236.105	4,960.967	(-) 275.138	5.25
2.	Goods	4,519.246	4,172.868	(-) 346.378	7.66
3.	Sundry/Misc. Earnings (including Misc. Receipts.)	187.419	176.754	(-) 10.665	5.69
4.	Gross Earnings	9,942.770	9,310.589	(-) 632.181	6.35
5.	Suspense	(-) 244.708	(-) 18.423	(-) 226.285	92.47
6.	Net Earnings	9,698.062	9,292.166	(-) 405.896	4.18

2.2 Variation in other indicators of the activities of the Railways during the year (as per Railway's year book) were as under:-

TRAFFIC VARIATIONS

Figures in Million)

S.No.	Indicators	1997-98	1998-99	Variation	%age
1.	Goods Traffic				
	Tonnes Kilometres	4,447.264	3,969.512	(-) 477.752	10.74
	Loaded freight wagons	350.192	315.744	(-) 34.448	9.83
	Tonnes of freight carried	5.977	5.448	(-) 0.529	8.85
2.	Passenger Traffic				
	No. of Passenger carried	64.870	64.988	(+) 0.118	0.18
	Distance travelled (Passenger K.M.)	18,773.751	18,979.838	(+) 206.087	1.09

A comparison between the earnings for the year 1997-98 and 1998-99 in the afore-mentioned table of earnings indicates decrease of Rs 632.181 million in gross earnings. The decrease in net earning was also due to suspense account to the extent of Rs 226.285 million.

Further comparison of other traffic indicators shown in the above table indicates a downward trend during the year 1998-99 in tonnes kilometres loaded freight wagons, tonnes of freight carried out and number of passengers carried. This indicates that the Railway is gradually losing its goods traffic as well as passenger traffic.

- 2.3 Revenue expenditure for 1998-99 amounted to Rs 16,381.990 million showing an increase of Rs 646.565million (3.95%) over expenditure of the preceding year. Item-wise break up of expenditure of the two years is given below:-

ITEM-WISE EXPENDITURE

(Figures in Million)

S.No.	Items	1997-98	1998-99	Variation	%age
1.	General Administration	1,471.336	1,357.042	(-) 114.294	7.76
2.	Repair & Maintenance	4,233.343	4,217.204	(-) 16.139	0.38
3.	Operating Expenses	3,833.357	3,839.960	(+) 6.603	0.17
4.	Other Revenue Expenditure	2,223.223	2,349.386	(+) 126.163	5.67
5.	Appropriation to fund.	620.183	632.882	(+) 12.699	2.04
6.	Interest on debt.	2,679.942	3,323.446	(+) 643.504	24.01
7.	Improvement & Welfare Fund.	33.476	40.779	(+) 7.303	21.81
8.	Replacement account.	373.213	360.514	(-) 12.699	3.40
9.	New addition.	267.352	260.777	(-) 6.575	2.45
	Total	15,735.425	16,381.990	(+) 646.565	4.10
	Suspense	53.152	87.251	(+) 34.099	64.15
	G. Total	15,788.577	16,469.241	(+) 680.664	4.31

The above figures depict increase in certain areas of expenditure. Especially nearly 24% increase in expenditure under head "interest on debt" is alarming.

**3. CONTROL OVER EXPENDITURE
AND
MAINTENANCE OF ACCOUNTS**

CONTROL OVER EXPENDITURE

- 3.1. The expenditure to be incurred by 'Pakistan Railways on its operations, renewals, replacement of its assets and for development projects is authorized each year by the National Assembly. The allocations made by the Federal Government, through the original and Supplementary Schedules of Authorized Expenditure to Pakistan Railways for 1998-99 were as under:-

BUDGET VARIATION

(Figures in million)

Items	Original	Supple mentary allocation	Final allocation	Actual Expenditure	Variation Saving(-) Excess(+)	Variation % age
Grant No.99 Revenue Expenditure						
Charged	2,088.067	-	2,088.067	3,944.737	(+ 1,856.670)	88.92
Authorized	1 1,921.397	-	1 1,921.397	12,555.107	(+ 633.710)	5.31
Total:	14,009.464	-	14,009.464	16,499.844	(+ 2,490.380)	17.77
Grant No.155 Capital outlay on Pakistan Railways.						
Other than Charged	2,123.740	-	2,123.740	3,449.926	(+ 1,326.186)	62.44
Grand Total:	16,133.204	-	16,133.204	19,949.770	(+ 3,816.566)	23.66

3.2. GRANT NO.99 REVENUE EXPENDITURE.

- a) The appropriation accounts of Grant No. 99 Pakistan Railways depict that 17.77% excess expenditure amounting to Rs 2,490.380 million has been incurred as against the Final Grant which is quite alarming. In all the four major heads under Revenue Grant No. 99 i.e. General Administration, Repair and Maintenance, Operating expenses and other Revenue Expenditure excess expenditure of Rs 124.287 million, Rs 258.354 million, Rs 89.167 million and Rs 189.386 million respectively was booked. Similarly as against the budget provision of Rs 874.396 million under subhead "other interest charges" an expenditure of Rs 2,731.066 million was booked.
- b) The expenditure was incurred over and above the budgetary provision for the year 1998-99. The responsibility need to be fixed and action taken against those held responsible for incurring the liability and making payments without budgetary cover. Further irregularity in this regard are stated in the succeeding paras.
- c) Causes of variation between actual expenditure and final grant or appropriation have not been given against each major & sub-heads as required in terms of Para 608-G.

d) **Executive Departments.**

Funds of Rs 446.328 million were provided under this head through original grant. Subsequently Rs 0.713 million were withdrawn through re-appropriation reducing the final Grant Rs 445.615 million. The actual expenditure was" Rs 465.577 million i.e. Rs 19.249 million more than the original grant. This shows that original grant was less than the actual requirements & withdrawal was not justified.

e) **Miscellaneous Expenses.**

Original grant under the head was Rs 26.130 million. Additional funds of Rs 16.315 million were obtained making the final grant to Rs 42.445 million. The actual expenditure was Rs 65.315 million. The percentage of actual expenditure to final grant works out to 153.88%. Reasons for excess be explained.

f) **Miscellaneous Advance.**

An expenditure of Rs 87.251 million has been incurred under this head without allotment of funds in the budget estimate for 1998-99. This shows defective budgeting on the one hand and keeping a heavy amount of actual expenditure unbooked for the year rendering loss understated to this extent.

g) **Repair and Maintenance.**

P. Way & Other Engineering & Structural Works.

Rs 1,135.578 million were appropriated under the head. Additional funds of Rs 36.000 million were obtained. The final grant was Rs 1,171,578 million. The actual expenditure was Rs 1,229.464 million resulting in excess expenditure of Rs 57.886 million which was 104.94% of the original grant. Original appropriation in the first instance was much less than the actual requirements, secondly the additional funds also could not meet with the expenditure as such actual requirements were not kept in view while preparing the budget & obtaining additional funds.

In case of Rolling Stock, Electrical services & equipment. An amount of Rs 76.580 million, 20.024 million & 24.027 million were withdrawn. The expenditure in all the three sub-heads was more than the actual grant as such the withdrawal was unjustified.

h) **Operation Fuel and Operation Other Than Staff & Fuel.**

Original grant under the head was Rs 1,500.000 million & 969.810 million. Additional funds of Rs 50.000 & 38.651 million were obtained making the final grant to Rs 1,550.000 million & 1,008.461 million. The actual expenditure under the heads were Rs 1,623.735 million & 1,043.666 million i.e. 104.76 & 103.49% of actual expenditure to final grant. Reasons for excess be explained.

i) **Improvement & Welfare Expenditure.**

Original grant was Rs 55.000 million under the head. An amount of Rs 2.829 million was withdrawn through re-appropriation making the final grant to. Rs 52.171 million.

The actual expenditure was Rs 40.779 million, resulting in saving of Rs 11.392 million which was 78.16% of final grant. This is an example of defective budgeting as the original grant was much more than the actual requirements.

j) Other Interest Charges.

Original allocation under the head was Rs 900.000 million. An amount of Rs 25.604 million was withdrawn making the final grant to Rs 874.396 million. The actual expenditure was Rs 2,731,066 million i.e. Rs 1,831.066 million more than the original grant. The percentage of excess expenditure works out to 312.34%. This reveals that original allocation was not realistic & withdrawal was unjustified.

- k) The budget order issued by the Railway Board was segregated into cash, store and adjustment while in the appropriation accounts of Grant No.99, the allotment and expenditure has not been reflected distinctly into cash, store and adjustment. Therefore, the incurrence of expenditure could not be verified under separate heads. The expenditure may be reflected separately under cash, store and adjustment.

3.3 GRANT NO. 155 CAPITAL OUTLAY ON PAKISTAN RAILWAYS.

- a) The Appropriation Accounts of grant No.115 Pakistan Railways have been checked. The figures reveals that 62.44% excess expenditure (Rs 1326.186 million) has been incurred as against final grant which is alarming. It may please be clarified when there were no funds available how the excess expenditure was incurred over and above the budget provision. Responsibility needs to be fixed and action taken against those held responsible for incurring liability over budgetary cover. The following observations may be attended to and appropriation Accounts re-submitted duly signed by the General Manager.
- b) Para 615-G provides if a service on work for which provision was made in the budget is deliberately abandoned in order to make funds available for an expenditure for which no provision was made the fact should be mentioned. But in the under noted sub-head of grant the amount has been withdrawn without mentioning the facts in contravention to aforesaid para. This needs justification.

Track Rehabilitation.	O	86.000
D.R.F.	R(-)	7.000

c) Open Line Works.

Original Funds under the head Motive Power & Rolling Stock were Rs 1.000 million. Additional Funds of Rs 4.500 million were provided making the final grant to Rs 5.500 million. The actual expenditure was Rs 1.185 million. Resultantly the major portion of Additional fund was served. This indicates that additional amount was obtained without requirements.

- d) Rs 1,8175.000 million were available under the head D.R.F. Additional funds of Rs 0.685 million were provided increasing the final grant to Rs 1,875.685 million. The actual expenditure was Rs 3,203.352 million resulting in excess expenditure of Rs 1,327.667 million which is 170.78% of final grant. Original grant plus additional funds were far below than the actual expenditure. This is an example of defective budgeting.
- e) **Track Rehabilitation (Capital).**
An expenditure of Rs 0.162 million has been incurred under this head without allotment of funds. This indicates that internal controls are not functioning properly.
- f) An amount of Rs 86.000 million was available under the head D.R.F. subsequently Rs 7.000 million were withdrawn through re-appropriation reducing the final allocation to Rs 79.000 million. The actual expenditure was Rs 101.425 million which was 128.39% excess of the final grant. The actual expenditure was more than the original grant as such the withdrawal was not justified. The reasons for the excess be explained.
- g) **Bridge Works & Civil Engineering Works.**
Rs 40.300 million & 121.440 million were available under the head Bridge Works & Civil Engineering Works. Additional funds of Rs 0.311 million & 1.504 million were obtained. The actual expenditure was Rs 38.890 million & 104.912 million respectively. The expenditure in both the cases was below than the original grant resulting in saving of Rs 01.721 million & 18.032 million. The saving works out of 95.76% & 85.33% of the final grants. The reasons for the saving be explained.
- h) **Suspense & Credits.**
No grant has been provided under this head whereas under extent provision a grant equal to net amount by which the closing balance of capital stores suspense in increased or decrease from the opening balance during the years should have been provided. The amount of Rs 821.775 million cleared & additional of 158.844 million have been shown under the suspense head. But the net increase or decrease from the opening balance has not been indicated.
- i) **Plant & Machinery.**
No amount has been allocated under the head Plant & Machinery. This may be explained.
- j) The Budget order issued by the Railway Board was segregated into internal and external portion while in the appropriation accounts the allotment and expenditure has not been reflected distinctly into internal & external portion resultantly, the incurrence of expenditure could not be verified under the above mentioned two separate heads. The expenditure may please be reflected separately under internal & external portion. Secondly, as against the Final Budget Allotment of Rs 2,123.740 million an expenditure of Rs 3,449.926 million has been incurred. There is an overall excess of Rs 1,326.186 million which is 62.44% of the final allotment. It is pertinent to mention that the Pakistan Railways required a heavy capital investment for aging motive power, Rolling Stock, Bridge Works, Plant & Machinery & other Structural Works. The Govt: of Pakistan generously, allocated a huge sum of money from its scarce financial resources to revitalise the Railways. However, Pakistan Railways administration failed to utilize the resources to improve its deteriorated infrastructure.

3.4. FINAL MODIFICATION STATEMENT.

Final modification statement is required to be circulated by the Railway Board well before 30th June of each year. However, it has been observed that final modification statement is generally issued in September or March i.e. about three to eight months after the close of the final year and on the final closing of the accounts. Final modification statement for the year 1997-98 was received on 10-12-1998 whereas for the year 1998-99 the statement is still under preparation upto February, 2000. This irregular practice being followed to match the final allotment figures under sub-heads of the grant with the actual expenditure figures to avoid variation. It defies the authenticity of the figures of final grant, control over the flow of expenditure and useful comparison of actual expenditure with the figures of final grant under each sub-head of the grant.

3.5 STATE OF ACCOUNTS AND FINANCES.

The Pakistan Railways is as much a government concern as it is a commercial enterprise. The accounts of Pakistan Railways should, therefore, follow the essentials of commercial accounting and also conform to government accounting standards which require that a complete and systematic record of all receipts and expenditure should be kept in accordance with the prescribed rules. Following is the summary of the receipt and expenditure transactions showing the sources, their application and the cash balances of the Railway with the State Bank of Pakistan for the financial year 1998-99.

A. SOURCES.

(Rs in Million)

1.	Revenue Receipts		9,310.589
2.	Govt. Grant for cash deficit		2,150.891
3.	Cash Releases by Government		999.740
	(i) On capital account	79.739	
	(1i) On replacement account	917.001	
4.	Foreign loan raised by Govt. on capital account.		66.602
5.	Trust receipts		661.023
	i) Provident funds	208.909	
	ii) Interest on provident funds	453.249	
	iii) Zakat fund	(-) 1.135	
6.	Accretion to Railways revenue reserves		2,474.616
	1) Normal contribution (DRF)	632.882	
	ii) Foreign Loans on replacement account	1,841.734	
7.	Advances recoverable		0.208
8.	Deposit, remittances and other suspense accounts		14,681.131
	i) Transfer Divisional	2.107	
	ii) Remittance into Bank	(-) 40.5E9	
	iii) Other suspense accounts	14,719.593	
9.	Opening cash balance State Bank		(-) 11,739.705
	Total		18,602.095

B. APPLICATION.**(Rs in Million)**

1.	Working expenses	16,067.948
2.	Capital outlay including suspense	(-) 517.882
3.	Repayment of foreign loans (replacement)	360.514
4.	Replacement expenditure including credits	3,242.505
5.	Improvement fund expenditure	40.779
6.	Provident fund payments	486.241
7.	Interest on provident funds balances	453.249
8.	Interest on revenue reserve balances	-
9.	State Railway Deposits	(-) 441.626
10.	Department and similar account	18.472
11.	Closing Cash Balance (State Bank)	(-) 17,028.374
	Total:	2,681.826

3.6 GOVERNMENT GRANT FOR CASH DEFICIT.

Pakistan Railways has assessed a short fall in resources amounting to Rs 2,230.490million on revenue account in the revised budget estimates for 1998-99. The Federal Government allowed a grant of Rs 2,150.891million to meet the Railway cash deficit. However the actual cash deficit amounted to Rs 6,525.770 million. The following table shows the revised estimates of receipts/expenditure heads on which the resources short fall of Rs 2,230.490 million was assessed and the actual figures against these heads leading to the actual short fall of Rs 6,525.770 million. The comparison of actual with estimated figures shows that the actual cash deficit exceeded the revised estimates by Rs 4,295.280 million. This increase of Rs 4,295.280 million in cash deficit occurred mainly due to heavy increase in revenue expenditure. Mandatory expenses like pay, pension, sui-gas, electricity and telephone are first charge on the budget. Less funds were purposely provided for these charges to enable more supplies to be obtained from contractors. It should be clarified why adequate funds were not provided for mandatory expenses. Even after diverting funds from mandatory expenses to non-mandatory heads, there has been huge excesses especially under the head of payment to contractors. Responsibility needs to be fixed and action taken against responsible officers for incurring liability in non-mandatory expenses and making payments without budgetary cover.

	Head	Revised Estimates 1998-99	Actual 1998-99	Actual Compared with Revised Estimates More (+) less (-)
A	Revenue Receipt	11,130.000	9,310.589	(-) 1,819.411
B	Non-development expenditure for the purpose of the grant:-			
1)	Ordinary working expenditure	9,060.252	9,501.457	(+) 441.205
2)	Other revenue expenditure	2,160.000	2,349.386	(+) 189.386
3)	Repayment of Foreign Loans	621.291	621.291	-
4)	Interest of Foreign Loans	592.380	592.380	-
5)	Interest on Overdraft	874.396	2,731.066	(+) 1,856.670
6)	Improvement & Welfare fund expenditure.	52.171	40.779	(-) 11.392
	Total: (B)	13,360.490	15,836.359	(+) 2,475.869
	Cash deficit (A - B)	(-) 2,230.490	(-) 6,525.770	(-) 4,295.280

3.7 RECONCILIATION OF BANK BALANCE WITH THE CASH BALANCE IN RAILWAY BOOKS ON 30.06.1999

The cash balance relating to Railway in the books of State Bank of Pakistan as on 30.06.1999 was (-) Rs 17,362,409,661 (overdraft) in account No.III and Rs 334,036,082 (CR) in Account No. XI to accommodate the sale proceeds of surplus Railway Land. Thus the net cash balance as per State Bank was Rs 17,028,373,579 (overdraft). The cash balance in Railway books was Rs 17,319,469,829 (overdraft). There was thus a difference of Rs 291,096,250 between the Railway books and State Bank of Pakistan. Bank Reconciliation Statement has been prepared by taking into account the net bank balance of Rs 17,028,373,579 and Railway books balance of Rs 17,319,469,829 and items leading to the difference of Rs 291,096,250 have been identified in Annexure on Page 38. Need is pointed out for taking appropriate measures to clear the difference specially the old outstanding pointed out under item (ii) of the reconciliation statement.

BANK RECONCILIATION STATEMENT AS ON JUNE 30, 1999.

	DR	CR
A State Bank of Pakistan.		
i) Opening cash balance as per bank on 01.07.1998		(-) 11,739,705,329
ii) Receipt into Bank during 1-7-1998 to 30-6-1999		15,771,613,636
iii) Payments by Bank during 1-7-1998 to 30-6-1999	21,060,281,886	
iv) Closing Balance		17,028,373,579
Total:	21,060,281,886	21,060,281,886

Railway Books

i) Opening cash balance on 1-7-1998	(-)11,739,705,329	
ii) Receipts deposited into Bank during 1-7-1998 to 30-6-1999.	15,189,421,136	
iii) Payments made during 1-7-1998 to 30-6-1999.		20,769,185,636
iv) Closing balance on 30-6-1999.	17,319,469,829	
Total:	20,769,185,636	20,769,185,636

C Difference between Bank cash balance & Railway books cash balance.

(Rs 17,319,469,829 - 17,028,373,579) 291,096,250

RECONCILIATION.

	Dr.	Cr.
Items of difference identified		
i) Amount of Dr./Cr. Scroll received but not adjusted in Reserve Fund.		5,851,067
ii) Account of settlement, Account not yet adjusted.		23,893
iii) Incorrect credit received from bank.		
iv) Amount of advices.	19,049,828	1,215,952
v) Old balances.		3,055,166
vi) Ways & means Advances by State Bank.		300,000,000
Total:	19,049,828	310,146,078
		<u>291,096,250</u>

MAINTENANCE OF ACCOUNTS.

3.8 PROFIT & LOSS ACCOUNT

A net loss of Rs 6,806,275,685 has been arrived at in the statement out of which the loss of Rs 2,150,891,000 has been absorbed by the State in the form of grant in aid by the Federal Government during 1998-99 leaving a deficit of Rs 4,655,384,685 transferred to the balance sheet as an uncovered loss.

3.9 BALANCE SHEET OF PAKISTAN RAILWAYS

a) Cumulative Surplus/Deficit.

Un-appropriated profit (loss) is carried to balance sheet at the end of the financial year. Pakistan Railways is suffering heavy loss since 1971. The uncovered loss during the year 1997-98 was Rs 2,845.353 million which has risen to Rs 4,655.385 million during the year 1998-99. Accumulative loss was Rs 20,489.126 million which has reached Rs 25,144.510 million on 30th June, 1999. This ever increasing accumulative loss has affected the net worth of the Pakistan Railways adversely. Total capital net worth of the organization has decreased from Rs 3,114.602 million to Rs 544.042 million. It indicates that financial position of Railway is deteriorating and process has gained momentum. This state of affair is alarming. Need is pointed to strengthen the internal control and to make prudent financial decision to avoid further losses.

b) Overdraft.

As against the permissible limit of Rs 300.000 million Ways & Means advance, overdraft of Railway was Rs 17,362.410 million on 30^x June, 1999 which was Rs 12,492.318 million on June, 1998. This heavy overdraft is one of the major causes of drain of scarce financial resources as Rs 2,731.066 million have been paid as interest on overdraft during the year 1998-99 against budgetary cover of Rs 874.396 million. It is pertinent to mention that the rate of interest on overdraft (excluding Way & Means) is 17.5% per annum. It is an alarming situation which warrants immediate attention. The issue may be taken up with the Finance Division as it has recurring adverse effect on Railway budget.

c) Re-valuation of Assets.

Accounts of Pakistan Railways have been prepared under the historical cost convention. Fixed assets like freehold land, building and Plant & Machinery should have been revalued under modern accounting principles. Whereas these assets are being shown at their original cost in the balance sheet and are therefore understated and do not present a fair value of the assets.

d) Revenue Reserves.

A fixed amount of Rs 993.396 million is being appropriated to D.R.F. since 1981-82 which is unrealistic as the replacement cost of assets by like assets has been increased over the year. Need is pointed out to earmark funds on the basis of periodic revaluation of assets as advised by the World Bank.

e) Foreign Loans.

Foreign loans and advances on Capital Accounts and Replacement/Improvement Account are Rs 2,367.408 million & Rs 6,433.496 million respectively. These liabilities have not been revalued consequent upon various devaluation of Pak Rupee since 12-05-1972. Therefore, these liabilities are grossly undervalued and warrant attention of the Railway Administration.

f) Accounts Receivable.

The Accounts Receivable were Rs 1,420,688,577/- at the end of the year 1998 which have increased to Rs 1,439,685,477/- upto 30th June, 1999. No effective steps have been taken to recover the outstanding amounts on account of un-realised earnings (Traffic Account) and bills receivable. Immediate action in this regard should be taken to improve the financial position of the Railways.

g) Balance of amount in account current with Government.

- i. The balance of Rs 17,911,075,198 under this head of account includes an amount of Rs 17,547,649 against other account. This amount has been shown as static in the balance sheet of Pakistan Railways in the new format since the year 1988-89 and its detailed particulars have not been identified despite the fact that it was repeatedly pointed out by audit.
- ii. Interest levied on provident fund is credited to these heads per contra debit to the head 22-Interest and is shown in the balance sheet as due from the Govt. During the year 1997-98 an amount of Rs 453,248,620 has been charged to this head of account. This practice should be discontinued because the Railway Account No.III was established on 01-07-1970 in the books of the State Bank of Pakistan and since then all the transactions between the Pakistan Railways and the Federal Govt; are done on actual cash flow basis. The proper course therefore, should be to recover the interest charges in cash from the Federal Government in respect of Provident Fund Balance held by the Government, as already repeatedly requested. Similarly amount of interest on GPF balance may be recovered from the Government as no cash cover has been provided by the Government against this head since many years

h) Railway Special Account.

A credit balance of Rs 334.036 million on account of sale of Railway Land and Scrap is lying in the State Bank of Pakistan in Account NO. XI (Railway Special Account) without any monetary benefit to the Railway since its operation. Audit suggests that the balances lying in the said account be adjusted against overdraft appearing in Railway Account No. III in the State Bank of Pakistan.

4. REVIEW OF BALANCES

REVIEW OF BALANCES

- 4.1 Pakistan Railways is responsible to maintain a complete and progressive record of all transactions under Debt, Deposit and Remittance heads, the details of which as on 30th June, 1999 are given in the following table. Inadequacies noticed in the management of accounts under certain heads are discussed in the succeeding paragraphs:-

(Rs in Million)

S. No.	Nomenclature of heads	Balance on 1.7.1998.	Receipts	Payments	Balance on 30-06-1999
1.	General Provident Fund	2,483013 Cr.	662.158	486.241	2,658.930 Cr.
2.	Staff Benefit Fund	10,307 Cr.	4.968	3.479	11.796 Cr.
3.	Depreciation Reserve Fund	19,056.516 Cr.	3,391.616	3,603.019	18,845.1 13 Cr.
4.	Improvement Fund	2,868.986 Cr.	-	-	2,868.986 Cr.
5.	Railway Reserve Fund	402.129 Cr.	-	-	402,129 Cr.
6.	Foreign Loans/credits raised by Federal Govt. on Capital account.	2,561.582 Cr.	66.602	260.777	2,367.408 Cr.
7.	State Railway Deposits.	2,392.538 Cr.	706.040	1,147.666	1,950.912 Cr.
8.	Zakat Fund	1.342 Cr.	6.913	8,047	0.208 Cr.
9.	Income Tax.	-	-	-	-
10.	Investment in Rly. through foreign loans/credits on capital accounts by Federal Govt.	1,878,170 Cr.	-	-	1,878.170 Cr.
11.	Federal Govt. Investment in Rly. (through cash release) on capital account.	8,620.728 Cr.	79.739	-	8,700.467 Cr.
12.	Federal Govt. Misc. Investment	1,943.089 Cr.	-	-	1,943.089 Cr.
13.	Divl. Pay Master Account.	104.918 Dr.	2,149.538	2,156.026	111.406 Dr.
14.	Account with Govt. of India	18.833Dr	-	-	18.833 Dr.
15.	Account with Bank Milli-I-Iran.	0.264 Dr	-	-	0.264 Dr.
16.	Advances Recoverable.	3.165 Dr.	6.056	5.847	2.956 Dr.
17.	Permanent Advance (Cash imprest) Railways.	1.592 Dr	3.088	3.098	1.602 Dr.
18.	Central Govt. Suspense	1,725 Dr	-	-	1.725 Dr.
19.	Bill Receivable.	338.641 Dr	50.484	51.058	339.215 Dr.
20.	Pakistan Rly. Suspense	2.354 Dr	-	-	2.354 Dr.
21.	East Pakistan Suspense (Railway)	47.550 Dr	-	0.329	47.879 Dr.
22.	Pre-audit Cheques	847.660 Cr.	12,617.925	12,942.207	523.378 Cr.
23.	Transfer within the same Railways	3.468 Dr	4,418.260	4,416.153	1.361 Dr.
24.	Railways remittance in the State Bank/National Bank of Pakistan.	124.754 Dr	7,929.426	-7,975.744	171.072 Dr.
25.	Departmental & similar accounts	56.820 Dr	55.324	36.852	38.348 Dr.
26.	Misc. Advance (revenue)	379.317 Dr.	154326	241.588	466.569 Dr.
27.	Misc advance (capital)	6.131 Dr	0.970	-	5.161 Dr.
28.	Purchases.	548.736 Dr	2,819.083	2,727.795	457.448 Dr.
	Total:	41,427.792 Cr	35,122.527	36,065.926	40,484.393 Cr.

4.2 GENERAL PROVIDENT FUND (CR) RS 2,658.930 MILLION.

The ledger balances have not been reconciled with the balances in General Books throughout the Railways since 1990-91 so the balances in the ledger accounts of employees cannot be treated as authentic hence chances of mis-appropriation/frauds cannot be ruled out.

4.3 MISCELLANEOUS ADVANCE (REVENUE) (DR) RS 466.569 MILLION

- i) This is a suspense head of account intended for temporary booking of expenditure for which particulars, allocation and acceptance are not available and payment made in advance. A statement showing the upto date position of outstanding suspense balance appears at page 64 - 65 of the Appropriation Accounts for 1998-99. The note under the statement indicates that posting and balancing of the registers of Miscellaneous Advance (Revenue) pertaining to almost all the accounting units are incomplete. Need is pointed out for updating the suspense registers
- ii) The statement also indicates certain amounts outstanding under the suspense head for more than two years on account of different reasons.

**5. ACCOUNTS OF AUTONOMOUS
BODIES UNDER
MINISTRY OF RAILWAYS**

**5. (a) ACCOUNTS OF PRACS
AND
AUDIT COMMENTS**

**A. AUDIT COMMENTS ON THE ACCOUNTS OF PAKISTAN RIALWAYS
ADVISORY AND CONSULTANCY SERVICES FOR THE YEAR 1998-99.**

The PRACS was registered as a Private Limited Company in 1976 with an investment of Rs 2.000 million. It was sponsored by Railways and supervised by the Board of Directors consisting of Railway officers

2. The financial results of the company for the year ending 30-6-1999 based on the report of Chartered Accountants are as under:-

	1997-98	(Rs in million) 1998-99
Service charges on sale of tickets of Pakistan Railways	14.810	10.618
Less direct expenditure	10.292	8.936
	4.518	1.682
Revenue from consultancy jobs	8.765	22.172
Less expenses on consultancy jobs.	8.767	22.195
	(0.002)	(0.023)
Revenue from other services	1.599	1.727
Expenses and other services	0.839	0.867
	0.760	0.860
Gross Profit	5.276	2.519
Less administrative & general expenses	2.930	3.107
Financial charges		
Operating (Loss)/Profit	2.346	(0.588)
Add: Other Income	1.109	1.278
Profit before taxation	3.455	0.690
Less provision for taxation	0.985	0.173
Profit after taxation	2.471	0.517
Prior period adjustments	0.646	(0.520)
Un-appropriated profit brought forward	9.152	12.269
Profit available for appropriation	12.269	12.266
Dividend paid		
Un-appropriated profit carried forward	<u>12.269</u>	<u>12.266</u>

- (i) The profit after taxation for the year 1998-99 is Rs 0.517 million as compared with Rs 2.471 million in 1997-98. Thus the profit after taxation has decreased by Rs 1.954 million in 1998-99. Remedial measures be taken to make the company more profitable.
- (ii) The authorised capital of the company is Rs 3.000 million and the paid up capital is Rs 2.000 million (Rs 1.300 million ordinary shares of Rs 1.00 and 0.700 million bonus shares of Rs 1.00 each). The amount of un-appropriated profit carried forward stood at about Rs 12.266 million which is more than 613% of the paid up capital. There should be a limit for keeping reserves viz-a-viz paid up capital. Arrangement should be made for limiting the retained earnings by either increasing the paid up capital or by transfer the extra funds to the Railways.
- (iii) The trade debts have been decreased in the current year as compared with the previous year. However, trade debts of Rs 5.288 million during 1998-99 are still on higher side. Effective steps should be taken to realize the trade debts from the debtors
- (iv) Service charges on sale of ticket has decreased by Rs 4.192 million in the current year i.e. 1998-99 as compared to the previous year 1997-98. Need is pointed out to take effective steps to increase the revenue earnings from sale of tickets.
- (v) The revenue from consultancy jobs is Rs 22.172 million and expenses incurred on consultancy jobs is Rs 22.195 million during the year 1998-99. Need is pointed out to increase revenue on account of consultancy job and control the expenses of consultancy services.
- (vi) Liabilities amounting to Rs 15.148 million have been shown in the accounts for the year 1998-99. Need to reduce the liabilities is pointed out.
- (vii) The contract receipt has been shown Rs 22.170 million in the current year i.e. 1998-99 whereas contract expenses of Rs 22.195 million were incurred against the contract receipt. The contract expenses are much more than the contract receipt. This appears that the contracts made with the other agencies were not favourable in the company and clearly reflects that correct assessment of contract cost could not be calculated at the time of execution the agreement. Concrete steps be taken to reduce the contract expenses and increase the contract income.
- (viii) Accounts receivable amounting to Rs 13.602 million are about 52% of the current assets. Immediate steps be taken to recover the outstanding dues from debtors
- (ix) The administrative and general expenses, which include salaries and allowances to staff, vehicles utilities printing, stationery, Auditor's fee and other financial charges etc, have been increased from Rs 2.930 million to Rs 3.107 million for the year 1998-99. These expenses are 122% of the gross profit which seems to be on high side and leads bad impression on the good company. Need is pointed out to minimize the administrative expenses.

**PAKISTAN RAILWAYS ADVISORY AND CONSULTANCY SERVICES
(PRIVATE) LIMITED.**

Balance Sheet as at 30th June, 1999.

	Note	1999 (Rupees)	1998 (Rupees)
FIXED CAPITAL EXPENDITURE	3	2,844,601	2,910,129
LONGTERM INVESTMENTS	4	200,000	200,000
CURRENT ASSETS			
Trade debts	5	5,288,419	5,684,548
Advances, deposits, prepayments and other receivables.	6	8,314,539	8,370,670
Cash and bank balances	7	12,767,341	7,550,862
		26,370,299	21,606,080
		29,414,900	24,716,209
SHARE CAPITAL & RESERVES			
Authorised		3,000,000	3,000,000
3,000,000 Ordinary Shares of Rs 1/- each.			
Issued, subscribed & paid up capital	8	1,300,000	1,300,000
1,300,000 Ordinary Shares of Rs 1/- each in cash.			
700,000 Shares of Rs 1/- each issued as Bonus Shares		700,000	700,000
Un-appropriated Profit		12,266,328	12,269,094
DEFERRED LIABILITIES			
Staff retirement gratuity		1,178,532	1,156,320
CURRENT LIABILITIES			
Creditors, accrued & other liabilities	9	13,970,040	9,290,795
		29,414,900	24,716,209

**PAKISTAN RAILWAY ADVISORY AND CONSULTANCY SERVICES
(PRIVATE) LIMITED.**

Profit and Loss Account for the year ended June 30, 1999.

	Note	1999 (Rupees)	1998 (Rupees)
REVENUE FROM SERVICES	10	34,517,471	25,174,393
COST OF SERVICES	11	31,997,996	19,898,039
GROSS PROFIT		2,519,475	5,276,354
Administrative & general expenses	12	3,097,524	2,920,111
Financial charges	13	10,058	9,967
		3,107,582	2,930,078
OPERATING (LOSS)/PROFIT		(588,107)	2,346,276
OTHER INCOME	14	1,277,769	1,109,210
PROFIT BEFORE TAXATION		689,662	3,455,486
Provision for taxation		172,587	984,711
Profit after taxation		517,075	2,470,775
PRIOR PERIODS, ADJUSTMENTS		(519,841)	646,440
Unappropriated profit brought forward		12,269,094	9,151,879
PROFIT AVAILABLE FOR APPROPRIATION		12,266,328	12,269,094
UNAPPROPRIATED PROFIT CARRIED TO BALANCE SHEET		12,266,328	12,269,094

5.(b) ACCOUNTS OF RAILCOP
AND
AUDIT COMMENTS.

(b) AUDIT COMMENTS ON THE ACCOUNTS OF RAILCOP FOR 1998-99

Railway Construction Pakistan Limited (RAILCOP) was incorporated in 1980 as Public Limited Company with an investment of Rs 50.000 million by Railways and is engaged in specialized Railway construction business as well as engineering and construction in all its branches. The main source of income is interest accrued on the Bank Deposits consisting of Railway's investment. Instead of relieving the already heavily over-burdened financial position of the Railway; the company has indirectly added to the Railways problems by keeping its initial investment of Rs 50.000 million blocked. Being a subsidiary organization of Pakistan Railways, the retained earnings are required to be transferred to Railway Fund to ease the financial position of Pakistan Railways which is running on heavy overdraft. Interestingly, in the following projects the contract expenses are more than the contract receipts, which reflect upon the poor management of the company.

S. No.	Name of project	Contract Receipts.	Contract expenses	Excess Expenses
		Rs	Rs	Rs
i)	NLC Bridges	1,423,031	3,187,460	1,764,429
ii)	COMMUNITY CENTRE	3,702,363	3,704,306	1,943
iii)	BTS	2,044,810	4,382,285	2,337,475
iv)	ARRORE		312,836	312,836
Total:		7,170,204	11,586,887	4,416,683

The financial results of the company for the year 1998-99 compared with the preceding year and retained earnings, viz-a-viz paid up capital is tabulated below:-

(Rs in Million)

Year	Current Assets	Current Liabilities	Working Capital	Paid-up Capital	Retained earnings	%age of retained earnings with working capital	%age of retained earnings with paid up capital.
1998	360.520	66.209	120.000	100.000	212.254	177%	212%
1999	366.115	37.136	120.000	100.000	234.914	196%	235%

The retained earnings have been kept at 196% of the working capital and 235% of the paid up capital for the year 1998-99 which was 177% of the working capital and 212% of the paid up capital for the preceding year respectively. No limit to keep the retained earnings have been fixed by the Board of directors. Need is, therefore, pointed out to fix the limit of retained earnings with paid up capital.

The paid up capital for the years are Rs 100.000 million and the retained earnings are Rs 212.254 million and Rs 234.914 million for the year 1998-99 respectively. Being a subsidiary organization of Pakistan Railways, the retained earnings are required to be transferred to Railway Fund to ease the financial position of Pakistan Railways, in view of heavy over-draft of Rs 17,028.374 million as on 30th June, 1999.

i) Cash and Bank Balances.

At the end of the year 1998 cash and bank balances were shown Rs 266.270 million which have been increased to Rs 285.865 million at the end of the current year and accounted for 73% of the total assets of the company which is not healthy sign of progress of a joint stock company. The company should have utilized it boosting up the earnings for maximum benefit.

(ii) Liabilities.

Liabilities amounting to Rs 37.136 million have been shown in the accounts for the year 1998-99. Efforts should be made to reduce the liabilities.

(iii) Accounts Receivable.

Accounts receivable amounting to Rs 49.758 million are shown in the balance sheet for the year 1998-99. Immediate steps should be taken to recover the outstanding dues from the debtors

(iv) Contract Receipts.

During 1997-98 the contract receipts was Rs 9.782 million which has been decreased to Rs 8.210 million. The decreased is 1.572 million i.e. 16% from the previous year.

(v) Administrative Expenses.

The administrative expenses are Rs 9.091 million which include salaries, travelling and conveyance charges, legal charges, advertisement and business promotion, bad debts and insurance etc; about 11.1% of the net contract receipts. Had the other income not been received from the main source of interest accrued, the amounts deposited with the banks, the company had to sustain a sufficient less during the current year. Need is pointed out to minimize the un-necessary administrative expenses.

RAILWAY CONSTRUCTIONS PAKISTAN LIMITED BALANCE SHEET AS AT 30TH JUNE, 1999

	NOTE	1999 RUPEES	1998 RUPEES		NOTE	1999 RUPEES	1998 RUPEES
CAPITAL AND RESERVES				TANGIBLE FIXED ASSETS			
AUTHORIZED CAPITAL				Operating fixed assets	10	16,431,115	20,477,837
12,000,000 ordinary shares of Rs 10 Each		<u>120,000,000</u>	<u>120,000,000</u>				
ISSUES SUBSCRIBED AND PAID UP CAPITAL	3	100,000,000	100,000,000	LONG TERM INVESTMENTS	11	404,050	404,050
Unappropriated profit		234,914,276	212,254,241	LONG TERM LOANS AND ADVANCES	12	5,821,955	5,821,955
MAINTENANCE RESERVE	4	16,983,736	9,110,936	LONG TERM SECURITY DEPOSITS		859,600	885,500
DEFERRED LIABILITIES							
Provision for staff gratuity		597,919	535,921				
CURRENT LIABILITIES				CURRENT ASSETS			
Accrued charges	5	3,200,069	3,114,635	Stocks and stores	13	5,733,127	4,612,700
Trade creditors and other payables	6	22,989,521	54,157,966	Work in process	14	1,034,627	7,675,901
Deposit works	7	-	4,778,689	Contract receivables			
Mobilization advance		935,589	1,494,046	- Considered good		47,204,228	59,260,683
Provision for taxation	8	2,011,594	2,663,718	Other receivables	15	2,554,471	2,078,952
Proposed dividend		8,000,000	-	Advances, deposits and prepayments	16	23,724,475	20,722,030
		<u>37,136,773</u>	<u>66,209,054</u>	Cash & Bank Balances	17	285,865,056	266,270,544
CONTINGENCIES AND COMMITMENTS	9					366,115,984	360,520,810
		<u>389,632,704</u>	<u>388,110,152</u>			<u>389,632,704</u>	<u>388,110,152</u>

RAILWAY CONSTRUCTIONS PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	NOTE	Year ended June 30, 1999 (Rupees)	Year ended June 30, 1998 (Rupees)
CONTRACT RECEIPTS		192,103,110	201,409,909
CONTRACT EXPENSES		183,892,459	191,627,017
NET CONTRACT RECEIPTS	18	8,210,651	9,782,892
OTHER INCOME			
Pakistan	19	37,116,003	40,855,796
Saudi Arabia	20	8,940,814	7,292,847
		46,056,817	48,148,643
		54,267,468	57,931,535
Less: Administrative expenses		9,091,798	6,359,817
		9,091,798	6,359,817
PROFIT BEFORE TAXATION		45,175,670	51,571,718
TAXATION		14,718,527	25,054,271
PROFIT AFTER TAXATION		30,457,143	26,517,447
PRIOR YEAR ADJUSTMENTS		202,892	-
		30,660,035	26,517,447
UNAPPROPRIATED PROFIT BROUGHT FORWARD.		212,254,241	185,736,794
PROFIT AVAILABLE FOR APPROPRIATION		242,914,276	212,254,241
APPROPRIATION			
Proposed dividend		8,000,000	
Unappropriated profit carried over to balance sheet		<u>234,914,276</u>	<u>212,254,241</u>

14,718,527 **PROFIT AFTER TAXATION**

234,914,276

212,254,241

6. FINANCIAL IRREGULARITIES



6. FINANCIAL IRREGULARITIES.

This chapter contains 50 paras depicting serious financial irregularities involving a total amount of Rs 624.455 million. Irregularities of identical nature have been grouped together. Each group of irregularities and amount involved is as under:-

S.No.	Description	No. of Paras	Amount Rs
a)	Misappropriation/Mis-use/Wasteful/Theft.	10	117,182,552
b)	Overpayments	02	985,000
c)	Negligence	16	190,449,885
d)	Violation of Rules	06	160,990,125
e)	Violation of Propriety	03	39,056,900
f)	Recoverable	11	202,302,615
g)	Others	02	13,488,000
	Total:	50	624,455,077

6 (a) MIS-APPROPRIATION
MISUSE, WASTEFUL & THEFT

6(a) 1 **Loss of Rs 5.694 million due to the theft of Railway Material.**

Permanent Way Material valuing Rs 5,274,397 was stolen from a closed section of Mari-Bannu Section during the period from July, 1991 to June, 1998 although sufficient staff was detained for looking after the closed section. No effective steps were taken to trace out and recover the material with the result that the Railway Administration is likely to sustain a loss of Rs 5,274,397. Had proper vigilance been observed by the Railway Administration; the theft of material worth Rs 5,274,397 could have been avoided.

Furthermore, an amount of Rs 419,815 being the cost of 5910.50 metres copper wire stolen during April, 1992 to June, 1992 from the Electric Stores Depot, Moghalpura had since been recovered from the accused by the Railway Police and was lying in the

custody of Railway Police since long. The amount has not yet been deposited in the Government treasury which also resulted in loss to the Railway Administration.

The matter was taken up with the Railway Administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that:-

- i) the matter be investigated to fix responsibility for the theft and the cost of material recovered from those held responsible.
- ii) the amount of Rs 419,815 lying in the custody of Railway Police for the last seven (7) years be recovered immediately and deposited in the Government Treasury; and
- iii) measures to safeguard the Railway material be adopted in future.

6(a)2 **Fraudulent drawal of Commutation/Gratuity amounting to Rs 4.323 million.**

Para 136 of Manual for Pension Section stipulates that the expenditure booked in the expenditure register should be reconciled with that appearing in relevant abstracts and variations if any be set right.

Scrutiny of record maintained by the Divisional Accounts Office, Lahore Division revealed that due to non-reconciliation of aforementioned record facilitated a fraud of Rs 6,784,048 in the drawal of commutation/gratuity during the period from May to August, 1999. Seventeen bogus cheques were prepared in favour of those persons who were neither Government servants nor their pension cases were

processed. The pay orders and C.O.7s on the authority of which cheques were prepared were fictitious. The slackness of supervisory staff and failure of internal controls on the part of Accounts Office also facilitated the fraud.

Six cheques amounting to Rs 2,460,785 could not be cashed by the culprits due to the vigilance of a Bank Manager. Thus, the Railway administration has sustained net loss of Rs 4,323,263.

The matter was taken up with the Railway administration in October, 1999. It was replied that the Enquiry Committee constituted to probe the matter had concluded that fraudulent payment of pension/gratuity was maneuvered by the staff of D.S. office, Lahore and the case had been registered with Railway Police to trace out the culprits and recover the amount drawn fraudulently by them.

Had the procedure laid down in Accounts Code been observed properly and the expenditure been reconciled with pension section, the fraudulent payment of Rs 4.323 million could have been avoided.

Audit, therefore, advises that the responsibility for fraudulent drawal of commutation/gratuity amounting to Rs 4.323 million be fixed and loss recovered from those held responsible.

6(a)3

Fraudulent payment of Rs 2,058,000 on account of fictitious training out of ballast.

Out of 800,000 cft of ballast supplied in 1994-95 a quantity of 397,525 cft was shown as trained out for which the payment was made in September, 1995 by the Divisional Superintendent, Karachi. The movements of the trains shown to have carried 194,177 cft ballast were not reflected in the Train Despatch Register of Assistant Station Master, Wazir Mansion Railway Station. As such the payment of Rs 2,058,276 (1,883,516.90 + 174,759.30) on account of its cost and loading charges was made fraudulently.

The matter was taken up with the Railway administration in December, 1995. It was replied in June, 1996 that the ballast trains have worked out and ballast was unloaded in the places shown in the respective challans.

The reply is not acceptable as the movements of the trains were not reflected in the Train Despatch Register of the Assistant Station Master, Wazir Mansion Railway Station.

Audit, therefore, advised that:-

- i) the matter be investigated at an appropriate level and responsibility be fixed; and

- ii) appropriate action be taken against the officials at fault; simultaneously recovering the loss.

6(a)4

Embezzlement of Rs 1.621 million.

Commercial staff, Hyderabad misappropriated/embezzled the sale proceeds of Railway tickets sold during the period from 4th October, 1999 to 14th October, 1999 amounting to Rs 1,620,842. Neither the Daily Train Cash Book was closed nor total cash received was deposited in the bank. Figures in Daily Train Cash Book were tempered to hide the actual closing number of tickets.

The matter was taken up with the Regional Manager, PBU, Karachi in November, 1999. In reply the Regional Manager intimated that case has been lodged against the concerned booking clerk.

Audit, therefore, suggests that responsibility be fixed for the misappropriation/embezzlements and recover the amount involved and take action against the persons held responsible. Internal controls be strengthened to avoid recurrence of such events.

6(a)5

Wasteful expenditure of Rs 1.336 million.

An agreement for replacement of Tubewell and Pumping Plant at Chaklala at a cost of Rs 1,239,940 was executed with M/s Hasan Enterprises in May, 1996 with a completion period of two months. The contract amount was enhanced to Rs 1,369,452 during execution. The contractor had been paid Rs 1,335,938 upto June, 1997. During physical verification by Audit, it was found that the tubewell was not put into operation till February, 1999. Audit, therefore, considered that the whole expenditure which comes, to Rs 1,335,938 incurred on replacement of the tubewell has gone waste.

The matter was taken up with the Railway administration in September, 1999 to which no reply was received so far.

Audit suggests that the matter be got investigated at an appropriate level to fix responsibility for the incurrence of wasteful expenditure of Rs 1,335,938 and recover the amount from the person held responsible.

6(a)6

Misappropriation of Stone Ballast costing Rs 853,000.

Inspector of Works, Left Bank of Drain (IOW/LBOD) Mirpur Khas sent 59970.50 cft stone ballast costing Rs 657,985 to Permanent Way Inspector (PWILBOD/Mirpur Khas) through two issue notes in March and May, 1996. The recipient though verified the said issue notes in token of receipt of ballast yet its

accountal (receipt and issue) does not exist in his record which indicates that the ballast in question has been misappropriated. Furthermore, payment of Rs 195,050 was made to the contractor by showing receipt of 19505.32 cft stone ballast at page 93 of Measurement Book No.3662..Its accountal also nowhere existed either with Inspector of Works or Permanent, Way Inspector/LBOD. It indicates that the payment was made on fake measurements without actual receipt of ballast.

The matter was taken up with Railway administration in October, 1997 but no response has been made till January, 1999.

In view of the above, Audit suggests that responsibility for misappropriation of ballast be fixed and the amount involved recovered from those held responsible.

6(a)7

Loss of Rs 0.428 million due to pilferage of Railway Material.

The fittings and equipment valuing Rs 427,877 were reported as short/deficient in coaches by Head Train Examiner, Lahore during the period from June, 1997 to December, 1998. This state of affairs indicates loose security measures despite the fact that heavy expenditure is incurred on Railway Police. The said loss has also not been reflected in the Government accounts.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that:-

- (i) responsibility for the loss of Rs 427,877 be fixed and action taken against those held responsible;
- (ii) all such losses be reflected in Government accounts; and
- (iii) security measures be strengthened to avoid recurrence in future.

6(a)8

Fraudulent payment of Rs 0.427 million.

A Purchase order for the supply of hinges and door handles complete valuing Rs 428,272 was placed on a firm in October, 1998. The firm supplied the material to Deputy Manager (Inspection), Moghalpura in three different lots from March to May, 1999. The entire material was rejected in June, 1999 being defective and the firm was asked to replace the defective material. The firm lifted the rejected material on 12th June, 1999. Instead of replacing the defective material with specified one, the firm succeeded to get the payment of Rs 427,000 by preparing bogus Material Receipt Notes rendering financial loss of Rs 427,000 to the Railway

administration. During discussion in October, 1999, the Deputy Manager (Inspection) admitted the facts of the case and stated that a report in this connection has been lodged with Railway Police but copy of the F.I.R. was still awaited.

When the matter was taken up with the Railway administration in November, 1999 through Specific Report, no reply was received.

Audit, therefore, advises that responsibility for arranging payment without getting the replacement of defective material be fixed and the loss of Rs 427,000 be recovered from those who maneuvered the fraudulent payment.

6(a)9

Suspected/Mis-appropriation of cement costing Rs 0.323 million.

One thousand five hundred (1500) bags of cement valuing Rs 322,500 were shown as issued by the Inspector of Works-I, Lahore during the period from March, 1996 to September, 1996 for repair of railway quarters. The authenticity of the consumption of cement could not be verified due to non supply of issue notes, gate passes and the record showing the booking of mason to carry out the repair of those quarters. It is suspected that the cement valuing Rs 322,500 has been mis-appropriated by showing fictitious issue in the concerned ledger.

The matter was taken up with the Railway administration through specific report in April, 1998 but no reply has been received so far.

Audit, therefore, suggests that responsibility for misappropriation of cement valuing Rs 322,500 be fixed and the amount involved recovered from those held responsible.

6(a)10

Fraudulent drawal of overtime allowance amounting to Rs 119,552

The Central Transportation Section of General Stores Depot Moghalpura booked the staff (labour) on overtime from 7.00 hours to 12.00 hours daily for loading of material in different trains leaving Lahore for onward dispatch to destination. Whereas the staff was actually remained on duty from 6.30 hours to 16.30 hours on attendance sheets. The staff was booked on overtime bogusly which resulted into fraudulent payment of overtime allowance valuing Rs 119,552 from January, 1998 to December, 1998.

The matter was taken up with the Railway administration in February and September, 1999. It was replied that the staff was booked on overtime from 7.00 to 12.00 hours daily shift-wise. Further the timings of overtime has since been revised as per audit observation.

The reply was not acceptable as the labour was booked on overtime during their normal duty hours.

Audit, therefore, advises that amount involved be recovered from concerned. Responsibility be fixed and action be taken against those held responsible and stop the irregular practice henceforth.

6(b) OVER PAYMENTS

6(b) 1 **Extra expenditure of Rs 0.660 million due to acceptance of tender at higher rates.**

Tenders for the special repairs to G.P.F, Bills and Personnel Branch, Record Room of Way and Works Branch, Co-operative Stores and D.S. Office, Lahore were awarded to MIS Muhammad Chand & Company contractor on 30th August, 1997 at 135% above CSR 1990. The contract agreement with face value of Rs 750,000 was executed with the contractor on 15th September, 1997.

The accepted rate of 135% above CSR, 1990 was on much, higher side as the works of special repairs to damaged and leaking roofs of signal shop colony and Burt Colony, Lahore were awarded to another contractor on 9th March, 1998 at 43 to 47% above CSR, 1990. The sites of the entire works were situated within the same vicinity. The works were awarded and executed during the same financial year 1997-98. The items executed were also identical and of the similar nature. The rate accepted in August, 1997 was 192% higher than that accepted in March, 1998, which indicated that the tenders were not properly evaluated and scrutinized by the tender committee which resulted in acceptance of tender at higher rate. The Railway administration has sustained a loss of Rs 660,000 due to acceptance of tender at higher rates.

The matter was taken up with the Railway administration in August, 1999 to which no reply has been received so far.

Audit, therefore, advises that responsibility for accepting higher rate be fixed and the loss of Rs 660,000 recovered from those held responsible.

6(b)2 **Loss of Rs 0.325 million due to non/less recovery on account of shrinkage of earth.**

As per agreement executed with different contractors during the year 1995 to 1997 for Special Repair to embankment and protection bunds in the jurisdiction of Assistant Engineer, Quetta and Dalbandin, 90% payment was required to be made in cases where compaction of earth was not done by mechanical means and the percentage of density was not determined by the laboratory tests.

In violation of the above agreed clauses, 100% payment was made to the contractors in ten (10) cases where neither the compaction was done by the mechanical means nor the percentage of density was obtained by laboratory tests. This resulted in excess payment of Rs 271,524 to the contractors due to non-recovery of shrinkage of earth. Similarly 6% recovery was made on account of shrinkage of earth in twenty two (22) cases instead of 10% as provided in the agreements. This' also resulted in excess payment of Rs 53,557 to the contractors.

The matter was taken up with the Railway administration in October, 1997 to which no reply has been received so far. The matter was discussed in the Departmental Accounts Committee's meeting held in August, 1999 wherein it was admitted by the Zonal Civil Engineer that no laboratory tests regarding compaction of earth were taken.

Audit, therefore, suggests that responsibility for non-compliance of contractual obligation resulting in non/less recovery on account of shrinkage allowance be fixed and the amount involved recovered either from the concerned contractor or from those held responsible for loss.



6(c) NEGLIGENCE

6(c) 1

Un-necessary procurement of spares of machines resulting in blockage of capital valuing Rs 102.832 million.

Spares costing Rs 1,120,756 of track machines procured during the year 1965, were lying un-utilized in the Stores of Senior Mechanical Engineer, Track Machines uptill March, 1997 (Date of Inspection). The non-utilization of spares for more than 32 years indicates that those were procured un-necessarily and their deterioration with the passage of time cannot be ruled out.

Similarly items of stores valuing Rs 101,710,827 were lying un-utilized in the Diesel Store Depot, Karachi Cantt for so many years. Some of them were not issued since 1969. No steps appears to have been taken to dispose off the said surplus stores. This also led to blockage of capital valuing Rs 102,831,583.

The matter was taken up with the Railway administration through three different cases in February, March 1997 and January, 1998 to which no reply has been received so far.

Audit, therefore, suggests that responsibility for un-necessary procurement of spares/stores be fixed and disposed off the stores, if no more required.

6(c)2

Loss of Rs 38.188 million due to payment of Demurrage, Storage and Wharfage Charges.

Different Railway consignments were got cleared from Karachi Port Trust Authorities during January, 1997 to January, 1999 after the free allowance of .14 days due to delay in completion of custom formalities. This resulted in un-necessary payment of storage and wharfage charges of Rs 9,590,565 to Karachi Port Trust.

Similarly, an amount of Rs 26,902,547 was paid to the' Air Port and Sea Port Authorities during the period from January, 1997 to December, 1998 due to delay in clearance of Railway consignments, Had the dealing staff been vigilant in getting timely clearance of the consignments, the aforementioned loss could have been avoided.

Moreover, an amount of Rs 1,695,037 was paid as demurrage charges on Railway consignments during January, 1998 to February, 1999 due to delay in submission of documents to the concerned Landing and Shipping Inspector Karachi. Thus the Railway administration has sustained a loss of Rs 38,188,149 due to carelessness of Railway staff.

The matter was taken up with the Railway administration through three Specific Reports in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that responsibility for not getting timely clearance of Railway consignments be fixed and the amount paid as demurrage, wharfage and storage charges be recovered from those held responsible besides initiating disciplinary action against them. Efforts should be made to avoid recurrence of the same in future.

6(c)3

Financial Loss of Rs 20.280 million due to encroachment on surplus Railway Land.

25213 Kanals of Railway land valuing Rs 20.280 Million (approximately) was encroached on Mari Indus-Banu, Laki Marwat-Tank and Kohat-Thal sections as these sections have been closed for all kinds of Traffic w.e.f. July 01, 1991. Railway administration has to bear a considerable financial loss due to these encroachments. Had Railway administration been vigilant in disposal of land by way of leasing out through auction or by selling, loss could have been avoided.

The point was taken up with Railway administration in August/1996. In reply the Railway administration stated that the encroachments were developed with political backing and the policy is being framed for disposal of surplus Railway land.

Reply is not tenable as no effective steps have been taken despite lapse of about nine years. Audit, therefore, suggests that effective steps be taken to stop the encroachments besides framing a policy for disposal of surplus land by auction.

6(c)4

Loss of Rs 4.555 million due to acceptance of defective Rails.

A contract for the procurement of 10,000 M/tons of 90 lbs rails costing Rs 108.022 million was awarded to M/s Material DE Voie, France in June, 1992. The firm supplied 9885.680 M/tons rails upto May, 1993. The warranty period was twelve (12) months from the date of receipt of material at Karachi which was subsequently extended upto December, 1995. The General Manager Engineering pointed out on 20th December, 1995 through provisional performance report of rails, that 240 rails laid on curves in Peshawar Division were found defective. The matter was taken up with the firm who agreed to compensate by 50 to 55% on FOB value i.e. after deducting residual cost and usage charges of rails and the firm was absolved from further claim. The firm ultimately paid Rs 1,404,200 in March, 1997 (55% cost of 240 defective rails).

Moreover 616 rails laid on the curves in Quetta Division were also found defective in March, 1996. The claim was not lodged, Thus the Railway administration has sustained a loss of Rs 4.555 million due to non laying of rails on track within the warranty period and excluding the firm from any further claim

without verifying full facts.

The matter was taken up with Railway administration in March, 1998. In their reply dated June, 1998 it was stated that in light of the decision already taken, no change could now be made in our original claim and the claim for 616 rails is time barred as it was received after warranty period. The remarks are not tenable as the decision was taken without verifying full facts of the case and safeguarding interest of the department. The laying of rails on track and testing thereof within the warranty period was the responsibility of the department which resulted in loss of Rs 4.555 million.

Audit, therefore, advises that;

- (i) responsibility be fixed for delayed laying the rails on track.
- (ii) absolving the firm from further claim and
- (iii) late submission of performance report of rails be fixed and the amount involved recovered from those held responsible.

6(c)5

Loss of Rs 4.265 million due to non-replacement of defective material.

Scrutiny of purchase cases of Electric Stores Depot, Moghalpura revealed that material valuing Rs 4,265,312 was found defective during test and the same was returned to the DCOS, Karachi for its replacement during the period from November, 1995 to July, 1998. The defective material has not yet been got replaced from the concerned firms, although in some cases a period of more than four (4) years has lapsed. The non-replacement of defective material resulted in loss of Rs 4,265,312.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that responsibility for not pursuing the cases vigorously with the concerned firms for the replacement of defective material be fixed and the defective material either got replaced early or the cost thereof recovered from those held responsible for loss.

6(c)6

Loss of Rs 3.8 million due to purchase of defective material.

Pakistan Railway Advisory and Consultancy Services purchased Anti-Rust Cold rolled M.S. Sheets and Anti-Rust M.S. Plates of different sizes from a Belgian firm through local agent. The material was got tested from different well reputed laboratories of Pakistan. The analysis reports confirmed that the material was not according to the specifications given in the purchase order. Instead of replacing the

material from the supplier, 90% payment valuing Rs 38 lacs was made to the firm. This resulted into a loss of Rs 3.8 million on the purchase of defective material.

The point was taken up with the PRACS authorities in November, 1999 but no reply has so far been received.

Audit, therefore, suggests that responsibility be fixed for the purchase of defective material and the defective material be replaced early.

6(c)7

Wasteful expenditure of Rs 3.560 million due to manufacture of components for deleted Steam Locomotives.

On the cancellation/suspension of un-economical services being run with steam locos over the entire system, the steam Locomotives were deleted and the General Manager/Mechanical issued instructions in April, 1997 that components for steam Locomotive should not be manufactured in future.

In contradiction to the above, components of steam Locomotives valuing Rs 2,714,861 were manufactured in the Loco-shop, Moghalpura by preparing 45 work orders. The said components are lying un-used/surplus since then and resulted in wasteful expenditure of Rs 2,714,861.

Similarly, various parts/items valuing Rs 846,298 repaired/manufactured in Loco Shop, Moghalpura during the year 1991 and 1996 were also lying un-used in the shop which also resulted in wasteful expenditure of Rs 846,298.

The matter was taken up with Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that responsibility for manufacturing components for deleted steam locomotives and repair/manufacture of parts/components without any requirements be fixed and the amount of Rs 3,560,459 recovered from those held responsible.

6(c)8

Loss of Revenue amounting to Rs 2.618 million due to non-auction of un-delivered consignments.

A huge quantity of various material/consignments were lying un-delivered at Lahore Dry Port, Moghalpura since long ranging from 171 to 1663 days. No efforts have been made for arranging its auction through Custom Department. Thus, freight and wharfage charges of Rs 2,617,999 could not be recovered so far and resulted in loss of revenue of Rs 2,617,999.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that effective efforts be made for auction of the consignments by Custom Department and the freight and wharfage charges of Rs 2,617,999 be recovered from the auctioned amount.

6(c)9

Loss of Rs 2.225 million due to purchase of defective material.

Two hundred (200) "Carrier Piston" (CAT-8442120) valuing Rs 2,224,600 were purchased in October, 1995 for using in HGMU-30 D.E. Locomotives. The material was found defective by the ultimate consumer (WM/Diesel, Karachi) and returned the same in August, 1996 for replacement from the foreign firm. The matter was taken up by the Chief Mechanical Engineer with the Chief Controller of Stores in December, 1996 for the replacement of defective material. The material has not yet been got replaced and the same is still lying in the Diesel Store Depot, Karachi.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, suggests that responsibility for purchase of defective material be fixed and the material got replaced or the cost thereof recovered from those held responsible.

6(c)10

Un-necessary purchase of Carbonised Paper valuing Rs 2.184 million.

Carbonised paper valuing Rs 1,068,012 was purchased in November, 1993 for printing Excess Fare Tickets (EFT) to avoid frauds/misappropriations by STEs and station staff. The material was lying un-utilized in Stationery Depot, Moghalpura upto November, 1994 and the same material valuing Rs 1,115,862 was also purchased in September, 1994. The printing of EFTs on the carbonized paper has not yet been started and the entire carbonized paper costing Rs 2,183,874 was found un-utilized in the Stationery Depot, Moghalpura. This indicated that the material was purchased unnecessarily and also resulted in blockade of capital worth Rs 2,183,874.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received.

Audit, therefore, advises that responsibility for unnecessary purchase of carbonized paper worth Rs 2,183,874 be fixed. The paper either be utilized for the purpose for which it was purchased/obtained or the cost thereof recovered from those held responsible.

6(c)11 **Infructuous expenditure of Rs 1.576 million due to non-utilization of spare parts of Furukawa Loader.**

Spare Parts valuing Rs 1.970 million were purchased and received in Concrete Sleeper Factory, Kohat Cantt in July, 1996 for the repair of Furukawa Loader. Only 2 items valuing Rs 0.394 million were utilized for another loader. The repair of Furukawa loader could not be taken in hand due to non receipt of spare parts to set right the transmission system. The said loader had stopped working completely since January, 1998. Had the spare parts for transmission system been purchased in time, the expenditure valuing Rs 1.576 million could not have gone waste and the loader would have been made in working condition.

The point was taken up with Railway administration in September, 1999 but no reply has so far been received.

Audit, therefore, suggests that responsibility be fixed and take disciplinary action for not arranging the transmission system parts so far. The loader be repaired early for smooth working of the factory.

6(c)12 **Loss of Rs 1.423 million due to procurement of defective material.**

21 (Twenty one) items of stores valuing Rs 1,422,691 were purchased through different purchase orders. The same were declared defective by C & M Laboratories, Moghalpura or the ultimate consignees. Since their rejection, the same were lying with Deputy Manager (inspection) and no action appears to have been taken to get the material replaced from the contractors. This resulted in loss of Rs 1.423 million due to procurement of defective material.

The matter was taken up with the Railway administration in September, 1999 but no reply has so far been received.

Audit, therefore, advises that defective material be got replaced early and action may also be taken up for this slackness.

6(c)13 **Loss of Rs 1.008 million due to un-necessary detention of wagons.**

Seventy (70) wagons (loaded and empty) booked from different stations to Hanapur were detained un-necessarily at Jhelum, Railway Station for 720 days. This resulted in loss of Rs 345,168 (720x479.40) due to poor turn-round of wagons during the period 19th September, 1998 to 15th October, 1998.

Similarly, sixty four (64) outward loaded wagons and forty one (41) inward loaded and empty wagons were un-necessarily detained for 1382 days at

Moghalpura, Railway Station during the period from 7th July to 10th October, 1998 although a shunting engine was available round the clock at that station. This has also resulted in loss of Rs 662,531 (1382x479.40) due to poor turn-round of wagons.

The matter was taken up with the Railway administration in September, 1999 in respect of both cases to which no reply has been received so far.

Audit, therefore, advises that responsibility for un-necessary detention of wagons at Jhelum and Moghalpura Railway Stations be fixed and the loss of Rs 1,007,799 recovered from those held responsible besides taking disciplinary action against them.

6(c)14 **Loss of Rs 874,885 due to purchase of defective material.**

5 items of different size of copper sheets, copper tubes and 19 item of steel high speed were purchased from different suppliers during the year 1986 to 1991. Few items of material were accepted whereas remaining items were found lying unaccepted/unutilized since then. This resulted in a loss of Rs 874,885 due to purchase of defective material.

The point was taken up with Railway administration in September, 1999 but no reply has so far been received. Audit, therefore, suggests that responsibility for the purchase of defective material be fixed. Action be taken up against the persons held responsible and amount involved be recovered.

6(c)15 **Loss of Rs 0.745 million due to un-necessary purchase of material.**

A purchase order for the supply of 8000 Kgs Copper Strip (7.62x1.90 mm) was placed with a firm in September, 1995 on the authority of purchase requisition of November, 1983 i.e. twelve years after the placing of purchase requisition. The firm supplied 7977.3 Kgs Copper Strip upto February, 1996. When the material was sent to Divisional Electrical Engineer, Moghalpura for test, he stated in March, 1997 that neither the material was being used in General Repair Shops nor a demand for the same was placed from Electrical Shops. He further stated that the material had no utility to the Railways. Electrical Foreman, Meter Shop reported in September, 1997 that the material was requisitioned in 1983 for re-winding of the Armatures of D.C. Dynamos which had now been removed from the system since 1986/87. Despite the report of Electrical Foreman 4060 Kgs, out of 8000 Kgs, valuing Rs 744,627 was accepted-in June, 1998 and the same was still lying unused with DSKP/C&W/Depot, Moghalpura. Thus the material was procured un-necessarily which resulted in loss of Rs 744,627.

The matter was taken up with the Railway administration in September,

1999 but no reply has been received so far.

Audit, therefore, advises that responsibility for purchase of material which was of no use in Railway be fixed and the amount of Rs 744,627 recovered from those held responsible.

6(c)16

Purchase of defective material worth Rs 0.316 million.

A supply order for 581 Shell Bearing Con Rod STD Cat No.8496981 was awarded to M/s Shah Mohammad & Sons (Pvt.) Limited, Multan in January, 1998. The material was received by the DCPI/Moghalpura Lahore in April, 1998 and was despatched to the District Controller of Stores, Diesel Store Depot, Karachi. The material was found defective on physical checking by the consumer. The matter was taken up with the firm to replace the defective material but nothing has been done to get the defective material replaced. Hence expenditure of Rs 315,367 has gone waste.

The matter was taken up with the Railway administration in September, 1999 but no reply has been received so far.

Audit, therefore, advises that responsibility for the purchase of defective material be fixed and the defective material got replaced or the cost thereof recovered either from the firm concerned or from those held responsible.

6(d) VIOLATION OF RULES

6(d) 1 **Un-necessary procurement of material valuing Rs 132.804 million resulting in blockage of capital.**

Para 118-S provides that the items of stores which have not been issued for Railway consumption for a period of two years should be declared as surplus and the stores which are considered not likely to be issued within the next two years should be declared as dead surplus stock. Rules also provide that material should not be stocked in excess of requirements to avoid unnecessary blocking of capital, risk of deterioration, extra cost of storage/protection arrangement and labour charges etc.

In contravention of the above codal provisions, valuable imported material amounting to Rs 132.804 million had not been issued for the last 3 years and was lying in the Diesel Store Depot, Karachi as un-utilized. The same is deteriorating due to climatic condition. This resulted into blockage of capital valuing Rs 132.804 million.

The point was taken up with the Railway administration in September, 1999 but no reply has so far been received.

Audit, therefore, suggests that responsibility be fixed for blocking of capital worth Rs 132.804 million and arrange survey of the material for making assessment for retention/disposal of surplus material.

6(d)2 **Unjustified/on-remunerative expenditure of Rs 14.482 million on acquisition of land and recurring loss of Rs 2.000 million per annum.**

Para 603, 604 & 607 of Pakistan Railway Code for Engineering Department stipulate that land is not acquired without a clear necessity. Afterwards, it is made use of to the best advantage and if a portion of the land is not immediately required for the use of the Railway, it should be leased/licensed out at a proper rent to outsiders.

Contrary to the above, 117.7 acres of land at Jumma Goth was acquired from private owners at a cost of Rs 14,481,793 for establishing Mechanized Marshalling Yard, Pipri. The possession of the land was taken in July, 1975 when the Executive Committee of the National Economic Council (ECNEC) had already decided in August, 1974 to shift the site to miles 27.80 to 31.80 on Karachi-Kotri section. Besides the directives of the ECNEC that the land of the marshalling yard rendered surplus should be divided into small plots and sold through public auction, were not complied with. The entire land remained un-utilized upto December, 1995 when a piece of land measuring 100 acres was leased out to Pakistan State Oil Company Limited at a nominal rent of Rs 1.00 per acre per annum. Whereas according to the prevalent policy, annual rental charges @5% of the prevailing

market value of the land, i.e. Rs 2.000 million per annum (5% of Rs 40,000,000), were required to be recovered. This resulted in recurring loss of Rs 2.000 million per year.

The matter was taken up with the Railway administration in September, 1998 but no reply was received.

Audit, therefore, suggests that:-

- (i) responsibility be fixed for unjustified/un-remunerative expenditure of Rs 14.482 million and recurring loss of Rs 2.000 million per annum,
- (ii) appropriate action be taken against the officials at fault, and
- (iii) remedial measures be taken to avoid recurrence.

6(d)3

Un-necessary procurement of material beyond the fixed limits resulting in financial loss valuing Rs 8.462 million.

Para 128 of Pakistan Railway Stores Code stipulates that maximum limit of store items is required to be fixed carefully as fixation of higher limit would involve blockade of capital, risk of deterioration, extra storage and protection arrangements, increased labour charges and accumulation of surplus by un-necessary advance purchase of stores.

Contrary to the above, DSKP/Diesel Stores Depot, Karachi procured a huge quantity of emergency store items valuing Rs 8.462 million above maximum level and were lying in the depot unutilized since long. This resulted into unnecessary procurement of material beyond the fixed limits resulting into extra expenditure/financial loss of Rs 8.462 million to the Railway administration.

The matter was taken up with the Railway administration in September, 1999 but no response has so far been received.

Audit, therefore, suggests that responsibility for extra expenditure be fixed and action be taken against the persons held responsible. Excess material be transferred where required.

6(d)4

Irregular/Un-economical purchase of material worth Rs 1.489 million.

Procedure office order No.443 dated July 20, 1987 as amended vide No.443-A dated September 02,1987 stipulate that purchase of material valuing more than Rs 200,000 is required to be made through open tender and with the approval of Chief Controller of Purchase.

In contravention to the above, the Zonal Telecommunication Engineer, Lahore division purchased material during the year 1997-98 worth Rs 1,489,242 by issuing limited tender enquiries. Moreover, limited tender enquires were issued only to 4/5 contractors who were neither manufacturers nor whole-sale dealers of the material.

The matter was taken up with the Railway administration in September, 1999 but no reply was received.

Audit, therefore, suggests that responsibility in the matter be fixed and irregular expenditure be regularized with the sanction of competent authority.

6(d)5

Irregular expenditure of Rs 907,625.

The Deputy General Manager issued instructions that details of -special repair works (on going and new) with the allocation of funds from within the sanctioned budget allotment, a brief justification of abstract estimates be supplied for examination and approval.

In contravention of the above instructions, 4 left over works were completed during the financial year 1998-99 at a cost of Rs 907,625 without approval of the Deputy General Manager. The expenditure was allocated to heads A-2113 and 2115 relating to ballast and other P. Way Store instead of A-2116 and A-2110 which is irregular. Thus Railway administration incurred irregular expenditure on these works valuing Rs 907,625.

The point was taken up with Railway administration in September, 1999 but no reply has so far been received.

Audit, therefore, suggests that responsibility for incurrence of expenditure in deviation of the Headquarters' instructions and booking of expenditure to incorrect heads be fixed and regularized under the sanction of the competent authority.

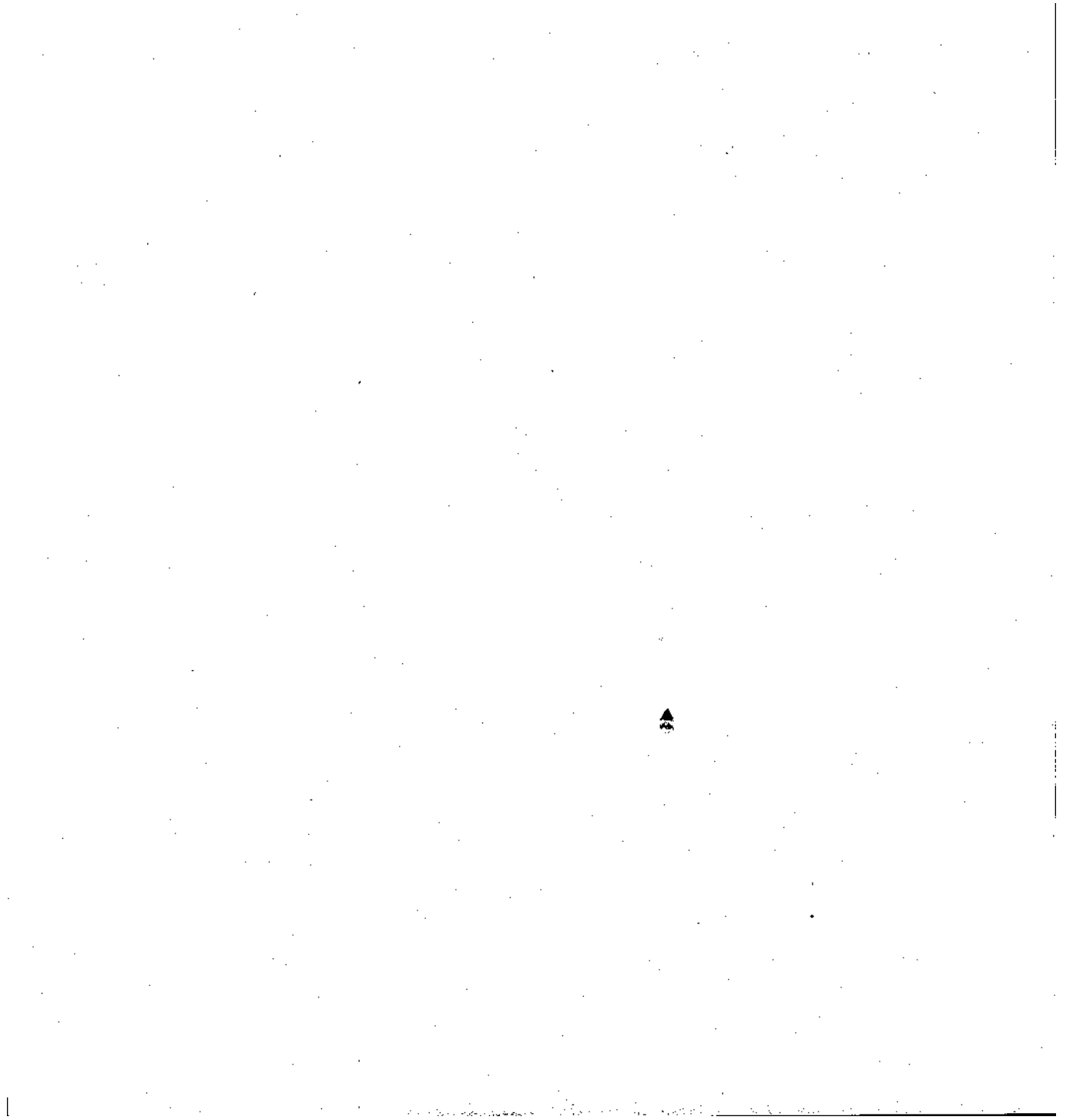
6(d)6

Un-necessary procurement of material resulting in blockage of capital worth Rs 845,500.

500 Mtrs L.T.U./G 3-1/2" core cable was purchased for Rs 848,500 during August, 1991. Out of above quantity, 81 MTRs could only be utilized in Steel Shop upto August, 1999. This resulted in blockage of capital worth Rs 845,500. Had the quantity required been assessed properly while purchasing the said item, the blockage of capital could have been avoided:

The matter was taken up with Railway administration in September, 1999 but no reply has been received.

Audit, therefore, suggests that the responsibility be fixed in the matter and the material be transferred where required.



6(e) VIOLATION OF PROPRIETY

6(e) 1 Loss of Rs 38.309 million due to unjustified payment of Over Time Allowance.

Para-12 of Pakistan Railway Mechanical Manual and para-453 of Pakistan Railway code for Mechanical Department (Workshops) stipulates that the working of overtime must be kept down to the minimum and that too when there is genuine need of working overtime and with the approval of competent authority.

In contravention of the above, almost all the workers present on a day in Signal Shops, Lahore were shown as booked on over time working without showing any genuine need on the prefixed days/schedule and were paid overtime allowance without actually doing any additional job. No justification for overtime working and details of work done during overtime could be produced to Audit. A sum of Rs 38,309,046 was paid as overtime allowance during the period from August, 1996 to April, 1999, (at an average of Rs 1.2 million approximately per month) which was unjustified.

The matter was taken up with Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that responsibility for irregular/unjustified payment of overtime allowance be fixed and the loss recovered from those who allowed un-authorized payment.

6(e)2 Financial loss of Rs 450,900 due to un-necessary purchase of pagers

Pakistan Railway Lahore Division procured 19 Pagers valuing Rs 188,100 for the use of Divisional/Assistant Officers of the division in contravention of the clear cut instructions of the Ministry of Finance. Thus Railway administration sustained a loss of Rs 188,100 on account of un-necessary purchase of pagers which could be avoided.

Furthermore an amount of Rs 262,000 was paid as advance of these pagers upto 30th June/2000 which was irregular and could have been avoided.

The point was taken up with the Railway administration in September, 1999 but no reply has so far been received.

Audit, therefore, suggests that responsibility for the purchase of pagers be fixed and amount involved be recovered from those held responsible.

6(e)3

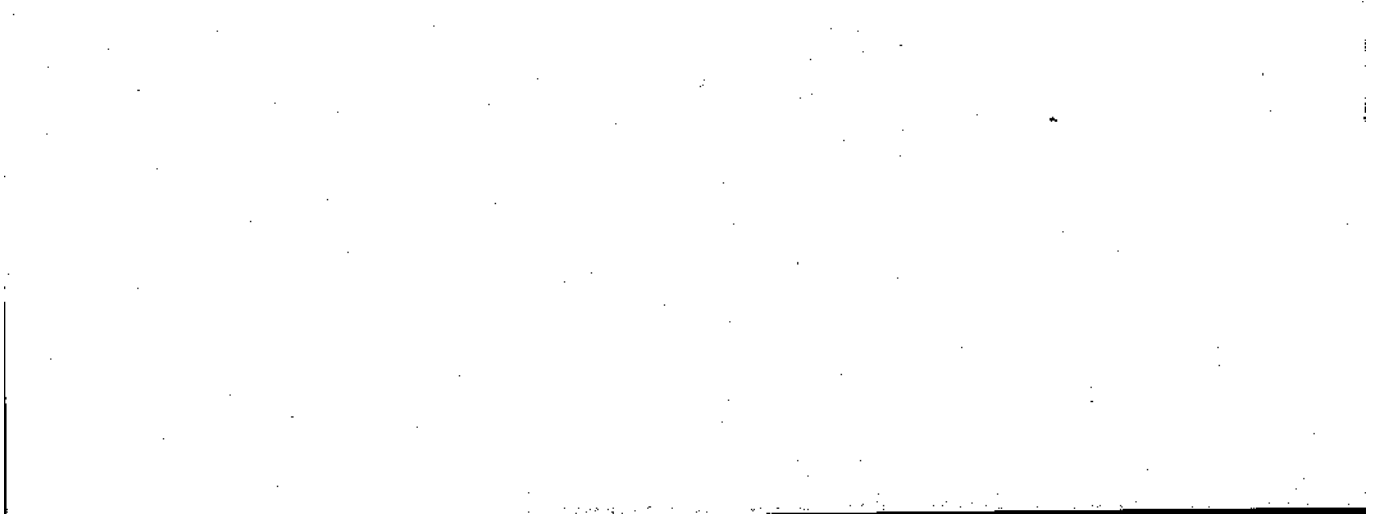
Loss of Rs 0.297 million due to injudicious payment of Overtime Allowance.

Para 12 of Pakistan Railway Mechanical Manual and pars 453 of Pakistan Railway Code for Mechanical Department (Workshop) stipulate that the working of overtime must be kept down to the minimum and that too when there is genuine need of working overtime and with the approval of competent authority.

In contravention to the above, almost all the workers (50 employees including four (4) Ward Keepers) working under Deputy Manager (Inspection), Moghalpura were shown as booked on overtime working for loading and unloading of material daily for one hour and paid overtime allowance without actually doing any additional job. No justification for overtime and detail of work done was produced to audit. A sum of Rs 296,817 was paid as overtime allowance during the period from August, 1998 to November, 1999. The issue was discussed with the Deputy Manager (Inspection) in October, 1999 who had nothing to urge against the facts of the case and stated that efforts would be made to curtail the overtime.

The matter was taken up with the Railway administration in November, 1999 through Specific Report. No reply was received.

Audit, therefore, advises that responsibility for irregular/unjustified payment of overtime allowance be fixed and the loss recovered from the officials who allowed un-authorized payments.



6(f) RECOVERABLE

6(f)1 **Recoverable amount of Rs 121.016 million from other Government Departments and Oil Companies.**

Bills Receivable Register maintained by the Deputy Chief Accounts Officer/Traffic Accounts indicates that an amount of Rs 121,015,695 was outstanding against different departments upto the end of June, 1998. No concrete steps seems to have been taken to realize the long outstanding dues.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that:-

- (i) responsibility be fixed for not taking effective steps to recover the outstanding amount of Rs 121.016 million; and
- (ii) amount be recovered immediately and ensure timely recovery in future.

6(f)2 **Non-recovery of Freight and Demurrage Charges of Rs 43,826,669 from Fertilizer Import Department Karachi.**

The record of Chief Commercial Manager/FBU, Pakistan Railways, Lahore revealed that Freight Charges of Rs 39,322,304 for the period from December, 1997 to July, 1998 and that Demurrage Charges of Rs 4,504,365 for the period from 11th February, 1990 to 31st May, 1995 were outstanding against Fertilizer Import Department, Karachi. The non-recovery of outstanding amount of Rs 43,826,669 is a violation of para 18.19 of Commercial Manual and loss of revenue to the Railway.

The observation was taken up with the Railway administration in September, 1999 but no reply received.

In view of the above, audit advises that responsibility for non-recovery of outstanding freight and demurrage charges be fixed, (ii) action to recover the amount at higher level be taken; and (iii) steps be taken to avoid such recurrence in future.

6(f)3 **Loss of Rs 11.835 million due to non-recovery of Demurrage Charges etc. and cost of defective/broken timbers**

A contract for the supply of 5727 pieces of Hard Wood Crossing Timber was awarded to a supplier in March, 1996. The firm supplied the agreed quantity in

three consignments. Due to dispute between Railway administration and firm regarding freight pre-paid and freight to be paid, a delay occurred in issuance of delivery order by the shipping agent. That delay caused in levy of demurrage charges of Rs 7,873,577 and container services, detention and penal charges of Rs 365,600, Rs 143,579 and Rs 75,143 respectively which were required to be recovered from the firm but the same had not so far been recovered.

Furthermore, three hundred eighty eight (388) timbers costing Rs 3,377,009 were found damaged/defective and broken which were required to be replaced by the firm. Neither the damaged/defective material got replaced from the firm nor the cost thereof has so far been recovered.

The matter was taken up with the Railway administration in July, 1999 but no reply has been received.

Audit, therefore, suggests that the matter be investigated at higher level and the amount involved recovered either from the firm or from those held responsible.

6(f)4

Non-realization of Rs 5.707 million from NLC Department for construction of Rail Over Head Bridges.

The Railcop entered into a contract with N.L.C. in May, 1993 for the construction of Rail Over Head Bridges at Kharian, Rathian, Dina and Gujar Khan. In terms of clause 4(b) of N.L.C. supplementary instructions for bidders, the N.L.C. Department was bound to make 60% payment of the work done within 7 days of submission of bills by the Railcop and the balance amount within 45 days of the receipt of contractor's invoices.

In contravention of the above clause of the contract, no payment of the bills submitted for the work done by the Railcop during the period from June, 1996 to December, 1998 was made by the N.L.C. Department with the result that an amount of Rs 5.707 million is still recoverable.

The matter was taken up with the Managing Director, Railcop in March and August, 1999 but no reply was received.

In view of above, Audit advises that responsibility for non-realization of an amount of Rs 5.707 million from the N.L.C. Department be fixed (ii) disciplinary action against the staff who failed the realize the amount involved be taken; and (iii) some effective steps to realize the amount be taken.

6(f)5

Loss of Rs 5.429 million due to non-recovery of Railway Dues.

Para 18.19 of Commercial Manual stipulates that all Railway dues should be recovered before delivery of goods. Wharfage and demurrage charges should also be levied under Tariff Rules and recovered from the consignee before the removal of goods from the Railway premises.

Goods balance sheet for the month of July, 1999 maintained by Station Master, Kalashah Kaku revealed that demurrage charges of Rs 3,505,056 were outstanding against Pakistan State Oil since 1992 which indicated that the goods were delivered to the consignee in contravention to the aforementioned rules/orders.

Similarly, the goods consignments were delivered to the consignee by the officials of Peshawar City Station in July, 1996 without realising the freight and demurrage charges of Rs 243,865 and Rs 1,341,360 respectively.

Furthermore, an amount of Rs 338,568 paid by the Railway administration to Karachi Port Trust Authorities on account of wharfage/demurrage and storage charges during July, 1995 to December, 1995 for delayed clearance of Railway consignments due to late submission of shipping documents by the supplier had also not yet been recovered from the supplier. This resulted in loss of Rs 5,428,849 to the Railway administration.

The matter was taken up with the Railway administration in September, 1999 through three Specific Reports to which no reply has been received so far.

Audit, therefore, advises that effective steps be taken to recover the amount involved from the consignees immediately and responsibility for not affecting the recoverable amount according to the aforementioned rules be fixed and action taken against those found at fault.

6(f)6

Loss of Rs 5.241 million due to non-recovery of rental charges.

Railway contractors encroached 53124 sft land in Workshop Division Moghalpura since 1985. An amount of Rs 5.241 million was levied on account of rental charges. Neither the outstanding amount has been recovered nor any action has been taken to get the land vacated. As such Railway administration sustained loss of Rs 5.241 million due to non recovery of rental charges from the contractors.

The matter was taken up with Railway administration in September, 1999. In their reply, it has been contended. that all out efforts are being made but neither any recovery nor the land has been got vacated from the concerned so far.

Audit, therefore, suggests that responsibility be fixed for not taking prompt action besides taking concrete steps for affecting recoveries.

6(f)7 **Non-remittance of Railway earning amounting to Rs 3.579 million by a City Booking Agent, Dera Ismail Khan.**

Under provisions of Para 22.18 Commercial Manual, the entire collection of the day must invariably be remitted by the out and city agencies strictly in accordance with the terms of agreement.

In contravention of the above orders, an amount of Rs 3.579 million was outstanding since May/1998 against the city booking agent, Dera Ismail Khan on account of non/short remittance of Railway earning. This resulted into loss to the Railway administration.

The point was taken up with the Railway administration in September, 1999 but no reply has so far been received.

Audit, therefore, suggests that responsibility be fixed for not recovering the heavy outstanding amount and recovery be made without further loss of time.

6(f)8 **Loss of Rs 2.399 million due to failure to get refund of excess payment to Custom Department.**

One combined lifting, levelling, lining and tempering machine with spares for track rehabilitation was purchased from M/s Plasser and Theurer of Austria. During checking it revealed that one case track machine alongwith components was short landed but the payment of custom duty/sales tax and other dues was made to custom department for the full consignment. The Railway authorities failed to get the refund of excess payment from the custom department. Hence Railway administration sustained a loss of Rs 2,221,812 due to excess payment made to the custom department.

Similarly, one drive axle was found defective and was subsequently replaced by the supplier. The custom department realised custom duty/sales tax and other dues amounting to Rs 176,814 which resulted in double/excess payment for one and the same part (drive axle). This resulted into loss to the Railway administration due to excess/double payment of Rs 176,814 to the custom department.

The matter was taken up with the Railway administration in April, 1998 but no reply has so far been received.

Audit, therefore, advises that efforts be made at appropriate level in getting the refund and fixation of responsibility for delay.

6(f)9 **Loss of Rs 1.385 million due to non-recovery of Demurrage Charges.**

Certain Oil loaded tank wagons were booked from Karachi/Mehmood Kot to Faisalabad. These wagons could not be unloaded within free time allowed. As a result thereof an amount of Rs 1,340,045 accrued as demurrage charges was not collected at the time of delivery. This resulted into loss of Rs 1,340,045 to the Railway admn.

Similarly, 27 wagons loaded with imported fertilizer were booked from Kiamari to Sargodha. These wagons were also not unloaded within free time allowed and the consignment was allowed to be taken without recovering Railway dues. Thus Railway administration sustained a loss of Rs 44,712 as demurrage charges.

The matter was taken up with the Railway administration in September, 1999 to which no reply has so far been received.

Audit, therefore, suggests that:-

- (i) amount of Rs 1.385 million be recovered from the defaulters,
- (ii) responsibility be fixed and action may also be taken up against the employees who have not realized the Railway dues before delivery of the consignments.

6(1)10 **Recoverable amount of Rs 1,082,300 for un-authorized occupation of Railway Land.**

108230 sft Railway Land as measured by the Railway Inspector of Works, Kundian was occupied unauthorisedly by the contractors for staking timber/firewood. The rent of the said land worked out to Rs 1,082,300 @ Rs 10 per sft. per annum as pointed out by the Inspector of Works, Kundian which was recoverable from the occupants w.e.f. April, 1998 to March, 1999.

The irregularity was pointed out in August, 1999 but no reply was received.

Audit suggests that Rs 1,082,300 as worked out for one year rent w.e.f. April, 1998 to March, 1999 may be recovered from the contractor and effective steps may be taken to vacate the land from the unauthorised occupants.

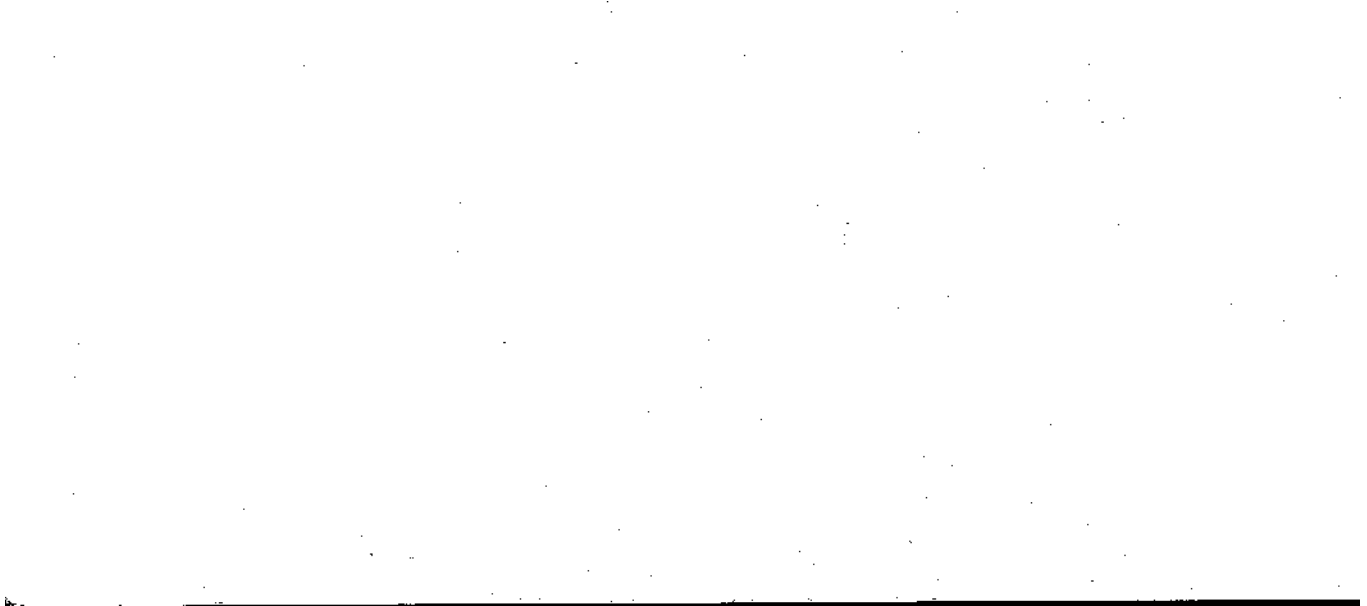
6(f)11 Non-recovery of rent of Cycle Stand and Car Parking amounting to Rs 802,646 from the contractor.

The contract agreement of Cycle Stand at Lahore Railway Station executed with Mr. Zia-Ul-Haq expired on 30th September, 1997. Fresh tenders for Cycle Stand were floated on 20th September, 1997 and highest bid of Mr. Zulfiqar Ali for Rs 964,000 per annum was accepted vide Divisional Superintendent, Lahore letter dated 21st April, 1998. In the meantime previous contractor obtained a stay order from the Court of Law and continued working upto 31st May, 1999 without paying any rent for the additional period from 1st October, 1997 to 31st May, 1999. An amount of Rs 501,310 @ Rs 300786 per annum is recoverable from the contractor for the aforesaid period. The new contractor had also failed to take charge of the cycle stand upto August, 1999.

Similarly, contract for the car parking at Lahore Railway Station for the period from 1st January, 1998 to 31st December, 1998 was awarded to Mr. Abdul Razzak @ Rs 452,000 per annum. The contract was extended for a period of one year from 11th January, 1999 to 10th January, 2000 at the previous accepted rates of Rs 452,000. The contractor failed to deposit the rent amounting to Rs 301,336 for the period from 1st January, 1999 to 31st August, 1999. The total recoverable amount in both the cases worked out to Rs 802,646.

The matter was taken up with the Railway administration in September, 1999 but no reply was received.

In view of the above, audit advises that responsibility for non-recovery of rent from the contractors be fixed; (ii) action be taken against the staff who failed to recover the amount involved; and (iii) steps be taken to recover the amount without further delay.



6(g) OTHERS

6(g) 1 **Loss of Rs 10.934 million due to non completion of a Deposit Work in Time.**

A project "construction of Lilly Road Over Bridge at Karachi" with an approved cost of Rs 156.262 million jointly sponsored by the Government of Sindh and Karachi Metropolitan Corporation was entrusted to Pakistan Railways in November, 1991 as deposit work was required to be completed before November, 1996. The Railway administration failed to complete the work within the prescribed period and demanded further additional amount of Rs 32.802 million in April, 1997 to complete the work. The sponsoring agency objected to the additional demand that since the Railway administration had failed to complete the work within the stipulated period, extra expenditure, if any, should be borne by the Railway administration. However, subsequently the ECNEC approved the additional cost of Rs 32.802 million to be equally shared in the ratio of 1/3 each by Railway, Government of Sindh and the Karachi Metropolitan Corporation. Thus, the executing agency (Railway administration) had to incur an amount of Rs 10.934 million on a deposit work due to its inefficiency which is a loss to the Railway department.

The matter was taken up with the Railway administration in September, 1999. It was replied that delay occurred due to change in design of the portion over Railway track. The entire cost of Rs 32.802 million was required to be borne by Railway as the existing Railway Level Crossing was replaced and closed by the bridge whereas only 1/3 share (Rs 10.934 million) was paid by the Railway.

The reply was not tenable as the issue was considered at the time of inspection of the Project and road it was decided that the full cost of the bridge would, be borne by the Government of Sindh and Karachi Metropolitan Corporation.

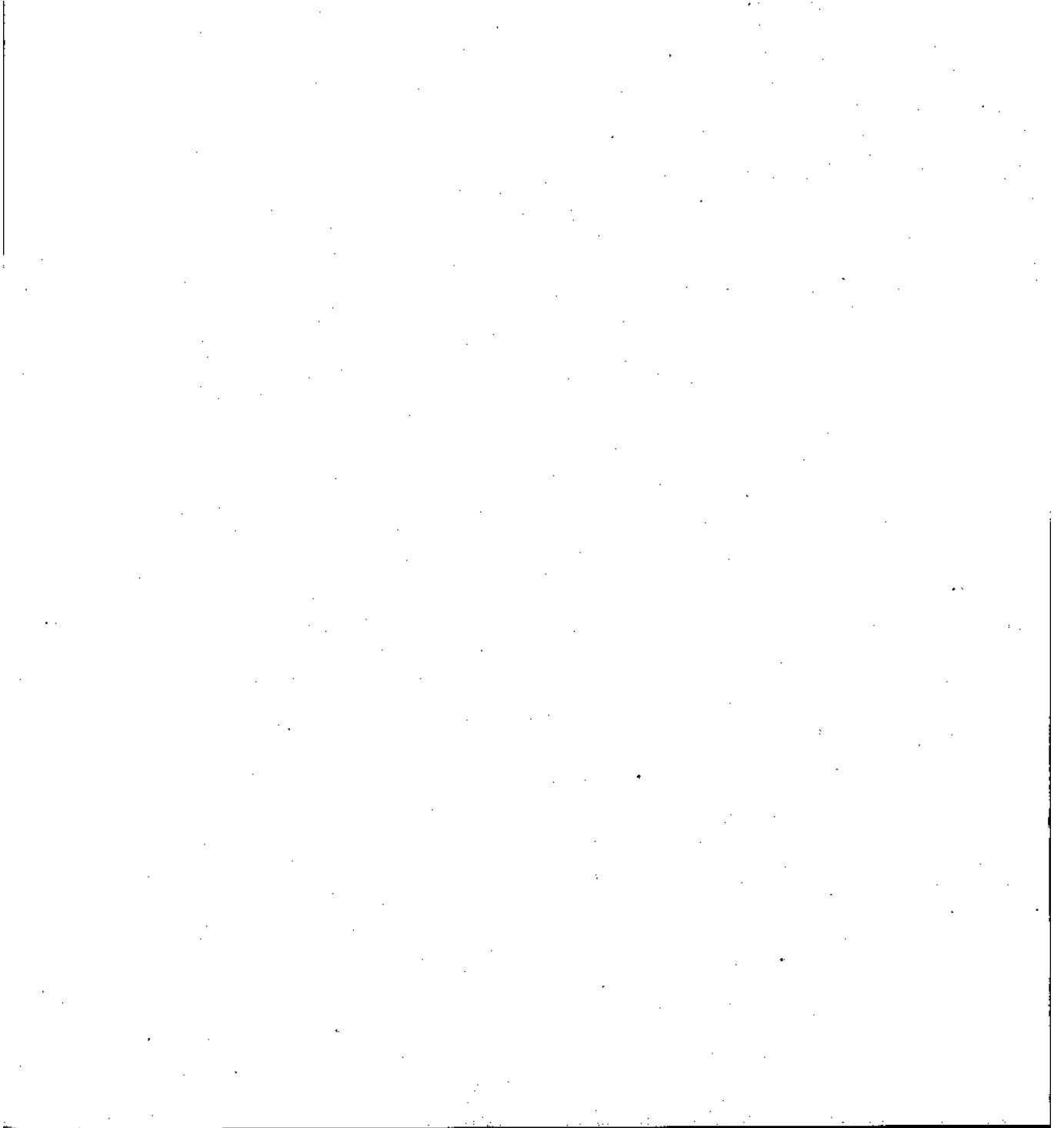
Audit, therefore, advises that responsibility for the delay in completion of project be fixed and the amount involved recovered from those held responsible.

6(g)2 **Loss of Rs 2.554 million due to inordinate detention of Coaches.**

Thirteen (13) coaches of different trains were sent to washing line Lahore for repair during the period from June, 1998 to December, 1998. These were not attended to promptly and were un-necessarily detained from five (5) to seventy five (75) days which resulted in loss of earning of Rs 2,554,578 to the Railway administration.

The matter was taken up with the Railway administration in September, 1999 to which no reply has been received so far.

Audit, therefore, advises that responsibility for not repairing the coaches promptly which resulted in loss of earning of Rs 2,554,578 be fixed and action be taken against those held responsible for loss.



7. FINANCIAL POSITION OF AUDIT REPORT & MFDAC



7. **FINANCIAL POSITION OF AUDIT REPORT & MFDAC**

Name of Audit Office: **Director-General Audit, Railways, Lahore.**

Name of Department/Ministry: **Ministry of Railways.**

Audit Report for the Year: **1998-99**

Annex	Particulars/Results of Discussion	No. of Paras	Amount involved (Million Rupees)
A	Observations issued during audit.	3,384	2,321.250
B	Paras settled after discussion with Head of Office	98	10.261
B-I	Settled after verification of record.	52	3.942
B-2	Settled after regularization	35	2.302
B-3	Settled after recovery made.	11	4.017
	Total Paras reported in AIRs:		
	a) Ordinary Paras.	3,014	1,558.936
	b) Advance Paras	272	752.053
	Balance of Advance Paras Carried Forward for M.F.D.A.C.	39	32.038
C	Paras settled after M.F.D.A.C.	-	-
C-I	Settled after verification of record.	-	-
C-2	Settled after regularization	-	-
C-3	Settled after recovery made.	-	-
	Balance	2,975	1,526.898
D	Paras settled under court decision.	-	-
B+C+D	Total Paras settled	98	10.261
E	Paras pending for verification of record.	963	531.262
F	Paras pending for regularization	1,005	503.330
G	Paras pending for recovery.	1,007	492.306
H	Paras pending for court decision.	-	-

E+F+G+H	Total Paras pending	2,975	1,526.898
1	Pending being clear cut embezzlement cases (already included in E to H above).	2,975	1,526.898
J	Paras printed in Audit Report	50	624.455
B-3+C-3+G	Recoveries at the instance of Audit (made or ordered)		496.323

8. OTHER TOPICS OF INTEREST

OTHER TOPICS OF INTEREST

8.1 Unsanctioned Expenditure

The Statement of unsanctioned expenditure appears at page No. 17 of the Appropriation Accounts. The expenditure incurred during 1998-99 without proper sanction amounted to Rs 2.342 million and the unsanctioned expenditure relating to earlier years awaiting regularization amounts to Rs 27.199 million. The table below shows the details of unsanctioned expenditure for the year 1998-99 and also the outstanding unsanctioned expenditure relating to the earlier years. Despite the directive of the PAC that no objectionable expenditure should appear in the accounts in future and the assurance given by the departmental representative, the unsanctioned expenditure is regularly incurred and shown in accounts.

Particulars	(Rs in million)			
	Outstanding Relating to End of 1996-97	Relating to the year 1997-98	Relating to the year 1998-99	Total to End of 1998-99
Expenditure without sanction of estimates	6.319	-	0.954	7.273
Expenditure in excess of sanctioned estimates	16.540	-	0.189	16.729
Other/Unsanctioned expenditure	2.740	1.600	1.199	5.539
Total:	25.599	1.600	2.342	29.541

8.2 The unsanctioned expenditure of Rs 29.541 million as detailed in foregoing table includes 16 cases amounting to Rs 24.282 million which involved expenditure of Rs 0.100 million each or more, detail of which is given on page 18 - 20 of the Appropriation Accounts for the year 1998-99. The percentage-wise summary of these cases is given in the table below. Need for expeditious regularization of the total unsanctioned expenditure of Rs 29.541 million is pointed out.

Particulars	(Rs in Million)			
	Expenditure to end of 1996-97	Expenditure during 1997-98	Expenditure during 1998-99	Total
i) Expenditure without sanction of estimates (4 cases).	6.192	-	0.954	7.146
ii) Expenditure in Excess of sanctioned estimate (10 cases).	16.470	-	0.102	16.572
iii) Expenditure involving Misc. irregularities (2 cases).	0.564	-	-	0.564
Total (16 cases)	23.266		1.056	24.282

8.3 **Under charges in Traffic Earnings.**

- a) The statement of under charges appears at page No. 21 of the Appropriation Accounts for 1998-99. The break up as given at the bottom of the statement shows that under charges of Rs 49,515,759 outstanding at the close of the year relate to the period ranging from 1981-82 to 1998-99. Delay in clearance of old outstanding may result in irrecoverable loss of revenue to the Railway Administration due to death, retirement and transfer of the staff concerned. Need for taking effective steps to recover/clear the long outstanding under charges is emphasised.
- b) A comparison of outstanding amounts of under charges from the year 1981-82 to 1998-99 shows that out of outstanding under charges of Rs 52,527,785 a sum of Rs 7,590,900 had been cleared during the current year. The pace of clearance requires to be accelerated.
- c) c) An amount of Rs 83,075 pertaining to the previous years has been shown as withdrawn during the year 1998-99. This shows that due care was not exercised in ascertaining the accuracy of the under charges before issue of error sheets against the stations by the Accounts Office concerned.

8.4 **Loss due to Remission and Abandonment of Claims.**

- i) Statement of remission and abandonment of claims to revenue for the year 1998-99 shows that out of Rs 81,419,078 on account of wharfage and demurrage charges during the year, an amount of Rs 8,184,225 had been remitted which works out to 10.05% of the total amount accrued. Further an amount of Rs 4,489,473 pertains to Dry Port and works out 5.51% of the total amount accrued. This indicates that remission of Railway dues is high. Needs is pointed out to minimize the remission of Railway dues.
 - ii) Demurrage, wharfage and storage charges amounting to Rs 3,626,183 (33 cases) waived off on the consideration that these charges accrued due to custom formalities/problems. The waiving off storage charges each year on this plea is not justified as the custom charges have been paid in full by the parties but the major amount of storage charges were waived off. Need is pointed out to curb this practice.
 - iii) The outstanding wharfage and demurrage charges in case of goods at the end of the year 1999 has increased to Rs 35,688,141 as compared to previous year 1997-98 where in the same was Rs 2,95,25,743 i.e. 17.26% excess. Effective steps be taken to minimise the upward trend.
- iii) Item No.1 and 2 (Case No.11-CO/M-41/98)**

Wagon No.75231 and 66151 loaded with coal reached Moghalpura on 10-10-1997 and 16-10-1997 and were unloaded on the same day. The consignee could not take delivery in time which resulted in accrual of wharfage charges amounting to Rs 60,910.00. The consignee applied for its waiver on the reason that the consignment could not be removed due to rainy season which is not justified as the rainy season is upto August of each year. It reveals that the powers for sanctioning the waiver cases were exercised frequently.

APPENDIX

RECOVERIES MADE AT THE INSTANCE OF AUDIT

An amount of Rs 4,016,934 was recovered at the instance of audit during the financial year 1998-99 by the sub-audit offices/inspection parties of Director General Audit Railways, Lahore.

MOST IMMEDIATE/PAC
BY SPECIAL MESSENGER

NATIONAL ASSEMBLY SECRETARIAT
(Public Accounts Committee Wing)

No. F.13 (1)/2015-SC-I (PAC)/1998-99

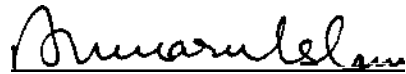
Islamabad, the 18th December, 2015

Subject: - ACTIONABLE POINTS ARISING OUT FROM DISCUSSION OF SUB-COMMITTEE-I OF PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 27TH MAY, 2015, PERTAINING TO MINISTRY OF RAILWAYS.

Please find enclosed herewith Actionable Points arising out from discussion of the Public Accounts Committee meeting held on 27th May, 2015, in the Parliament House, Islamabad pertaining to M/o Railways on the Audit Reports for the year 1998-99.

2. Compliance Report on PAC directives may please be furnished to this Secretariat within time frame.

3. Kindly acknowledge receipt.



(ANWARUL ISLAM HAQQIE)

Secretary Sub-Committee-I

Ph: 051-9103235/9022309, Fax: 051-9208933

Haqqieanwar63@gmail.Com.

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

Copy also forwarded for information and necessary action to:-

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



(ANWARUL ISLAM HAQQIE)

Secretary Sub-Committee-I

NATIONAL ASSEMBLY SECRETARIAT
(PAC Wing)

Actionable Points

Actionable points arising from the discussion of meeting of the Sub-Committee-I of the Public Accounts Committee held on 27-05-2015 pertaining to Ministry of **Railways** in the Parliament House, Islamabad under the Convenorship of Ms. **Shahida Akhtar Ali**, MNA for examination of Appropriation Accounts/Audit Reports/Special Audit Reports for the years 1998-99.

AUDIT REPORT FOR THE YEARS 1998-99

PAKISTAN RAILWAYS

1. i) **GRANT NO.99-REVENUE EXPENDITURE**

Excess amount: Rs. 2,490,380/-

ii) **GRANT NO. 155- CAPITAL OUTLAY ON PAKISTAN RAILWAYS.**

Excess amount: Rs. 3,816.566/-

The AGPR informed the excess is beyond the permissible limit i.e. Rs. 5000 for non development expenditures and Rs. 10,000 for development expenditure, which requires regularization.

SUB-COMMITTEE DIRECTIVE

The Sub-Committee recommended the above two (02) grants for regularization.

AUDIT REPORT DIRECTORATE GENERAL AUDIT RAILWAYS, LAHORE

2. i) **Para-6(c) (2) 1998-99**
LOSS OF RS.38.188 MILLION DUE TO PAYMENT OF DEMURRAGE, STORAGE AND WHARFAGE CHARGES.
- ii) **Para-6(c) (12) 1998-99**
LOSS. OF RS. 1.423 MILLION DUE TO PROCUREMENT OF DEFECTIVE MATERIAL.
- iii) **Para-6(c) (14) 1998-99,**
LOSS OF RS.0.875 MILLION DUE TO PURCHASE OF DEFECTIVE MATERIAL.
- iv) **Para-6(f) (5) 1998-99**
LOSS OF RS. 5.429 MILLION DUE TO NON-RECOVERY OF RAILWAY DUES.
- v) **Para-6(f) (8) 1998-99**
LOSS OF RS. 2.399 MILLION DUE TO FAILURE TO GET REFUND OF EXCESS PAYMENT TO CUSTOM DEPARTMENT.

SUB-COMMITTEE DIRECTIVE

The Sub-Committee recommended the above five (05) paras for settlement subject to recovery and verification of record by the Audit.

3. i) **Para-6(a) (5) 1998-99**
WASTEFUL EXPENDITURE OF RS. 1.336 MILLION.
- ii) **Para-6(a) (7) 1998-99.**
LOSS OF RS.0.428 MILLION DUE TO PILFERAGE OF RAILWAY MATERIAL.
- iii) **Para-6(a) (9) 1998-99.**
SUSPECTED MISAPPROPRIATION OF CEMENT COSTING RS.0.323 MILLION
- iv) **Para-6(b) (2) 1998-99.**
LOSS OF RS. 0.325 MILLION DUE TO NON/LESS RECOVERY ON ACCOUNT OF SHRINKAGE OF EARTH.
- v) **Para-6(c) (1) 1998-99.**
UNNECESSARY PROCUREMENT OF SPARES OF MACHINES RESULTING IN BLOCKAGE OF CAPITAL VALUING RS.102.832 MILLION.

- vi) **Para-6(c) (5) 1998-99.**
LOSS OF RS. 4.265 MILLION DUE TO NON-REPLACEMENT OF DEFECTIVE MATERIAL.
- vii) **Para-6(c) (6) 1998-99**
LOSS OF RS. 3.80 MILLION DUE TO PURCHASE OF DEFECTIVE MATERIAL.
- viii) **Para-6(c) (7) 1998-99**
WASTEFUL EXPENDITURE OF RS. 3.560 MILLION DUE TO MANUFACTURE OF COMPONENTS FOR DELETED STEAM LOCOMOTIVES.
- ix) **Para-6(c) (10) 1998-99**
UN-NECESSARY PURCHASE OF CARBONIZED PAPER VALUING OF RS. 2.184 MILLION
- x) **Para-6(c) (11) 1998-99**
INFRACTUOUS EXPENDITURE OF RS. 1.576 MILLION DUE TO NON-UTILIZATION OF SPARE PARTS OF FURUKAWAA LOADER.
- xi) **Para-6(c) (15) 1998-99**
LOSS OF RS. 0.745 MILLION DUE TO UNNECESSARY PURCHASE OF MATERIAL.
- xii) **Para-6(d) (6) 1998-99**
UNNECESSARY PROCUREMENT OF MATERIAL RESULTING IN BLOCKAGE OF CAPITAL WORTH RS. 0.846 MILLION.
- xiii) **Para-6(e) (2) 1998-99**
FINANCIAL LOSS OF RS. 0.451 MILLION DUE TO UNNECESSARY PURCHASE OF PAGERS.
- xiv) **Para-6(f) (1) 1998-99**
RECOVERABLE AMOUNT OF RS. 121.016 MILLION FROM OTHER GOVERNMENT DEPARTMENTS AND OIL COMPANIES.
- xv) **Para-6(f) (4) 1998-99**
NON-REALIZATION OF RS.5.707 MILLION NLC DEPARTMENT FOR CONSTRUCTION OF RAIL OVERHEAD BRIDGES.
- xvi) **Para-6(f) (9) 1998-99**
LOSS OF RS.1.385 MILLION DUE TO NON RECOVERY OF DEMURRAGE CHARGES.

SUB-COMMITTEE DIRECTIVE

The Sub-Committee recommended the above sixteen (16) paras for settlement subject to verification of recovery and record by the Audit.

- i) **Para-6(a) (3) 1998-99,**
FRAUDULENT PAYMENT OF RS. 2.058 MILLION ON ACCOUNT OF FICTITIOUS TRAINING OUT OF BALLAST.,
- ii) **Para-6(a) (6) 1998-99**
MISAPPROPRIATION OF STONE BALLAST COSTING RS.0.853 MILLION
- iii) **Para-6(a) (10) 1998-99**
FRAUDULENT DRAWAL OF OVERTIME ALLOWANCE AMOUNTING TO RS. 0.120 MILLION.
- iv) **Para-6(b) (1) 1998-99**
EXTRA EXPENDITURE OF RS. 0.660 MILLION DUE TO ACCEPTANCE OF TENDER AT HIGHER RATES.
- v) **Para-6(c) (13) 1998-99**
LOSS OF RS. 1.008 MILLION DUE TO UNNECESSARY DETENTION OF WAGONS.
- vi) **Para-6(c) (16) 1998-99**
PURCHASE OF DEFECTIVE MATERIAL WORTH RS. 0.316 MILLION.
- vii) **Para-6(d) (3) 1998-99**
UNNECESSARY PROCUREMENT OF MATERIAL BEYOND THE FIXED LIMITS RESULTING IN FINANCIAL LOSS VALUING RS. 8.462 MILLION.
- viii) **Para-6(d) (4) 1998-99**
IRREGULAR/UNECONOMICAL PURCHASE OF MATERIAL WORTH RS. 1.489 MILLION.
- ix) **Para-6(d) (5) 1998-99**
IRREGULAR EXPENDITURE OF RS. 0.908 MILLION.
- x) **Para-6(e) (3) 1998-99**
LOSS OF 0.297 MILLION DUE TO INJUDICIOUS PAYMENT OF OVERTIME ALLOWANCE.
- xi) **Para-6(g) (1) 1998-99**
LOSS OF RS. 10.934 MILLION DUE TO NON-COMPLETION OF A DEPOSIT WORK IN TIME.
- xii) **Para-6(g) (2) 1998-99**
LOSS OF RS. 2..554 MILLION DUE TO INORDINATE DETENTION OF COACHES.

SUB-COMMITTEE DIRECTIVE,

The Sub-Committee recommended the above twelve (12) paras for settlement on the recommendation of DAC.

5. **Para No 6 (a) 1, Page 52 (AR-1998-99)**
LOSS OF RS 5.694 MILLION DUE TO THE THEFT OF RAILWAY MATERIAL

The Audit pointed out that Permanent way material valuing Rs 5274 million was stolen from the closed Mari-Bannu section during July 1991 to June 1998 due to negligence of the staff deputed for looking after the same. An amount of Rs 0.420 million being the cost of 5910.50 meter copper wire stolen during April 1992 to June 1992 from Electric Store Depot, Moghalpura recovered by the Railway Police was not deposited in the government treasury.

The PAO informed that he has personally examined the matter. Actual value of stolen material was Rs 0.345 million instead of Rs 0.420 million, Wire valuing Rs 0.008 million was recovered and balance amount of Rs 0.338 million has been written off. Documents in this regard will be provided to Audit.

SUB-COMMITTEE DIRECTIVE

The Sub-Committee recommended the para for settlement with the direction to PAO to initiate the action for write off amount from the relevant authority/Board and informed the Audit/ PAC.

6. **Para No 6(a)-8-1998-99**
FRAUDULENT PAYMENT OF RS 0.427 MILLION

The Audit pointed out that the hinges and door handles valuing Rs 0.427 million were purchased during March to May 1999 from a firm. The entire material was rejected by Deputy Manager (Inspection) Moghalpura in June 1999 being defective and the firm was asked to replace the defective material. The firm lifted the rejected material on 12th June 1999. Instead of replacing the rejected material, the firm succeeded to get payment by preparing bogus Material Receipts Notes causing financial loss of Rs 427,000 to Pakistan Railway.

The PAO informed that the matter has been enquired, persons held responsible for bogus payment were given punishment of compulsory retirement/censure. An amount of Rs 60,000 has also been recovered from the firm and verified by Audit and balance recovery of Rs 367,000 is being pursued.

SUB-COMMITTEE DIRECTIVE

The Sub-Committee pended the para with the direction to recover the amount within one month and relevant record be got verified from Audit.

7. **Para-6(c)-3-1998-99**
FINANCIAL LOSS OF RS 20.280 MILLION DUE TO ENCROACHMENTS OF RAILWAY SURPLUS LAND.

The Audit pointed out that Mari Indus-Bannu, Laki Marwat Tank and Kohat-Thal Sections were closed for all kinds of traffic, w.e.f. July 1991 and consequently

Railway land measuring 25,213 Kanals was encroached which caused loss of Rs 20.280 million to Pakistan Railways.

The PAO informed that encroached land has fully been retrieved. Documents will be presented to Audit for verification

SUB-COMMITTEE DIRECTIVE

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

8. Para No 6(c)-4-1998-99

LOSS OF RS 4.555 MILLION DUE TO ACCEPTANCE OF DEFECTIVE RAILS

The Audit pointed out that a contract for procurement of 10,000 M. Tons of rails costing Rs 108.022 million was awarded to a French Firm in June 1992. The firm supplied 9885.680 M. Tons rails up to May 1993. 616 rails laid on curves in Quetta Division were also found defective by the Track Supply Officer in March 1996 but the claim was not lodged being time barred which resulted in loss of Rs 4.555 million to Pakistan Railways.

The PAO informed that no responsibility has been fixed in fresh enquiry report. Further, Rails were as per specifications and meant for straight track but its use on curves was forced and compelled due to non availability of wear resistant Rails and professional weakness of Railway personnel. A joint enquiry/ verification was carried out by Deputy Chief Engineer/North & DAO/Quetta whereby 05 officers besides the officers who conducted pre-shipment inspection of the Rails were held responsible. Contrarily, fresh enquiry conducted by non-technical officers has concluded that there was no loss to Pakistan Railways.

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the para for settlement.

9. Para No 6(c)-8-1998-99

LOSS OF REVENUE AMOUNTING TO RS 2.618 MILLION DUE TO NON-AUCTION OF UNDELIVERED CONSIGNMENTS

The Audit pointed out that the various consignments were lying undelivered at Lahore Dry Port since long ranging from 171 to 1663 days. No efforts have been made to recover freight and wharfage charges amounting to Rs 2.618 million by arranging its auction through Customs Department.

The PAO informed that due to continuous pursuance, a total amount of Rs 2.00 million has been recovered so far, whereas five consignments are still pending for disposal by Customs.

SUB COMMITTEE DIRECTIVE

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

10. Para-6(c)-9-1998-99**LOSS OF RS 2.225 MILLION DUE TO PURCHASE OF DEFECTIVE MATERIAL**

The Audit pointed out that the two hundred carrier pistons (CAT-8442120L) valuing Rs 2.225 million were purchased in October, 1995 for use in HGMU-30 DE Locomotives.

The material was found defective by the ultimate consumer i.e. Works Manager, Karachi and returned in August, 1996 for replacement had not been got replaced and was lying in the Diesel Depot Karachi.

The PAO informed that an amount of Rs 1,000,000 has already been credited in Railway Account Head No. 4630 vide CR No.7 dated 26.06.2012. Regarding balance amount of Rs 50,000, the said amount was forfeited by Pakistan Railways but unfortunately the bank (Union Bank) has been merged in Standard Chartered Bank Limited, therefore, this amount could not be settled uptill now. Further, Rs 16,243 had been deposited by the firm vide Cash Receipt No. 56673 dated 19.07.2003.

Recovery of Rs 1.016 million has been verified by Audit. Document for blacklisting of the firms has also been provided to Audit. Remaining amount of Rs 1.209 million will be written off.

SUB COMMITTEE DIRECTIVE

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

11. Para-6(d)-1-1998-99**UNNECESSARY PROCUREMENT OF MATERIAL VALUING RS 132.804 MILLION RESULTING IN BLOCKAGE OF CAPITAL**

The Audit pointed out that imported material valuing Rs 132:804 million had not been issued for the last three years and was lying in the Diesel Store Depot, Karachi.

The PAO informed that about 97% of the items/material has been used. Audit informed that utilization of 4386 items valuing Rs 119.575 million has since been verified. Utilization of material/items valuing Rs 119.575 million has been verified by Audit.

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the para for settlement

12. Para No. 6(d)-2-1998-99**UNJUSTIFIED/UN-REMUNERATIVE RECURRING LOSS OF RS 2 MILLION ON ACQUISITION OF LAND AND RECURRING LOSS OF RS 2 MILLION PER ANNUM.**

The Audit pointed out that the Railway Administration acquired 117.7 acres of land at Jumma Goth from private owners at a cost of Rs 14.482 million for establishing Mechanized Marshalling Yard, Pipri in July 1975. The entire land remained un-utilized upto December 1995, when a piece of land measuring 100 acres valuing Rs 40 million was leased out to Pakistan State Oil Company Limited at a nominal rent of Re 1.00 per acre per annum. Whereas according to the prevalent policy, annual rental charges @ 5% of the prevailing market value of the land, i.e. Rs 2 million per annum (5% of Rs 40 million the market value of 100 acres) were required to be recovered. This resulted in recurring loss of Rs 2 million per year.

The PAO informed the Committee that Railways has earned billions of rupees as Freight from PSO, thus leasing of land to PSO is quite in the interest of Railways.

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the para for settlement.

13. Para No 6(e)-1-1998-99

LOSS OF RS 38.309 MILLION DUE TO UNJUSTIFIED PAYMENT OF OVERTIME ALLOWANCE

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the para for settlement

14. Para No 6(e)-2-1998-99

NON-RECOVERY OF FREIGHT AND DEMURRAGE CHARGES OF RS 43.827 MILLION FROM FERTILIZER IMPORT DEPARTMENT KARACHI

The Audit pointed out that an amount of Rs 39.322 million on account of freight charges from December 1997 to July 1998 and Rs 4.504 million on account of demurrage charges from February 1990 to May 1995 was outstanding against Fertilizer Import Department, Karachi.

The PAO informed that the amount has been fully cleared/recovered

SUB COMMITTEE DIRECTIVE

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

15. Para No 6(f)-1998-99

LOSS OF RS 5.241 MILLION DUE TO NON-RECOVERY OF RENTAL CHARGES.

The Audit pointed out that the Railway contractors encroached 53124 sft land since 1985 in Workshops Division, Lahore and an amount of Rs 5.241 million on account of rental charges was outstanding against them.

The PAO informed the Committee that Audit has verified the recovery of Rs 0.582 million. However, write off statement for waiver of Rs 0.341 million and status of balance recovery of Rs 0.060 million will be provided to Audit.

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the para for settlement.

16. Para-No 6(f)-7-1998-99
NON REMITTANCE OF RAILWAY EARNING AMOUNTING TO RS 3.579
MILLION BY A CITY BOOKING AGENT OF DERA

The Audit pointed out that an amount of Rs 3.579 million was outstanding against the City Booking Agent Dera Ismail Khan since May 1998 inclusive of arears of 1994.,

The PAO informed that the Divisional Commercial Officer, Multan attended the office of Deputy Commissioner, D.I. Khan on 06.01.2014. As a result of this meeting, Assistant Commissioner, D.I. Khan has directed Tehsildar to communicate moveable/immovable Property of Syed Chiragh Hussain Shah, Agent of City Booking Agency, D.I. Khan for recovery of outstanding against the said City Booking Agency.

It was further intimated on 15.09.2014 that District Administration/DCO Dera Ismail Khan was contacted, who has informed that no moveable or immovable property of Chirag Shah is in Dera Ismail Khan District. Now case has been referred to Director Legal Affairs Office for further line of action.

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the para for settlement.

17. Para No 6(f)-10-1998-99
RECOVERABLE AMOUNT OF RS 1.082 MILLION FOR UNAUTHORIZED
OCCUPATION OF RAILWAY LAND.

The Audit pointed out that the Railway land measuring 108230 sq. ft. at Kundian was occupied unauthorizably by contractors for stacking timber/firewood and rental charges amounting to Rs 1.082 million were outstanding against them since April, 1998.

The PAO informed that 64300 sq.ft of land instead of 108230 sft was occupied by the timber contractors for which they were paying rent @ Rs 0 32 per sq.ft per annum. Moreover, if the rate @ Rs 1.37 per sft/annum for the period April, 1998 March, 1999 is applied instead of Rs 0.32 per sft, the amount comes to Rs 59,799 which at this stage cannot be recoverable, as the contractors left the site in September, 2000. A copy of certificate dated 02.04.2015 for vacation of land has been provided to Audit on 18.05.2015.

SUB COMMITTEE DIRECTIVE

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

18. Para-No 6(f)-11-1998-99
NON RECOVERY OF RENT OF CYCLE STAND AND CAR PARKING
AMOUNTING TO RS 802 646 FROM THE CONTRACTOR.

The Audit pointed out that an amount of Rs 501,310 was outstanding against a contractor of cycle stand at Lahore Railway Station for the period from 01.10.1997 to 31.05.1999 @ Rs 300,786 per annum. Similarly, an amount of Rs 301,336 was outstanding against a contractor of car parking at Lahore Railway Station for the period from 01.01.1999 to 31.08.1999 @ Rs 452,000 per annum.

The PAO informed that a committee comprising Deputy Director (Vigilance) and Engineer-I has enquired the matter, progress of enquiry and status of recovery will be informed to Audit.

SUB COMMITTEE DIRECTIVE

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

COURT CASES

19. i) Para No 6(a)- 998-99

FRAUDULENT DRAWAL OF COMMUTATION/GRATUITY AMOUNTING TO RS 4.323 MILLION.

ii) Para No-6(a -T9)98-99

EMBEZZLEMENT OF RS 1:621 MILLION.

iii) Para No 6(f)(3 19) 98-99

LOSS OF RS 11.835 MILLION DUE OF DEFECTIVE/BROKEN DEMURRAGE CHARGES ETC AND COST OF DEFECTIVE/BROKEN TIMBERS

SUB COMMITTEE DIRECTIVE

The Sub Committee pended the above three (3) paras till the court decision and directed the PAO to pursue the case in the court of Law vigorously.

SPECIAL AUDIT REPORT 'BLOCKAGE OF CAPITAL DUE TO EXCESSIVE PROCUREMENT OF MATERIAL IN CARRIAGE & WAGON SHOPS'

20. i) Para-1-1998-99

EXCESSIVE PURCHASE OF SPOKNAL VALUING OF RS.4.965 MILLION

ii) Para-2-1998-99

PROCUREMENT OF S.S. ROUND THAN REQUIRED LENGTH RESULTING IN LOSS OF RS.0.854 MILLION.

iii) Para-8-1998-99

UN-NECESSARY BLOCKAGE OF CAPITAL DUE TO NON-ISSUE OF MATERIAL.

iv) Para-9-1998-99

BLOCKAGE OF CAPITAL DUE TO NON-UNILIZATION OF ROLLER BEARINGS AND ZINK SHEETS.

- v) **Para-10-1998-99**
ISSUANCE OF MATERIAL TO VARIOUS SHOPS ON LOAN BASIS
VALUING THORUSANDS OF RUPEES.

SUB COMMITTEE DIRECTIVE

The Sub Committee recommended the above Five (05) Paras for settlement subject to verification of record by the Audit.

21. i) **Para-3- 1998-99**
UN-NECESSARY PURCHASE OF SEWING MACHINES JUKI CAUSING
BLOCKAGE OF CAPITAL VAUING RS. 0.162 MILLION.
- ii) **Para-4-1998-99**
EXCESSIVE PURCHASE OF MATERIAL VALUING RS. 0.474 MILLION.
- iii) **Para-5-1998-99**
BLOCKAGE OF CAPITAL AMOUNTING TO RS. 4.355 MILLION.
- iv) **Para-6-1998-99**
INFRUCTUOUS EXPENDITURE ON PROCUREMENT OF MATERIAL
VALUING RS. 0.491 MILLION.
- v) **Para-7-1998-99**
BLOCKAGE OF CAPITAL DUE TO EXCESSIVE PROCUREMENT OF
WHEEL ROUGH BORE AMOUNTING TO RS.0.562 MILLION.
- vi) **Para-11-1998-99**
BLOCKAGE OF HUGE AMOUNT DUE TO MATERIAL LYING
UNUTILIZED.

SUB COMMITTEE DIRECTIVE,

The Sub Committee recommended the above six (06) Paras for settlement on the recommendation by DAC.

SPECIAL AUDIT REPORT 'DIESEL SHOP KARACHI CANTT.'

22. i). **Para-1-1998-99**
OVERALL WORKING OF THE SHOP
- ii) **Para-2- 1998-99**
LOSS OF RS. 10.675 MILLION DUE TO LATE AND DEFECTIVE RECEIPT
OF D.E. LOCOS.
- Para-3-1998-99**
LOSS OF RS. 20.685 MILLION DUE TO EXCESSIVE IDLENESS OF D.E.
LOCOS.

- iv) **Para-4-1998-99**
LOSS DUE TO NON-REPAIRING OF 17 HELD UP D.E. LOCOS.
- v) **Para-5-1998-99**
LOSS OF RS. 807.396 DUE TO UNNECESSARY PURCHASE OF ULTRASONIC CLEANING MACHINE.
- vi) **Para-6-1998-99**
LOSS OF RS. 18.022 MILLION DUE TO UNNECESSARY PURCHASE OF SPARE PARTS OF TURBO SUPERCHARGER.
- vii) **Para-7-1998-99**
IRREGULAR PAYMENT OF RS. 0.383 MILLION ON T.A.
- viii) **Para-8-1998-99**
LOSS OF RS. 2.088 MILLION DUE TO EXCESSIVE UTILIZATION/FAILURE OF PISTON.
- ix) **Para-9-1998-99**
164 TRACTION MOTORS LYING UNDER REPAIR FOR THE LAST 2 TO 3 YEARS.

SUB COMMITTEE DIRECTIVE

The Sub Committee pended the above nine (09) Paras for pursuing at the DAC level.

ANWARUL ISLAM HAQQIE
Section Officer/Secretary Committee

SYED FAYYAZ HUSSAIN SHAH
WAZIR

Joint Secretary (PAC)

SHARIFULLAH KHAN

Additional Secretary (PAC)

MS. SHAHIDA AKHTAR ALI
MNA/Convener Sub-Committee (PAC)