PERFORMANCE AUDIT REPORT
ON PAKISTAN RAILWAY
ADVISORY & CONSULTANCY
SERVICES (PRACS) LTD.
PAKISTAN RAILWAYS
AUDIT YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACMA	Associate Cost and Management Accountant
BMR	Balancing, Modernization and Rehabilitation
BOD	Board of Directors
BTO	Bogie Tank Oil
CA	Chartered Accountant
CBA	City Booking Agency
CCM	Chief Commercial Manager
CFO	Chief Finance Officer
CIA	Chief Internal Auditor
DAC	Departmental Accounts Committee
DD	Deputy Director
ED	Executive Director
F&A	Finance and Accounts
FA&CAO	Financial Advisor and Chief Accounts Officer
HR	Human Resources
INTOSAI	International Organization of Supreme Audit Institutions
MD	Managing Director
MOA	Memorandum of Association
MOD	Ministry of Defense
NOC	No Objection Certificate
PAO	Principal Accounting Officer
PBU	Passenger Business Unit
PPRA	Public Procurement Regulatory Authority
PPS	PRACS Pay Scales
PR	Pakistan Railways
PRACS	Pakistan Railway Advisory and Consultancy Services
PTCL	Pakistan Telecommunication Corporation Limited
RMP	Registered Medical Practitioner
SECP	Securities and Exchange Commission of Pakistan
SRO	Saudi Railway Organization
ST	Sales Tax

PREFACE

The Auditor-General conducts audits of companies and corporations established in the public sector subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with section 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The audit of Pakistan Railway Advisory and Consultancy Services (PRACS) Ltd., a subsidiary of Pakistan Railways was carried out accordingly.

The Directorate General Audit Railways conducted Performance Audit of PRACS during audit year 2012-13 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspect of the company. In addition, Audit also assessed, on test check basis in general and detailed examination of some particular areas, whether the management complied with applicable laws, rules and regulations in managing the company affairs. This Performance Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the company. Most of the observations included in this report have been finalized in the light of discussions in the DAC meeting.

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

Muhammad Akhtar Buland Rana
Auditor-General of Pakistan

Dated:19.05.2015

EXECUTIVE SUMMARY

Director General Audit Railways conducted Performance audit of Pakistan Railway Advisory and Consultancy Services (PRACS) Ltd. in April/ May 2013. The main objectives of the audit were to measure the performance of the company against 3 Es (Economy, Efficiency and Effectiveness).The audit was conducted in accordance with the INTOSAI Auditing Standards.

As a result of this audit, certain instances of non compliance with rules/regulations were also observed. Major findings of the audit are mentioned below:

Organization and Management

Personnel management including recruitment and performance measurement was observed as the weakest area of PRACS' management. The company suffered from substantial financial losses due to non formulation of sanctioned strength of company's regular departments, irregular appointment of a retired Govt. officer as Director Finance & Accounts, appointment of personnel without advertisement, selection criteria and recommendation of the selection committee e.g. Deputy Director/Legal and Advisor Marketing etc., unauthorized retention of staff relating to defunct departments of the company and irregular appointment of personnel engaged in the contracts of Saudi Arabia.

Financial Management

Financial indiscipline was also extensively observed in certain areas of the company; it included: non implementation of recommended management controls; non preparation of budget and allocations; wasteful expenditure on a project regarding rehabilitation of 96 locomotives of Pakistan Railways due to improper planning; irregular/unjustified expenditure on account of Medical Reimbursement, Travelling/Daily Allowances etc.; non recovery of temporary advances to employees; delay in claim of Sales Tax refund etc.

Procurement and Stores

The company remained non compliant with PPRA rules in many procurement cases. It lost Rs. 6.745 million approximately due to hiring and furnishing of a costly bungalow at Islamabad without following the PPRA rules.

Effectiveness of Consultancy Services

The consultancy contract with PR, regarding investigation of ten damaged bridges of Pakistan Railways over Sibi-Khost Section remained unfinished since 2009. The company earned a profit of Rs. 28,975 only with an expenditure of Rs. 1,283,525 during 2010-11.

The company inappropriately entered into a consultancy contract with PR for maintenance, overhauling and operation of 300KVA power vans for which it had no in-house facilities. Therefore, the company sublet the whole work to a third party M/S Hi-tech Network (Pvt.) Ltd.; whereas, subletting was not allowed under agreement with PR.

Asset Management

M/S PRACS did not maintain the Fixed Assets Register as per prescribed format, which exposed a risk of loss to assets worth Rs. 37.977 million. Transport Monetization Policy was adopted by the company just for the monetary benefit of B-20 and above officers; however, two vehicles were permanently disposed off under this policy which was not approved by the BOD.

Cost Benefit Analysis

The cost/benefit analysis of company’s operating activities revealed some alarming results. It was found that due to operational inefficiency and improper control over expenditure, the company suffered from an aggregate loss of Rs. 48.533 million in six activities during previous three financial years; however, loss under individual sub activities stood much higher. It sustained financial loss of Rs. 122.786 million from “Train Management of Fareed Express”. Moreover, the company was not following a rational mechanism of recording the Direct

Expenses of operating activities; Rs. 14.248 million were pointed out as irrelevant to “Hazara/ Rohi Express, which eventually resulted into inflated expenses and less operating surplus. The company did not properly plan the consultancy contracts at Saudi Arabia which resulted into net loss of Rs. 11.037 million up to 31.12.2012.

Recommendations

It is recommended that,

- All illegal and unauthorized appointments may be undone besides devising a transparent strategy to comply with rules/regulations regarding appointment of personnel and awarding them for outstanding performance
- All undue/unauthorized payments must be recovered from concerned employees otherwise fix responsibility and recovery be made from the officials held responsible
- Annual budget and appropriations be prepared besides observing financial propriety in making day to day expenditure
- PPRA rules must be followed in all procurements besides adopting an effective control mechanism to avoid unjustified procurements/acquisitions
- Inappropriate entry into rehabilitation/consultancy contracts without having capacity should be strictly avoided
- All applicable rules/regulations in respect of assets management should be observed in true letter and spirit besides maintaining proper log books in respect of staff cars
- The company should go back towards its prime objectives instead of depending upon Pakistan Railways for its business by gradually shifting from current m ode of operations

1. INTRODUCTION

The Directorate General Audit Railways conducted Performance audit of Pakistan Railway Advisory and Consultancy Services (PRACS) Ltd, a subsidiary of Pakistan Railways during April/May, 2013 for the period from July, 2009 to June, 2012.

Since Pakistan Railways had been suffering from a lot of bad publicity due to its vulnerable operations, the role of PRACS in such circumstances was required to be evaluated as the later had been providing advisory and consultancy services to PR. In this context, Performance Audit of PRACS was included in the Annual Audit Plan for the audit year 2012-13 as per directives of the competent authority. The plan was duly approved by the Auditor General of Pakistan.

1.1 PRACS (The Company)

The company was incorporated on July 20, 1976 as a private limited company under the Companies Act, 1913 (now repealed and replaced by Companies Ordinance, 1984). Later on, it was converted as a Public Limited Company w.e.f. December 23, 2002. The company was primarily incorporated purely as an Advisory & Consultancy Services in the field of railway. However, after making amendments in its Memorandum of Association, it started running Railway's current reservation offices in Lahore, Rawalpindi, Islamabad and Karachi. Moreover, it also took over the activity of 'Trains Management' since 2006.

At the time of audit, the company was more than 90% dependent on Pakistan Railways for its business activities which mainly include: commission on sale of tickets of PR, consultancy services, trains management and catering etc. A little chunk of company's income comes from consultancy services to parties outside PR. However, the company could not independently provide such consultancy services, especially mechanical services without utilizing infrastructure/ workshops of Pakistan Railways.

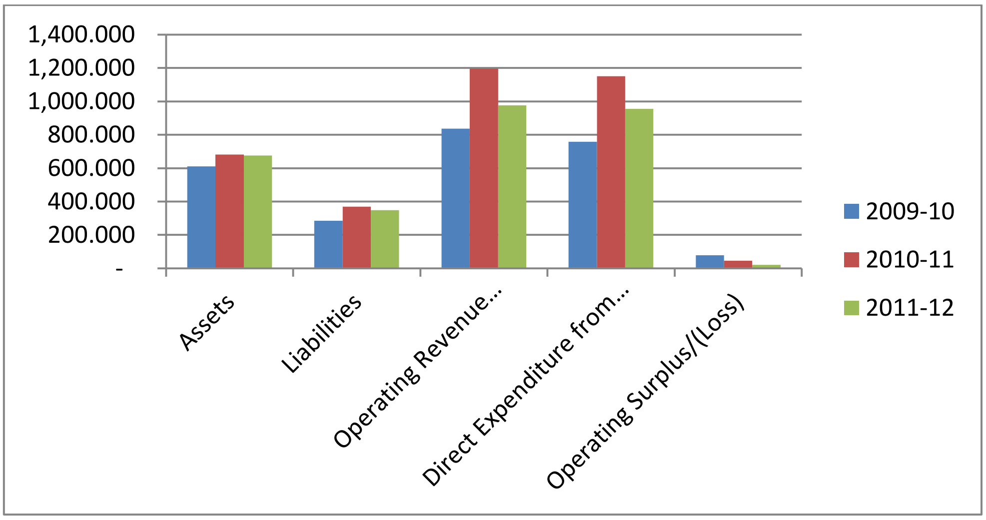
1.2 Financial Position of the Company

Following is the basic financial information for the last three years:

(Rs. in million)

Sr.#	Description	2009-10	2010-11	2011-12
1	Assets	610.616	681.522	675.535
2	Liabilities	285.379	368.769	347.965
3	Operating Revenue from all Activities	836.081	1,195.929	976.310
4	Direct Expenditure from all Activities	757.921	1,150.411	954.694
5	Operating Surplus/(Loss)	78.160	45.518	21.616

The above financial position is graphically presented as below:



The above position clearly depicts a persistent downfall in the "operating surplus" of the company during three consecutive financial years, which was mainly due to increase in direct expenditure as a percentage of operating revenue from 91% in 2009-10 to 96% in 2010-11and finally 98% in 2011-12.

2. AUDIT OBJECTIVES

The major objectives of the audit were to:

I. Review performance of the company against intended objectives, which were primarily earning of the foreign exchange by providing high quality Advisory and Consultancy Services in the field of railways in Middle East, Africa and other developing countries.

II. Assess whether company was managed with due regard to economy, efficiency and effectiveness (3Es).

III. Review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

The audit of PRACS was conducted covering the period of three financial years i.e. 2009-10, 2010-11 and 2011-12. The main reason to select three years was to measure the performance of certain operating activities of the company which were commenced during this period. In addition, a reasonable assurance was required to be obtained regarding compliance with applicable rules and regulations by reviewing the auditable record pertaining to three years.

Major locations which were visited for the purpose of this audit included: company's head office at Rawalpindi, regional/sub offices at Lahore and Reservation offices at Lahore and Rawalpindi. However, company's sub office at Karachi was not visited yet the relevant record pertaining to Karachi was made available at company's head office, Rawalpindi.

The audit was conducted to review affairs relating to all major activities of the company including, Sale of Tickets of PR, Consultancy Services, Trains Management, Catering, Marketing, Media Services etc. Therefore, no major area of company's operation was excluded.

3.2 Audit Methodology:

The audit was conducted as per following methods:

- The detail of transactions in respect of financial year 2011-12, was obtained from company's head office.
- Selected areas were scrutinized for a random selection of transactions for evaluation of internal controls. On the basis of results thereof, some areas were selected for detailed examination including the review of record from 2009-10 and 2010-11.

- For the purpose of Cost Benefit Analysis, selected operating activities, were examined in detail for the period from 2009-10 to 2011-12, to arrive at the final conclusion viz-a-viz performance objectives.
- Efficiency and effectiveness of consultancy services was assessed by scrutinizing the particular contract agreements and relevant cases.
- Key persons were interviewed at the designated locations in order to make clarifications in certain areas of company's operations.

4. AUDIT FINDINGS AND RECOMMENDATIONS

The result of Performance Audit of PRACS in respect of each significant issue was finalized in the form of audit observations. Each audit observation contained,

i. **Criteria:** what was supposed to be followed by the entity in a particular business operation
ii. **Condition:** what was actually happened in deviation from criteria
iii. **Cause:** what was the actual reason of such deviation from criteria
iv. **Effect:** what happened as a result of deviation i.e. loss suffered by the entity etc. and
v. **Recommendations:** what is recommended by the auditors to rectify the errors and deviations

Audit Findings are reported in the succeeding paragraphs.

4.1 Organization and Management

Section 7.26 of SECP's Manual of Corporate Governance states that, "The personnel within the company should have capabilities commensurate with their responsibilities. The qualification, selection and training as well as inherent personal characteristics of the personnel involved are important features to be considered in setting up any control system."

As a part of Performance Audit of PRACS, internal controls relating to personnel management were assessed. It was observed that neither a rational sanctioned strength of regular departments of the company was formulated nor any control mechanism was devised to follow the PRACS Service Rules & Regulations in respect of appointment/selection of suitable candidates. It was also observed that job description of certain employees was not finalized. Many instances were observed in which officers/officials were appointed against no vacant posts and without being interviewed by the selection committee etc., which was a clear violation of rules & regulations of the company. Furthermore, due to non compliance with company rules, staff was benefited by excess/unjustified grant of cash awards.

In view of the foregoing circumstances, it has been ascertained that appointment of staff on some criteria other than merit, remained a threat for the company's growth and goodwill as their capabilities were not commensurate with their responsibilities. Some specific observations have been recorded in this section, which depict recurring loss to the company exclusively due to hiring of unjustified and incapable personnel.

4.1.1 Financial loss due to unsuccessful/ defective recruitment process for the post of Director Finance & Accounts – Rs 405,766

The SECP's code of Corporate Governance provides that "No person shall be appointed as the CFO (Chief Finance Officer) of a listed company unless he/she has at least five years of experience of handling financial or corporate affairs of a listed company or a bank or a financial institution"

Therefore, the criteria for the post of Director Finance were set by the company keeping in view the provisions of section 6.63 of SECP's Manual of Corporate Governance.

However, the process of recruitment against the post of Director Finance & Accounts (CFO) could not be completed despite three consecutive advertisements. Scrutiny of the case revealed that first of all in September, 2011 criterion for minimum experience was set as 15years, which remained the cause of unsuccessful process. Second time, the advertisement was published in December, 2011 by setting 7 years as minimum experience. This time, the recruitment process was completed but the candidate (already employed at another organization) was irregularly engaged without obtaining NOC from his employer. Subsequently, the incumbent left the company and his services were terminated. Third time the advertisement was made in Dec, 2012 with the same criteria as previous but the recruitment process was postponed on the directives of Chairman/Railways and a retired (BS-21) officer was irregularly engaged as Director Finance & Accounts in March, 2013.

Resultantly, the company earned a lot of bad reputation besides suffering from a financial loss of Rs. 405,766/- whose details are given in **Annexure-1.**

The matter was taken up with PRACS in May, 2013; it was replied that the retired officer was appointed as stop gap arrangement due to ban imposed by the Election Commission of Pakistan. The service contract of the officer was not being extended beyond 23rd September, 2013.

The issue was discussed in the DAC's meeting held on 5th November, 2013 wherein committee directed to get the amount regularized by the competent authority, which was not yet done.

In view of the foregoing, Audit recommends that irregular amount on account of Pay & Allowances of the officer may be regularized and the company should strictly comply with its Service Rules & Regulations in future.

4.1.2 Loss on account of salary and allowances of personnel not performing duties at PRACS – Rs. 2.539 million

Para 8, Chapter-VI of PRACS conduct Rules states that, “No employee shall bring or attempt to bring political or other outside influence, directly or indirectly, to bear on the Company or any Company’s employee in support of any claim arising in connection with his employment as such, nor shall any employee approach, directly or indirectly, any member of the National or Provincial Assembly for drawing any favour, privilege or benefits.”

Contrary to above, it was observed that six employees of PRACS having their affiliations with the Ex-Federal Minister for Railways were not performing their actual duties. Neither they used to attend the office nor did they perform any duty for the purpose of company’s business. It was stated that all six employees were attached with the Ministry of Railways.

In view of the foregoing facts, it is assumed that these employees had used political influence at the time of their appointment and subsequently escaping from their own duties.

Consequently, the company had borne a loss of Rs. 2.539 million on account of Pay & Allowances of said employees due to undelivered services. However, other monetary benefits like TA/DA, re-imbursement of medical expenses, honorarium etc. could not be worked out except repair & maintenance of an official vehicle, which was being used by these employees at MoRs, Islamabad. Detail is given at **Annexure 2.**

The matter was taken up with PRACS in May, 2013; it was replied that the PRACS, being subsidiary of Railways, had to regularly remain in touch with Federal Minister for Railways, Secretary / Chairman and other Ministry officials. The officials mentioned by audit were on the pay roll of PRACS but working in the Railway Ministry in the interest of the company. While sitting in the Railway Ministry, they were performing duties for the company.

The issue was discussed in DAC's meeting held on 5th November, 2013 and directed the PO to absorb said employees in the Ministry of Railways and no further payments should be made on this account and got verified by audit. During audit verification no change in the status of the observation was found on record.

The DAC's directives should immediately be implement besides strictly avoiding from such practices in future.

4.1.3 Loss due to retention of staff posted in loss making departments of the company - Rs. 2.798 million per annum

Decision (ii) taken on agenda item No. 3 in the meeting of PRACS' Board of Directors dated: 24.11.2011 reveals that, "it was decided to wind up all loss making concerns such as Marketing, Business & Tourism and Media Services."

However, it was observed that, the above decision of the BOD was not practically implemented up till April, 2013 (the date of inspection). Some officers of the Marketing Department who were on transfer from PR were transferred back but Marketing Advisor along with his driver and Naib Qasid was still there without any justification. Similarly, Business & Tourism department under Joint Director was also being operated unjustifiably. Another unjustified Legal department was also observed which was established to accommodate a person as Deputy Director Legal. Further investigation revealed that these officers were also provided with official vehicles along with all perks etc.

The personal files of aforementioned officers along with our observation regarding "Unauthorized participation of PRACS employees in politics" clearly show that said personnel were engaged in the company due to political influence of Ex Railway Minister.

Unjustified operating of abovementioned undesired sections/departments of the company had been causing huge financial loss to the company. The company suffered from a loss of Rs. 2,797,644 per annum on account of pay & allowances in this regard as shown in **Annexure-3**. Loss due to misuse of official vehicles and other utilities could not be worked out at present which would also be a substantial amount.

The matter was taken up with PRACS in May, 2013, who replied that, the appointment of Marketing Advisor, Dy-Director/legal and Joint Director/ Business Development (JD/BD) were purely on merit basis. Before their appointment in the organization they were thoroughly interviewed by the MD/PRACS and then hired. Their qualification and job experience was as per requirement of the company. Further, the JD/BD and Marketing Advisor were availing these privileges as per the company rules and regulations; whereas, DD/Legal was not availing any kind of company privileges/Perks etc.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein it was directed to submit detailed reply with progress to audit. However, during audit verification no change was found in the status of the audit observation.

It is recommended by the Audit to immediately wind up loss making departments as per decision of the BOD besides surrendering of the surplus staff.

4.1.4 Irregular appointment of personnel sent to Saudi Arabia on contracts - Rs 27.450 million (1.177 million Saudi Riyals).

Para 1, Chapter-II of PRACS Service Rules and Regulations states , "Retired Railway employees, if required to be hired against project posts, shall be hired only against specified and defined projects on lump sum pay."

It was observed that thirteen (13) persons were sent to Saudi Arabia during 2011-12, through "associate agreements" with Saudi companies in respect of their lead contracts with Saudi Railway Organization (SRO). It was found that personnel so engaged for Saudi Arabia were either serving Railway Officers on transfer to PRACS or retired railway officers employed at PRACS on contract basis. Their engagement in Saudi projects, without cancellation of previous contracts was absolutely unjustified and irregular. Moreover, it was also observed that only one page 'offer of appointment' was made in each case wherein, duties and responsibilities were not confirmed. These engagements were made without advertisement, selection criteria and any recommendations of the selection committee. Their compensation packages were also fixed in Saudi Riyals (SAR) at extraordinary higher rates along with perks like food, medical, accommodation, travelling etc. The total amount of initial contracts was SAR 1,176,800 (equivalent to Rs. 27,447,230 @ Rs. 23.323/1SAR) as shown in **Annexure-4**.

It was evident that irregular engagement of personnel on Saudi contracts was mainly due to favoritism; therefore, above mentioned rules and regulations of the company were seriously violated. Resultantly, the company remained non-compliant with rules/regulations besides incurrence of unauthorized expenses and eventually overall loss in all four contracts on aggregate basis.

The matter was taken up with PRACS in May, 2013, who replied that, PRACS adopted the most practical, feasible and fair method to select the staff from the available list of experts on their record who had applied and shown their willingness to work on PRACS projects abroad, without any favoritism, list of engineers so selected carried the approval of the competent authority i.e. M.D. Personnel sent abroad were given salary and other benefits approved by the competent authority. Moreover, it was incorrect to say that company remained in loss in 4 projects; rather it earned profit of Rs. 4,920,668.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO that rationale of criteria and selection justification be got verified from audit. However, no documentary evidence was provided to audit at the time of verification.

In view of the above circumstances, it is recommended to,

- Explain the reasons for un-authorized engagement of personnel for Saudi Arabia
- Fix the responsibility and recover the unauthorized payments on account of pay & allowances, perks etc.
- Strictly avoid irregular appointments in future.

4.1.5 Unauthorized excess grant of honorarium – Rs. 215,778.

Para (3), Chapter-III of PRACS Service Rules provides, “Honorarium to any employee may be granted up to one month’s basic pay”.

Contrary to above, it was observed that Cash Award (Honorarium) in respect of 15 Nos. Bogies Tank Oil (BTOs) for Sri Lanka Project was granted to PRACS employees (Officers & officials) at the rate of one month’s Gross Pay instead of Basic Pay.

Evident from the above facts, rules regarding grant of honorarium were not kept in view while making sanction of expenditure in this regard. Therefore, an amount of Rs 215,778/- was paid in excess than the due amount which was unauthorized and recoverable from the said employees as per detail given in **Annexure-5.**

The matter was taken up with PRACS in May, 2013; it was replied that no honorarium was granted to officers and officials. However, Special Award equal to one month’s Gross Pay was granted by MD/PRACS for which he was fully competent.

The matter was discussed in the DAC’s meeting held on 5th November, 2013 wherein the committee directed the PO that excess amount be got recovered and compliance be intimated to audit. However, during audit verification no recovery was found to be made.

It is recommended that DAC’s directives be implemented as per following course of action:

- explain the reasons for not observing the rules/regulations

- recover the amount from the salaries of employees or recovery of excess payment be made from the sanctioning authority

4.1.6 Unauthorized award of honorarium to Directors – Rs. 950,000

The rates of remuneration of company's Directors for attending each meeting of the Board of Directors were provided vide Chapter-VIII of PRACS Service Rules & Regulations provides as ranging from Rs. 3,000/- to Rs. 3,500/-

Moreover, section 197-A of Companies Ordinance 1984 states, "(1) Notwithstanding anything contained in this Ordinance, a company shall not distribute gifts **in any form** to its members in its meeting (2) If default is made in complying with this section, the company and every officer of the company who is a party to the default shall be liable to a fine not exceeding five hundred thousand rupees."

Contrary to above, while reviewing the cases of Honorarium, it was observed that instead of paying remuneration at applicable rates, each Director was paid Rs. 55,000/- in one meeting dated 28th July, 2010 and Rs. 25,000/- each for attending the BOD's meetings held on 24th November, 2011 and 2nd January, 2012. In this way a total amount of Rs. 950,000 was paid to Directors as gifts in the form of hard cash in just three meetings. This state of affairs was clear violation of above mentioned service rules of the company as well as Companies Ordinance 1984.

Moreover, evidence of disbursement was not clearly recorded, as the amount was paid through crossed cheques to Deputy Director/Finance & Accounts in the former case and in the later two cases, to Secretary PRACS.

Presentation of gifts (in the form of cash) to Directors, deemed to affect the decision making process that was highly undesirable. Therefore, the company suffered a loss of Rs. 0.95 million due to unauthorized presentation of honorarium to Directors, as shown in **Annexure-6**.

The matter was taken up with PRACS in May, 2013; it was replied that honorarium was paid with proper approval of the competent authority and no irregularity was committed. It was also apprised that remuneration of Directors had been fixed at Rs 5000/- each by BOD in its meeting held on 22.11.2012.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein the committee recommended the para for settlement subject to verification by audit. However, during audit verification no documentary evidence regarding revision of remuneration was produced to audit.

In the light of above facts, Audit recommended to

- explain the reasons for unauthorized grant of honorarium to Directors
- fix the responsibility and recover the amount from officers held responsible
- strictly comply with the rules and regulations in future

4.2 Financial Management

Section 7.25 & 7.26 of SECP's Manual of Corporate Governance speaks about "management Controls" to achieve the entity's specific objectives. It is stated that "The management should exercise controls outside the day-to-day system. Such controls include **the review of management accounts and comparison thereof with budgets, the setting up of an effective internal audit system and other special review procedures**."

Abovementioned management control procedures as adopted by the company were assessed and as a result thereof, it was observed that management controls were not being exercised in their true spirit. A comparison of the desired procedures with actual condition prevailing in the company revealed that Management Accounts i.e. Cash Flow, Income Statement and Balance Sheet were not being prepared and reviewed by the managers for taking short term decisions; budget was never prepared for company's expenditure. Moreover, no internal audit function was found besides lack of "special reviews" except in critical cases only.

In the absence of recommended set of internal control procedures, the chances for undue payments, fraud, misappropriation, errors and omissions in the accounts, wrong booking of expenditures/income etc. were maximized. The instances pointed out in this section, clearly indicate the effect of evasion from an effective internal control environment which ultimately put the company under huge financial losses.

4.2.1 Wasteful expenditure on the project regarding rehabilitation of 96 locomotives without finalization of credit facilities – Rs. 9.226 million

Para 807(i) of the State Railway General Code provides, "Every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money."

M/S PRACS entered into Balancing, Modernization and Rehabilitation (BMR) Arrangement Agreement on 22nd November, 2012 with Pakistan Railways in respect of 96 locomotives of PR. The context of the case revealed that the Government of Pakistan desired in December, 2010 to make Pakistan Railways viable through its corporate powers and Ministry of Finance was advised to provide necessary funding to Pakistan Railways. It was decided that rehabilitation of obsolete locomotives was vital for revival of PR which would be carried out by PRACS after securing private loans to be arranged from commercial banks. Ministry of Finance, Govt. of Pakistan and National Bank of Pakistan showed their interest to arrange and secure loan of Rs. 6.1 billion for this purpose. However, M/S PRACS started incurring expenditure on the said project by deputing officers and other staff, much earlier than the date of agreement and also without ensuring the availability of funds.

Later on, due to unsound financial credibility of Pakistan Railways and PRACS as well, NBP refused to arrange the requisite funds (loan of Rs. 6.1 billion) in March/April, 2013 and project was stopped after incurring whole wasteful expenditure of Rs. 9.226 million as shown in **Annexure-7**.

The expenditure was incurred on the project with the assumption that funds would be arranged by NBP. Therefore, personnel were deputed on the said project besides utilizing "Procurement Department" of the company for issuing tenders and managing proposed procurements for rehabilitation of locomotives.

In view of the foregoing facts, it was evident that the company had been earning a lot of bad publicity due to its dependence on Pakistan Railways due to which NBP remained unable to arrange requisite funds from private investors. Resultantly, PRACS lost Rs. 9.226 million by incurring expenditure on the project without any monetary return.

The matter was taken up with PRACS in May, 2013; it was replied that the project was shelved and staff surrendered to Pakistan Railways. As to project of rehabilitation of locomotives, there was no loss, since

Rs 9.226 million were booked to PR as per terms & conditions of BMR agreement.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein committee recommended the para for settlement subject to verification by audit. However, no documentary evidence was provided to audit at the time of verification.

In the light of above mentioned facts, it is recommended to

- Explain the reasons for starting the project much earlier than the approval of loan
- Avoid such mismanagement in future

4.2.2 Non recovery of temporary advances leading to temporary misappropriation – Rs. 3.750 million.

Para 16, Chapter-III of PRACS Service Rules & Regulations provides that M.D may sanction temporary advances to its regular employees which would be paid against collaterals as may be prescribed by the management, but not less than a markup of 5% per annum.

It was observed that certain employees (Railway officers on transfer as well as regular PRACS employees) were granted temporary advances for official purpose without any collateral. Total outstanding advances to employees as on 31st March, 2013 were recorded as Rs. 3.750 million; out of which Rs. 1.977 million were more than one year old as detailed in **Annexure 8**.

Reportedly, those advances were granted to employees for official use which were subject to adjustment by the accounts department after the object of procurement had been acquired and invoices may be duly provided. However, there was no provision of such advances in the company's rules. Unrecovered temporary advances led towards temporary misappropriation in the short run and bad debts in the long run, as some officers had left the company without repayment of such advances.

The matter was taken up with PRACS in May, 2013; it was replied that:

i. All advances were sanctioned for official use by the competent authority and were adjusted from time to time.

ii. As for late adjustment of advances was concerned, letters had been issued to all concerned to clear outstanding balances.

iii. An amount of Rs 1.185 Million advance had been recovered out of total of Rs.3.750 Million.

As such recovery of 5% mark up was concerned the amount was not sanctioned as loan.

The reply of management was not convincing; as there was no provision of such advances in the company rules.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein committee directed the PO that latest position of recovery be got verified from audit. During audit verification, out of Rs.3.750 million an amount of Rs 10,960/- only was verified and balance amount was yet to be adjusted/ recovered. No documentary evidence regarding recovery of balance amount was provided to audit.

In view of the above condition, it is recommended to,

- Explain the reasons for mismanagement on account of advances
- Fix the responsibility and recover the amount after imposing mark up @ 5% per annum
- Discontinue the practice of official advances henceforth and make the payments to bona-fide payees/vendors only.

4.2.3 Unjustified expenditure on a tour of Saudi Arabia – Rs. 899,455

Para 807(i) of the State Railway General Code provides “Every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.”

Contrary to above, it was observed that an expenditure of Rs. 899,455/- was incurred by the Executive Director, Engineering & Consultancy along with the Deputy Director/Civil on a tour of Saudi Arabia. Initially, an advance of Rs.600,000/- was sanctioned by MD/PRACS in favor of ED/E&C on his request to visit Saudi Arabia. Notwithstanding the fact that at the moment, there was no Saudi Arab project in hand, the whole expenditure was charged to “Saudi Arab Project”

The facts of the case revealed that, PRACS along with a Saudi Company had jointly participated in a bid regarding a project of Saudi Railway Organization (SRO). Subsequently, due to high quoted prices, the Saudi Company could not win the contract and therefore, ED/E&C made a proposal to visit Saudi Arabia in order to make a deal with winning Saudi Company to get some share of consultancy work from them. Reportedly, they succeeded to make an agreement with Saudi Company regarding supply of manpower for SRO Projects.

In view of the above facts, it is evident that M/S PRACS incurred Rs. 0.90 million which was a substantial amount, just in anticipation of getting some share of work. The Cost Benefit Analysis of consultancy work at Saudi Arabia revealed that M/S PRACS did not make feasibility reports in any Saudi Consultancy work; therefore net loss of Rs. 11.037 million was sustained by the company up to December, 2012. It was ascertained that the entry into Saudi Arab was not viable.

The matter was taken up with PRACS in May, 2013; it was replied that the tour to Saudi Arabia was performed to explore the opportunities for PRACS in the railway development projects of the Saudi Railway Organization. The main objective of visit was to introduce PRACS to different companies engaged in consultancy and constructions so as to achieve some projects, which was a normal way of business development and marketing. The visit was not meant for participating in any bid. As a result of this three Saudi companies approached PRACS during 2011 to associate with them in four (04) projects.

It was also replied that PRACS earned a profit of Rs. 4.92 million from these projects which was made possible only due to visit of Saudi Arabia and that could not be done through other sources of communication.

The reply of the management was not in harmony with the accounting statements of the company, which clearly exposed the loss as stated above. Therefore, making profit from these projects was wrongly conceived by the Engineering Department of the company

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein committee directed the PO to provide need and outcome of expenditure to audit for verification. During audit verification no documentary evidence was provided to audit.

In the light of above mentioned facts, it is recommended to

- explain the reasons of sanctioning unjustified expenditure
- responsibility be fixed and recover the amount from officers held responsible
- henceforth, proper feasibility report be prepared and got approved in respect of each consultancy work

4.2.4 Irregular re-imbursement of medical expenditure - Rs. 509,566

Para 7 of Chapter-V "Medical Attendance Rules" of PRACS stipulates that, "The employees shall avail consultation for normal ailments from an RMP without payment of fee. Such RMP will also recommend consultation of a specialist if necessary and admission in a hospital if the condition so warrants. The fees paid in such cases shall be reimbursed within the provisions of paras 1 & 3."

Moreover, Para 15 provides that, "each employee shall submit declaration showing the members of his family, who are dependent on him."

It was observed that re-imbursement of medical charges was made to PRACS employees posted at head office, Rawalpindi without observing the concerned Medical Attendance Rules. In most of the cases, prescription of RMP was not available. Employees used to avail private medical treatment without obtaining advice and consultation from authorized Govt. hospitals as provided vide Para 8 of the ibid rules. Moreover, declaration of dependent family members was never obtained from any employee of the company which was obligatory in terms of above cited rules.

The main cause of irregular expenditure was improper control over expenditure and non observance of rules/regulations. Therefore, the company made irregular reimbursement of medical expenses amounting to Rs. 0.51million as per details given in **Annexure 9**.

The matter was taken up with PRACS in May, 2013; it was replied that the payment was made with proper approval of the competent authority and no irregularity was committed. It was apprised that the management had circulated instructions, laying down special guidelines, for reimbursement of claims as pointed out. Again letter was circulated that each employee would again submit declaration showing the members of his family, who were dependent on him.

The matter was discussed in DAC's meeting held on 5th November, 2013 wherein committee recommended the para for settlement subject to verification by audit. During verification the details of dependants of employees along with other necessary instructions was not found on record.

It is recommended that

- responsibility be fixed for non observance of company rules/regulations
- regularize the expenditure by providing requisite documents; otherwise recovery be made from responsible persons
- avoid recurrence of such irregularities in future besides adopting the Medical Reimbursement procedure of the Federal Govt.

4.2.5 Irregular/unauthorized payment on account of re-imbursement in lieu of privilege passes - Rs. 221,090

Privileges of passes and PTOs according to Railway Pass Rules in the shape of rail tickets or equivalent air passage for the railway officers posted in PRACS on transfer has been provided vide para 4(iv) of Chapter-II of Service Rules of PRACS. Further, it is also provided vide para 15 of chapter-V that each employee shall submit declaration showing the members of his family, who are dependent on him.

Contrary to above, it was observed that certain Railway officers posted in PRACS (on transfer) had been regularly enjoying the reimbursement of train fare in lieu of privilege passes. In many cases, reliable evidence regarding performance of journey was not available. Moreover, declaration showing the dependent family members was also deficient in the personal files of concerned officers. It was also observed that Railway pass rules were also ignored while debiting the privilege passes for re-imbursement of dependent family members' fare. Further, By Road claims were also entertained; whereas, By Road claim was not covered under ibid rules.

Consequent upon examination of all selected cases, it was ascertained that due to an arrogant influence of railway officers on company staff, the above said rules were being violated. Therefore, an amount of Rs 0.22 million was irregularly reimbursed in favor of officers as detailed in **Annexure 10**.

The matter was taken up with PRACS in May, 2013; it was replied that the payment was made with proper approval of the competent authority within approved quota of privilege passes and no irregularity was committed. Declaration of dependants of officers/ staff had been obtained that could be verified.

The issue was discussed in the DAC's meeting held on 5th November, 2013 and DAC recommended the para for settlement subject to verification of reply by audit. At the time of verification no such record regarding dependents of employees was produced to audit.

It is recommended that,

- responsibility be fixed for irregular authorization of expenditure on account of reimbursement of train fare,
- recovery be made from the responsible officers/staff,
- recurrence of such irregular practice be avoided in future.

4.2.6 Unauthorized expenditure on account of air travelling of the family of ex-Managing Director, PRACS – Rs. 102,542

Para 807 (2) of State Railway General Code provides, "No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage."

Further, Chapter-II (para 4 (IV)) of PRACS service rules give the provision of privileges of passes & PTOs in the shape of rail tickets or equivalent air passage for the railway officers posted in PRACS on transfer.

Contrary to above rules, MD/PRACS sanctioned expenditure of Rs. 0.10 million on the Air Tickets of his wife. Neither the passes/PTOs were accounted for, nor the train fare as applicable at that time was considered and full amount of Air Tickets was paid by the company. Therefore, Rs. 75,482 was paid in excess when compared with the train fare. Detail is shown in **Annexure 11**.

The Managing Director did not follow the above mentioned rules while sanctioning the expenditure in his own benefit. Moreover, para 4 (IV) of PRACS service rules was also ignored while processing the bill for payment.

The above facts revealed that the MD/PRACS mis-utilized his financial powers and drawn excess than the due amount.

The matter was taken up with PRACS in May, 2013; it was replied that these amounts were sanctioned by the competent authority.

The issue was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO to recover the amount and got verified by audit. During audit verification no recovery was found to be made.

It is recommended that

- total amount of Rs 75,482/- should be recovered from the concerned officer
- cannons of financial propriety i.e. control over expenditure must be observed in true spirit.

4.2.7 Recoverable amount due to errors in calculation of paid vouchers – Rs 57,400

Section 7.26 of SECP's Manual of Corporate Governance recommends Arithmetical and Accounting controls as, "There should be controls within the recording function to check that the transactions to be recorded and processed have been authorized, that they are complete and that they have been correctly recorded and accurately processed. Such controls include **checking the arithmetical accuracy of records** and maintenance of reconciliation, control accounts and trial balances."

Contrary to above, while examining the arithmetical accuracy of selected paid vouchers, it was observed that some vouchers were processed without ensuring their arithmetical accuracy in respect of supporting schedules. These include (i) wrong payment of Rs. 46,400/- vide voucher No.BP-RWP-119-Sep11 dated: 24.09.2011 (ii) undue payment of Rs. 5,000/- vide voucher No. BP-RWP-105-Mar 12 dated: 20.03.2012 and (iii) excess payment of Rs 6,000/- vide voucher No. BP-RWP-40-Sep 2012 dated: 08.09.2012. Detail is given in **Annexure 12**.

Due to non implementation to above mentioned "Arithmetical and Accounting controls, the errors/omissions were committed while processing the payments.

In view of the foregoing facts, the overpayment of Rs. 57,400/- was made to employees.

The matter was taken up with PRACS in May, 2013; it was replied that that all payments for item (1) & (2) were made after ensuring complete formalities. As to item (3), it was admitted that there was a difference of Rs.6,000 in calculation as a clerical mistake. (3,000 Fuel Expenses and Rs.3,000 Driver Salary). Concerned officer had been requested to refund excess paid amount.

The issue was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO to recover the amount and got verified by audit. However, during audit verification no recovery was found to be made.

In the light of above mentioned facts, it is recommended that:

- recovery of the amount be effected from concerned officers and
- implement recommended arithmetical and accounting controls in order to ensure correct payments and their proper accounting.

4.2.8 Suspected loss of revenue due to delay in claim of sales tax refund – Rs. 5.00 million approximately

As per rules of the Federal Board of Revenue, all registered taxpayers having business activity of 'manufacturer-cum-exporter' can apply for refund of Sales Tax.

However, it was observed that 15 No. BTOs (Bogies Tank Oil) were manufactured for Sri Lankan Railways. For this project a heavy quantity of material was locally procured contributing a substantial amount towards Sales Tax on such local purchases. The GST paid on the local purchase for exported BTOs was refundable under DTRE No. LHR/3738/23062010. However, the company did not timely claim this refund and later on the revision in Sales Tax Return, the claim became time barred.

The matter was taken up with PRACS in May, 2013; it was stated by the Secretary PRACS that due to non receipt of Sales Tax Invoices from the suppliers, refund could not be claimed timely. However, it had been ascertained that the company did not adopt the Sales Tax withholding procedure as per Sales Tax Special Procedure (Withholding) Rules, 2007. If the due procedure had been adopted, the company could have claimed the refund well in time.

The issue was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO to follow up the matter with FBR and latest position be got verified by Audit. During audit verification, no progress in the matter was observed.

In the light of above circumstances, it is recommended that responsibility be fixed for such mismanagement besides expediting the case with FBR to get the substantial revenue for the company

4.3 Procurement and Stores

The financial propriety as envisaged in Pakistan Railway General Code obliges the public officers while incurring the expenditure from government revenues, to exercise the same vigilance as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Moreover, the Public Procurement Regulatory Authority (PPRA) has issued the governing rules for public procurements which are applicable to Government owned corporations and subsidiary companies as well. Therefore, M/S PRACS also adopted the Public Procurement Rules (PPRs) in 2009.

However, during Performance Audit of the company, it was observed that PPRs were not practically adopted by the company. It was observed that annual procurement plan as per guidelines of PPRs was never chalked out resulting into procurement of taxable goods from unregistered vendors. Another considerable instance of non compliance with PPRs was, acquiring and furnishing a very costly bungalow for the purpose of “Rest House” causing huge financial loss to the company in just one year.

Some observations including those mentioned in the above paragraph, have been included in this section, which clearly elaborates the condition of the company as non-compliant with aforementioned rules.

4.3.1 Loss due to acquiring and furnishing of PRACS rest house at Islamabad – Rs. 6.022 million

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

Moreover, PPRA Rules are also applicable on PRACS as adopted by the company vide Circular No. O/PRACS/49/501/2001 dated 26.10.2009.

The PRACS management hired a very costly accommodation on 21-11-2009 for PRACS Rest House at Islamabad @ Rs. 95,000/-per month, for a period of one year. Just after its acquisition, the Rest House was furnished with very expensive furniture & fixtures, crockery, equipments and repair maintenance by putting aside the standards of financial propriety. Moreover, whole procurement as well as renovation was completed through a three member committee constituted on 28-12-2009, without following the PPRA rules. The furnishing of rest house was completed on 05-11-2010; amazingly when the Secretary had already informed the owner on 25-10-2010 regarding vacation of accommodation by 30-11-2010.

It was observed that the decision of BoD regarding shifting of rest house from its current location at company's head office, Rawalpindi was made on an agenda item. It stated that due to expansion of company's business, additional space was required to set up new offices at head office; therefore, rest house was required to be shifted to some rented house at Islamabad. However, it was observed that no additional section was set up in company's head office.

The rented house (rest house) at Islamabad was vacated after incurring absolutely wasteful/unfruitful expenditure of Rs. 6.022 million. The released material (furniture & fixture, equipment, crockery etc.) was trickily invoiced and transferred to Divisional Superintendent's Office, Pakistan Railway, Rawalpindi in a dilapidated condition and also short in quantity, with no monetary return. Therefore, a loss of Rs. 6.022 million was sustained by the company which is highly condemnable. Detail is given in **Annexure 13**.

The matter was taken up with PRACS in May, 2013; it was replied that Board of Directors, in meeting held on 14.11.2009 approved request of MD to hire some building at Islamabad to be used as RPACS' Rest House. House No. 17-A, street No. 29, sector F-10/1, was hired on monthly rent of Rs. 95,000/- per month with prior approval of the Chairman PRACS' Board of Directors for a period of one year. It was verifiable fact that the rent was the lowest given the locality &

accommodation. The Building was vacated on 30.11.2010. All the furniture, fixture electric items and others were handed to D.S/RWP under clear receipts and invoice amounting Rs 3,412,566/- had been received against D.S/RWP.

The para was discussed in the DAC's meeting held on 5th November, 2013 wherein committee directed the PO to justify the wasteful expenditure and got verified by audit. During audit verification justification provided was not found sound enough to incur such a heavy and wasteful expenditure.

It is recommended that:

- reasons for not complying with PPRA rules may be explained,
- fix responsibility and recover the amount from the persons held responsible
- avoid making such harmful decisions in future.

4.3.2 Unjustified expenditure on hiring of legal services - Rs 75,000

PPRA Rule 42 (b) 'request for quotations', provides that the procuring agency shall engage in this method of procurement if (i) cost of procurement is below one hundred thousand rupees (ii) the object of procurement has standard specifications (iii) minimum three quotations have been obtained and (iv) the object is purchased from the supplier (of goods/services/works) offering the lowest price.

M/S PRACS has employed a Legal Advisor on monthly Pay & Allowances who is based at Lahore office. The job description of Legal Advisor obliges him to pursue all the pending court cases.

It was observed that Legal Fee amounting to Rs. 75,000/- was paid vide voucher No.47 BP-LHR-57-Jan12 dated: 25.01.2012 in favor of M/S Aamir Basharat & Omer Law Associates for the case pending in Lahore High Court, titled 'Muhammad Khalid Bashir Etc. Vs Federation of Pakistan.

The payment of Legal Fee was unjustified due to following reasons:

a) Hiring of a Law Firm in the presence of a lucratively employed Legal Advisor is not justified

b) As a special case if a Law Firm was deemed necessary to be hired, the procurement of services was required to be made in line with above mentioned PPRA rule 42(b).

c) The legal fee was invoiced by the firm for Rs. 100,000 vide Ref. No. 9/L/12 dated: 17.01.2012; however, Rs. 75,000/- were approved by the Managing Director on 23.01.2012 without any evidence of negotiation or confirmation of the firm.

There was no satisfactory progress of the case, which showed that engagement of law firm was not justified.

It was evident from above mentioned conditions that law firm was engaged in order to facilitate the Legal Advisor who is already facilitated with handsome pay & allowances, official vehicle, perks etc.

The matter was taken up with PRACS in May, 2013; it was replied that Legal Advisor is hired by PRACS to deal with routine issues/ cases, however for some special cases services of Law Firm was hired in the case of “Mr. Muhammad Khalid Bashir etc” Vs Federation of Pakistan in the best interest of the administration.

The matter was discussed in the DAC’s meeting held on 05.11.2013 and committee settled the para subject to verification of reply by audit. During the audit verification the reply was not found to be justified.

It is recommended that:

- reasons for not complying with PPRA rules may be explained,
- fix responsibility and recover the amount from the persons held responsible

4.4 Effectiveness of Consultancy Services

The prime Memorandum of Association (MOA) of M/S PRACS was registered in 1976. It revealed that the company was principally established to perform as an Advisory & Consultancy Services. A note of the Additional Secretary, MoRs dated 26th October, 1976 stated, "The main object of the Company is to provide consultancy and advice, in the execution and operation of railway projects in Pakistan and abroad."

The consultancy work as undertaken by the company was evaluated during Performance Audit and it was observed that the company had inappropriately entered into certain consultancy contracts with Pakistan Railways (its holding organization). In fact, the company had no in-house facilities available to provide consultancy and advice in the execution of Railway projects. Reportedly, it had sublet the contracts to third parties at meager value while charging its client (PR), at very high rates in order to make profit.

This section includes a couple of observations describing the details of instances as indicated above.

4.4.1 Unfinished consultancy service to Pakistan Railways regarding investigation of ten (10) damaged bridges on Sibi-Khost section

The consultancy contract regarding "Investigation of ten (10) damaged bridges on Sibi-Khost section of Pakistan Railway, Quetta Division" was awarded to M/S PRACS by Pakistan Railways on 14.01.2009 with an estimated completion period of six months i.e. up to 30.06.2009 with a face value of Rs. 4,700,000 (4.7 million).

However, it was observed that since submission of Inception Report by PRACS on the subject study on 03.03.2009, the work was held and no further progress was noticed in the case.

It was further observed that no proper tendering procedure was followed in the subject case as the work was assigned from Ministry of

Railways without following applicable rules. Moreover, it is evident from a letter of the Executive Director/Engg. & Consultancy of PRACS dated: 04.09.2007 that PRACS being technically incapacitated to handle the subject work, had to engage competent local consultant for its assistance in the assignment. However, it was found that the local consultant was hired at a very meager cost of Rs. 400,000 only, as compared to the total face value of contract i.e. Rs. 4,700,000; therefore, competency of the local consultant remained under suspicion.

The matter was discussed with the ED/E&C, PRACS who informed that the work was assigned by Ministry of Railways in order to repair/rehabilitate the damaged bridges. However, due to slackness on the part of Pakistan Railways together with liquidity constraints as well, the work was held and despite several reminders, no response was received from PR.

Profit & Loss Account of the company for the period from 2009-10 to 2011-12 reported the revenue earnings of the subject works as Rs. 1,312,500 against the direct expenditure of Rs. 1,283,525 in 2010-11; therefore, only Rs. 28,975 was earned as profit which was only 2.26% of the direct expenditure. Keeping in view the opportunity cost concept, if the same amount would have been invested as per Short Term Investment policy of the company, it could fetch at least Rs. 154,023 in one year @ 12% p.a. In view of the foregoing, the earned profit @ 2.26% was unfavorable.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO the position of outcome be reviewed and progress thereof provided to audit.

In the light of above mentioned facts, it is recommended that:

- detailed reasons for unfinished/held consultancy work may be explained
- incapacitated entry into consultancy jobs may be strictly avoided

- devise a rational mechanism to close the assignment without incurring further expenditure

4.4.2 Inappropriate entry into contract agreement for maintenance, overhauling and operation of 300kva power vans and subsequent breach of the contract

Clause 23 of the contract agreement for Maintenance, Overhauling and operation of 300 KVA Power Vans between Pakistan Railways and M/S PRACS, Ltd. stipulates, "Subletting or appointing sub contractor by the main contractor for the execution of whole work will not be allowed, however, the contractor will get prior approval from Pakistan Railways' competent authority in subletting certain activities of the contract to another party/firm."

It was observed that M/s PRACS entered into an agreement with Pakistan Railways on 17.11.2011 for overhauling, maintenance & operation of 20 Power Vans involving 40 DG Sets. Total value of the contract was Rs. 244.079 millions. Subsequently, putting aside the above mentioned clause of the agreement, PRACS further entered into a sub agreement with M/S Hi-tech Network (Pvt.) Ltd. (HNL) on 29.11.2012 for subletting the same work. Later on, the sub-contractor also failed to fulfill the terms & conditions of the agreement, but the work remained under progress up to the date of inspection.

M/s PRACS had no in-house facilities and expertise available to undertake the subject work as it was clearly evident from the subletting agreement with M/s HNL and it was also admitted by PRACS management vide their letter to GM/Operations, PR bearing No. PRACS/Mech/07/09 dated: 24.01.2013.

Due to incapacitated entry into subject agreement, M/s PRACS breached the contract by subletting the whole work on first part and subsequently it went into heavy receivables from Pakistan Railways amounting to Rs. 42.00 million up to January, 2013; reportedly, nothing was received from PR in this regard.

The matter was taken up with PRACS in May 2013, who replied that PRACS took part in the tender advertised by P.R and PRACS rates were the lowest. P.R. was kept in full picture. A copy of the letter dated 04.06.2011 written to Chief Controller of Purchase, P.R, in which it was clearly stated that the work will be carried out by M/s HNL (copy attached). a team of P.R officers also visited to see the facilities of M/s HNL and prequalified the firm. However, all the technical guidance and monitoring is being carried out by PRACS Technical Team.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO the latest position of bill receivable be reviewed and got verified by audit.

No documentary evidence was provided to audit at the time of verification.

In the light of above mentioned facts, it is recommended that:

- PRACS should discontinue the practice of incapacitated entry into service/rehabilitation agreements with PR
- New avenues in the field of advisory and consultancy services should be explored by employing professional Engineers, Architects, Builders etc.

4.5 Asset Management

Safeguarding of assets is defined by SECP as those policies and procedures that "provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements."

However, it was observed that the company did not properly safeguard its assets. Very basic instance was non-preparation of Fixed Assets Register (FAR) as also required vide Accounting Policies and Procedures Manual (APPM). Similarly, other record relating to use of official vehicles was also found in vulnerable condition.

Some instances have been given in this section which clearly depict that company was not properly safeguarding its assets.

4.5.1 Risk exposure due to non maintenance of Fixed Assets Register - Rs 37.977 million

Para 13.4.1.1 of Accounting Policies and Procedures manual provides that “All departments/entities will maintain a “Fixed Assets Register” (Form 13-A) for the categories of assets, for which they are responsible. The categories of assets shall include the following:

• land building, • civil works, • plant & machinery, • vehicles, • furniture & fittings, • office equipment, • computer equipment.”

Moreover, para 13.4.2.1 states, “The PAO shall ensure that the Fixed Assets Register kept in his/her department/entity is properly maintained and is up-to-date.”

Contrary to above, it was observed that Property, Plant & equipment as per Balance Sheet of the company were being reported at their Net Book Value of Rs 37,977,215 (37.977 million), but “Fixed Assets Register” on the prescribed format was not found in the company’s head office, Rawalpindi.

The Chairman Railways being the PAO, was responsible to ensure that the Fixed Assets Register kept in his department/entity was properly maintained and was up to date. However, it was predicted that PAO was not exercising his powers of internal check to ensure that books of accounts of the company were being kept as per requirements of the legislature.

The above circumstances clearly revealed that safeguarding of assets as envisaged in the principles of asset management had not been ensured by the PAO; resultantly, certain assets could have been misutilized and eventually lost.

The matter was taken up with PRACS in May, 2013; it was replied that PRACS was maintaining proper records of assets as per generally accepted standards showing detail of each kind of asset. There was no difference in the amounts of fixed assets as per fixed assets register and audited accounts.

Assets Register with individual ledger accounts as per the International Accounting Standards and generally accepted accounting procedure had also been maintained and was available for examination. There was no misappropriation at all.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein committee recommended the para for settlement subject to verification of the reply by audit. However, during audit verification it was observed that no Fixed Assets Register was being maintained.

It is recommended that Fixed Assets Register as per prescribed format may immediately be maintained and get it verified by audit

4.5.2 Unauthorized shifting of a city booking agency in a railway owned building without formal lease agreement

As per terms and conditions of the agreement between PRACS and PR, the City Booking Agency LRGT of PRACS was established to be operated at Atta Market, Jahangir Road, Moghalpura Chowk Lahore.

However, during visit of PRACS offices at Lahore, it was observed that above City Booking Agency (CBA) of PRACS with official code LRGT registered at Atta Market, Jahangir Road, Moghalpura Chowk, Lahore was shifted to PRACS regional office at GT Road, opposite UET Lahore. Since the later building was the asset of PR, the shifting of an agency in this building without formal rental/lease agreement was unauthorized. The conduct of PRACS in respect of unauthorized shifting of a CBA was against the business ethics.

The matter was taken up with PRACS in May, 2013; it was replied that the RR&I office at Jahangir Road, Moghalpura, Lahore was opened through a contract with Pakistan Railways. Since the business was low at that location so it was decided to shift the office at a location where clientele may rise.

It was further submitted that the Railway premises on GT Road, Moghalpura was handed over to M/s PRACS for establishing offices and as such PRACS did not trespass over anything.

The shifting of office was properly intimated to Pakistan Railways and it had no objection to that. The contract for this office at new location was extended by Pakistan Railways on 21/5/2012 clearly meaning thereby that Railway had no objection and the whole process was in order.

The para was discussed in the DAC's meeting held on 5th November, 2013 wherein committee settled the para subject to verification of the reply by audit. However, no documentary evidence was provided to audit at the time of verification.

It is recommended that

- Reasons for unauthorized shifting of CBA may be explained
- Regularize the shifting through proper rental/lease agreement
- Payment of agreed rent be made to PR with effect from the date of occupation.

4.5.3 Unfair evaluation of reserve price for auction of an official vehicle - Rs 175,000 approximately

Para 15 (ii) of Staff Car Rules 1980 stipulates that, "A bound register in the form as set out in Annex 'B' shall be maintained as the vehicle Log Book by the Officer-in-Charge of the staff car which shall form a permanent historical record of the staff car including **all brief description accidents etc**. during its life which shall be entered therein."

It was observed that consequent upon recommendations of a three member condemnation board consisting of Director/F&A, Secretary PRACS and Executive Director/Admn in May, 2010, five official vehicles were declared condemned by declaring their condition. Later on, an assessment committee surveyed the local market to assess the Fair Market Value (FMV) of the vehicles for auction. It was observed that market value of a vehicle No. IDL 3728 (Suzuki Cultus, White color Model 2001) was assessed as Rs. 210,000 only by stating that the car was "Main accidental". However, this car was being utilized officially up to April, 2004 as it was evident from a sanction of expenditure on its AC Gas charging and maintenance. Moreover, no evidence was found in record/log book stating therein the accident report etc. Later on, the car was auctioned at Rs. 225,000/- whereas the market value of the car was not less than Rs. 400,000 at that time.

It has been ascertained that the value of car was willfully under assessed in order to take away the car through auction, at a low price.

Due to auction of car at low price the company sustained a loss of Rs. 175,000 approximately.

The matter was taken up with PRACS in May, 2013; it was replied that all formalities / procedure for auction of vehicles were adopted as per rules. As such no irregularity was committed all efforts were made to auction the Govt vehicle in transparent manner with the approval of competent authority as it was evident from the record.

The matter was discussed in the DAC's meeting held on 5^{th} November, 2013 wherein DAC directed the PO to get the detail verified by audit.

During verification no record regarding accident of the vehicle was produced to audit.

It is recommended to

- explain the reasons of misstatement and unfair evaluation of reserve price
- recover the under-assessed amount from the members of assessment committee

4.6 Cost Benefit Analysis

An overall analysis of operating activities undertaken by M/S PRACS during the last three years was carried out. The analysis revealed that the company had suffered substantial losses in six out of eight major operating activities during the financial years 2009-10, 2010-11 and 2011-12. Major loss making activities included i) Sale of tickets of PR ii) Consultancy Services, iii) Marketing iv) Business and tourism v) Courier Services and vi) Media Services.

Activity wise loss was worked out on net aggregate totals of each major activity; however, actual losses in sub activities stood much higher. Individual losses suffered by the company in sub-activities, have been detailed in forthcoming observations included in this section.

Major cause of increasing losses over the periods included improper control over expenditure, operational inefficiency and wrong allocation of direct expenses. Some other instances exposed the deliberate intention of PRACS' management to override the rules and regulations which eventually resulted into sustained losses for the company. It was further observed that neither new avenues were explored for enhancement of company's business, (as per core objectives of the company) nor the projects in hand were efficiently managed. The vital cause of inefficiency could also be insufficient and inappropriate corporate management skills of company managers/decision makers.

The aforementioned issues have been individually detailed in the succeeding audit observations followed by recommendations in each case.

4.6.1 Loss due to operational inefficiency and improper control over expenditure - Rs 48.533 million

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

An overall analysis of operating activities of M/S PRACS with respect to previous three years was carried out during Performance Audit. Results of the analysis revealed that the company suffered loss of Rs. 48.533 million in six out of eight operating activities during previous three years i.e. 2009-10 to 2011-12. Activity wise loss has been shown in **Annexure 15**, which was worked out on aggregate totals of each major activity. However, actual losses in sub activities stood much higher than the aggregate totals, which are individually taken up in subsequent audit observations.

As an example, cost benefit analysis of “Trains Management” for the last three years from 2009-10 to 2011-12 revealed that there was an aggregate surplus of Rs. 133 million in this activity, which was net result of profit from Hazar/Rohi Express (Rs. 256 million) and loss from Fareed Express (Rs. 122 million). Therefore, loss from Fareed Express was mitigated due to profit from Hazara/Rohi.

Major loss making activities include Sale of tickets of PR, Consultancy Services, Marketing, Business and tourism, Courier Services and Media Services.

Major causes of increasing losses over the period, include improper control over expenditure, operational inefficiency and wrong allocation of direct expenses. It was further observed that neither new avenues were explored for enhancement of company’s business, (as per core objectives of the company) nor the projects in hand were efficiently managed. Most vital cause of the inefficiency might be the insufficient/inappropriate corporate management skills of company managers/decision makers.

Having more than ninety percent (90%) dependence on Pakistan Railways for its business, PRACS has also an adverse publicity at print and electronic media due to mismanagement and current liquidity constraints of PR.

The matter was taken up with PRACS in May 2013, who replied that Audit observation has been thoroughly examined and it is submitted that:

i) M/s PRACS carried out detailed analysis on financial viability of loss making projects i.e. Marketing, Courier and Media services. The projects were closed and staff being laid off gradually.

ii) The project of Fareed Express was also closed being financially not viable.

iii) The consultancy project has become profitable during the current financial year.

Instructions have been issued for proper control of expenditures, to increase operational efficiency and proper allocation of direct expenditures. The budgetary targets have been earmarked for every projects. The matter was discussed in the DAC held on 05.11.2013 where in DAC pended the issue for review by audit. At the time of audit verification no such record was produced to audit.

In the light of above mentioned facts, it is recommended that:

- Proper measures should be taken to control the increasing expenses in certain heads of accounts
- Proper budgeting of expenditure be made and allocated to projects in hand
- proper feasibilities/plans be prepared before execution of contracts

4.6.2 Wrong booking of expenditure under "Train Management" of Hazara/ Rohi Express - Rs 14.248 million

Provisions of the addendum to the agreement for joint venture between Pakistan Railways and PRACS for passenger facilitation of

11UP/12DN and 131UP/132DN Express Trains (Hazara/Rohi Express) dated: 27.02.2007 state the financial commitments under clause 2 which states that, "PRACS will provide monthly income and expenditure statement to FA&CAO/Revenue as well as CCM/PBU for scrutiny by the 15th of following month. PRACS will provide annual profit and loss account after completion of year which will also be scrutinized to determine the amount of profit due to Pakistan Railways as per profit sharing formula 60:40."

The cost benefit analysis of 'Trains Management' revealed that income & expenditure statement of Hazar/Rohi Express was not prepared in a transparent manner and certain irrelevant and out of bound expenses worth Rs. 14,247,920 were fictitiously included in the expenditure statements pertaining to previous three financial years (2009-10 to 2011-12). Details are given in **Annexure 16**.

Specific examples of wrong booking are "Advertisement Expenses for the post of Director F&A" and "Expenses on Audit Protocols" which were charged to Direct Expenses of "Trains Management" instead of 'General Administration of Head Office". (Ref. voucher # (i) BP-RWP-149-Jun-12 dt: 25.06.2012 Rs. 129,641 (ii) BP-RWP-167-May-12 dt: 22.05.2012 Rs. 104,635). Due to wrong booking and overcharging of irrelevant expenditure, the calculation of profit remained understated; therefore, due share could not be paid to Pakistan Railways.

The matter was discussed with the Secretary PRACS during Exit Conference on 30.05.2013 who stated that costs were allocated on proportionate basis. However, no rationale was available in the company's Accounts Office for so called "proportionate allocation".

The matter was taken up with PRACS in May, 2013; it was replied that expenses of Rs.14.248 Million pointed out by the audit as excess charged to the project of Hazara/Rohi were justified. Train Management was major project and being run by the expenses. These expenses were of those officers or offices which were working entirely for that project and as for utilities expense were concerned those were charged to all departments proportionately.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC directed the PO that revised strategy of PRACS be got reviewed by audit. At the time of audit verification no rationale of charging of such expenses was produced to audit.

In the light of above mentioned facts, it is recommended to

- Explain the reasons of inclusion of irrelevant expenses
- Work out the actual profit of Trains Management by excluding irrelevant expenses and accordingly pay to PR its due share
- Further malpractice should immediately be abandoned.

4.6.3 Financial loss from 37-Up/38-Dn (Fareed Express) - Rs 122.786 million

Commercial Management and passenger facilitation of Fareed Express was taken over by PRACS after an agreement was made in this context with Pakistan Railways in February, 2010. Train Management of Fareed Express remained in loss for the entire period of its operations from February, 2010 to December, 2011. Afterwards, due to heavy losses, the operations were terminated in December, 2011. Income/Expenditure statements for the said period reveal that a loss of Rs. 122,785,631 was sustained in this activity.

In view of prevailed condition of expenses booked against Hazara/Rohi Express, it was ascertained that PRACS had not been following a transparent costing system to record the direct expenses of its operating activities; therefore, irrelevant expenses having a significant value were being charged to these activities. The same could be a possible reason of heavy losses from Fareed Express.

M/S PRACS suffered a substantial loss of Rs. 122.786 million **Annexure 17** on one hand and it also earned a lot of bad publicity along with its host, Pakistan Railways.

In the light of above mentioned facts, it is recommended to explain the actual reasons of losses besides taking corrective measures regarding abstinence from taking over commercial management of trains.

The matter was taken up with PRACS in May, 2013, who replied that the commercial management of Fareed Express was handed over to M/s PRACS by Pakistan Railways on 15/4/2010. The venture ab initio was an unviable proposal as after paying 83% to Railway, PRACS has to meet the commercial management expenditures as well. It remained a fact that to improve services M/s PRACS needed extra staff leading to heavy expenditure on salaries and allowances. The project proved very difficult as serious problems were faced in its operation from Railway side i.e. non completion of rake, late running & ill maintained rakes etc. M/s PRACS analyzed the project and requested railway to improve the affairs. Neither the improvements were made nor were the train taken over. The contract was finally terminated on 31/12/2012. M/s PRACS kept on managing the train to avoid default to save its name and goodwill.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein DAC recommended the para for settlement subject to verification by audit. At the time of audit verification no such record was produced to audit.

In the light of above mentioned facts, it is recommended that,

- proper budgeting of expenditure be made and allocated to projects in hand
- proper feasibilities/plans be prepared before execution of contracts

4.6.4 Loss from consultancy services at Saudi Arabia due to non preparation of feasibility reports - Rs 11.037 million

Para 6 of Appendix 'A' to Consulting Bye Laws of Pakistan Engineering Council (PEC) is reproduced below:

"Fixed lump sum payment: On projects where the scope of services can be fairly estimated and well defined an all inclusive fixed lump sum payment (including the Salary Cost, the Overheads, the Fee and the Direct Non-Salary Costs) for each of the following services can also be agreed between the employer and the consulting engineer:-

a) Surveys and investigations.

b) Feasibility studies and master planning.

c) Preliminary and detailed designs and drawings.

d) Top Supervision of construction or Detailed Supervision of construction."

Since, PRACS is a consultancy company registered with Pakistan Engineering Council (PEC), vide registered No. Consult/246; therefore, it is bound to follow the provisions of above mentioned Consulting Bye Laws. Notwithstanding the foregoing fact, consultancy services were provided to Saudi companies in four different projects namely 1) SRO Manual Project, 2) Study on Wagon Riding Stability 3) Construction Supervision of Hofuf By-Pass and 4) Renewal Siding Project; but detailed feasibility in respect of all salary and non-salary costs were not prepared in respect of each project. On the other hand, it is clearly evident from the agreements with Saudi companies that fixed lump sum payments to PRACS were agreed upon; the detail of which is given in the enclosed statement.

It was observed that engineers and other supporting staff were irregularly engaged in the projects at very high compensation packages and without complete cancellation of previous contracts with PRACS, in violation of rules/regulations of the company. Supposedly, whole engagements were made on the basis of favoritism. Moreover, it was also observed that no mechanism regarding control over expenditure was devised for these Saudi projects and expenses were incurred from advances to officers deputed at these projects; adjustment of these advances was also made without adopting due procedure in certain cases.

As a result thereof, PRACS suffered a net loss of Rs. 11,037,118 (11.037 million) from the Saudi Projects up to December, 2012. Details are given in **Annexure 18**.

The matter was taken up with PRACS in May 2013, who replied that Viewpoints of audit that detailed feasibility in respect of all salary and non-salary cost were not prepared on each project for providing consultancy services to Saudi companies is not based on the facts. PRACS carried out all the possible exercises to safeguard the interest of PRACS internally for the scope of work which was carried out by PRACS, and only after such exercise a lump sum amount agreement to be received per month was executed. PRACS without any problem is receiving the agreed amount each month from local consultant. The engineers and supporting staff to work were selected according to laid down procedure and PRACS have earned a profit of Rs. 4,920,668 from these projects.

The matter was discussed in the DAC's meeting held on 5th November, 2013 where in committee settled the para subject to verification of the reply by audit. During audit verification no change in status of audit observation was found on record.

In the light of above mentioned facts, it is recommended that,

- Reasons for not following the PEC consulting bye laws may be explained
- Responsibility be fixed and officers held responsible be taken up for recovery of undue expenses incurred on Saudi Projects

4.6.5 Wrong allocation in the Direct Expenditure of Engineering Consultancy - Rs 10.705 million

The definition of “General & Administrative Expenses” in line with International Accounting Standards (IAS) is stated as “Money spent in operating a business (rent, salaries, telephone charges, etc.) that is not directly associated with production of goods or services.”

Profit & Loss account of PRACS for the year ended 30 June, 2012 depicted an operating loss of Rs. 12,454,474 from “Consultancy Services” (Revenue: Rs. 107,391,346 and Direct Expenditure: Rs. 119,845,820).

Cost Benefit Analysis of Consultancy Services revealed that an amount of Rs 10,705,082 was included as “General Admn of Civil Engineering” under the Direct Expenditure of Consultancy Engineering (Note 20.1). However, Profit & Loss account for the year 2009-10 and 2010-11 had no such expenses. The detail of expenditure is given in the statement enclosed. Due to this wrong allocation, Direct Expenditure of consultancy services were inflated by Rs. 10.705 million, with an exposure of high operating loss by this amount.

In view of the above position it has been envisaged that total General & Administrative Expenses were fictitiously shown less by Rs 10.705 million and the same amount pertaining to General & Administrative Expenses of Civil Engineering was added into Direct Expenditure of Consultancy Engineering.

Due to wrong allocation of Administrative Expenses to Direct Expenditure of Consultancy Engineering, Gross Profit remained understated by the above stated amount.

The matter was taken up with PRACS in May, 2013; it was replied that Expenditure of Rs. 10,705,082/- included as general administration expense in consultancy services civil is the direct expenditure of that unit. These are salaries, traveling, telephone, news paper and electricity etc and directly relate to that unit (i.e., consultancy services civil). This was not indirect expenditure booked to that unit.

The matter was discussed in the DAC's meeting held on 5th November, 2013 wherein committee directed the PO detail be got verified by audit. However, no documentary evidence was provided to audit at the time of verification.

It is recommended to

- explain the reasons of wrong allocation of Rs 10.705 million
- fix responsibility under intimation to audit and
- rectify the wrong booking and avoided recurrence in the accounts of financial year 2012-13

5 CONCLUSION

“Over a period of time M/S PRACS has transformed into a parasitic form, which is extracting major portion of its revenue from Pakistan Railways (its holding organization).”

5.1 Key Issues for the Future:

The company remained a victim of non-compliance with rules/regulations in its major areas of operations. Specific issues included mismanagement in appointments and efficiency of personnel, non observance of financial propriety, improper planning of activities, non observance of procurement rules and improper Assets Management.

5.2 Guideline for the company management:

M/S PRACS should have gone for other sources of revenue outside Pakistan Railways after acquiring requisite skills, infrastructure and technology. It could utilize its IT department to earn revenue by exporting software in the international markets. Similarly, it should also have enhanced its expertise in the field of consultancy by engaging professional and capable engineers from open market. Moreover, proper planning and compliance with rules and regulations is the key to success for any organization, which should also be a guiding principal for the company management.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Pakistan Railway Advisory and Consultancy Services (PRACS) Ltd. for the assistance and cooperation extended to the auditors during this assignment.

Annexure-1

LOSS OF Rs. 405,766 ON ACCOUNT OF UNSUCCESSFUL/DEFECTIVE RECRUITMENT PROCESS

Sr.#	Voucher #	Date	Description of expenses	Amount
1	BP-RWP-73-Apr-12	09.01.2012	Advertisement Exp. for the post of Director Finance & Accounts	120,322
2	BP-RWP-86-Nov-11	22.11.2011	Honorarium	10,000
3	BP-RWP-149-Jun-12	25.06.2012	Advertisement Exp. for the post of Director Finance & Accounts	129,641
4	MIDAS Invoice No. PM13/G/0451	19.11.2012	Advertisement Exp. for the post of Director Finance & Accounts	145,803

Total: 405,766

Annexure-2

Statement Showing the Pay & Allowances of personnel not performing duties at PRACS

Sr. No.	Name of Employee	Designation as per Pay Slip	Actual Duty	Date of Appointment	Gross Pay & Allowances				
					From	To	Number of Months	Gross Pay/ Month Rs.	Total Rs.
1	Mati-ul-Haq	Manager / Public Relations (11-Up/12-Dn)	Manager/ Public Relations (MOR)	06.5.2010	June-10	May-11	12	21,655	259,860
					June-11	November-11	6	28,757	172,542
					December-11	May-12	6	34,831	208,986
					June-12	November-12	6	36,851	221,106
					December-12	March-13	4	45,826	183,304
2	Fahim-ul-Hasnain	Computer Operator (GA)	DS office, PSC	19.8.2011	September-11	September-11	1	17,164	17,164
					December-11	November-12	12	12,093	145,116
					December-12	March-13	4	14,311	57,244
3	Muhammad	Naib Qasid	MOR	19.1.2012	February-12	November-12	10	8,533	85,330

	Afzal,	(GA)			December-12	March-13	4	10,053	40,212
4	Muhammad Saeed Khan	Driver (GA)	MOR	10.12.2012	January-11	November-11	11	13,000	143,000
					December-11	November-12	12	13,975	167,700
					December-12	March-13	4	15,665	62,660
5	Izhar Ali Zaidi	Protocol Officer(GA)	MOR		October-11	November-12	14	24,000	336,000
					December-12	March-13	4	26,400	105,600
6	Arslan Khaliq	Office Assistant	MOR		February-12	February-12	1	15,134	15,134
					March-12	November-12	9	11,729	105,561
					December-12	March-13	4	13,993	55,972
								G. Total	2,382,491
								Repair & maintenance of Vehicle LRV-6003	**156,647**
								Total	**2,539,138**

Annexure-3

PAY & ALLOWANCES OF PERSONNEL ENGAGED IN LOSS MAKING DEPARTMENTS OF PRACS

Sr. #	Name	Designation	Department	Gross Pay / Monthly Pay	Annual Pay
1	Shahid Saleem	Joint Director/B&T	Business & Tourism	51,444	617,328
2	Liaqat Ali Khan	Sr. Computer Operator	Business & Tourism	23,752	285,024
3	Hameed Gull	Driver	Business & Tourism	15,924	191,088
4	Khurram Shahzad	Naib Qasid	Business & Tourism	15,097	181,164
5	imad Ikram Ullah	Advisor Marketing	Marketing	50,250	603,000
6	Nosher Khan	Driver	Marketing	11,594	139,128
7	Abaid Ullah Khan	Naib Qasid	Marketing	10,246	122,952
8	Shakeel Khatter	DD/Legal	Legal	44,584	535,008
9	Wajid Iqbal	Naib Qasid	Legal	10,246	122,952
			Total:-	**233,137**	**2,797,644**

Annexure-4

PERSONNEL IRREGULARLY SENT TO SAUDI ARABIA ON CONTRACT

Sr. #	Project Title	Name of Officer	Designation	Status of Employee	Salary Package Saudi Riyal (SR) per month	Period		Months	Total Amount of Salary Contract(SR)
						From	To		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Wagon Riding Stability	Abu Tahir	Project Manager	Railway	10,750	15.11.11	14.01.2012	2	21,500
2	do	Ghulam Hussain	Mechanical Engineer	Railway	9,500	15.11.11	14.01.2012	2	19,000
3	Renewal Siding	Javed Iqbal	Project Manager	Railway	15,000	11.09.2011	10.09.2012	12	180,000
4	…do…	H. Javed Danish	Track Engineer	Contract	9,000	12.09.2011	11.09.2012	12	108,000

5	Hofuf Bypass	Abdul Samad	Project Manager	Railway	15,000	11.09.2011	10.09.2012	12	180,000
6	…do…	M. Ahmed Qureshi	Track Engineer	Railway	9,900	05.10.2011	04.10.2012	12	118,800
7	…do…	Babar Khan	Structural Engineer	Contract	10,500	12.09.2011	11.09.2012	12	126,000
8	…do…	Pervaiz Yasin	Civil Engineer	Contract	10,500	15.07.2011	14.07.2012	12	126,000
9	RS/ Hofuf	Abdul Khaliq	Auto Cad Operator	Contract	3,800	16.11.2011	15.11.2012	12	45,600
10	RS/ Hofuf	Muhammad Ishfaq	Cook/Office boy	Contract	2,200	16.11.2011	15.11.2012	12	26,400
11	SRO/ Manual	Abdul Aziz Ch.	Manager Projects	Contract	20,000	10.07.2011	30.10.2011	3.75	75,000
	…do…	Abdul Aziz Ch.	Manager Projects	Contract	20,000	01.01.2012	29.02.2012	2	40,000
12	…do…	Akbar Ali	Project Coordinator	Contract	16,000	09.07.2011	31.11.2011	4.75	76,000

13	…do…	Gulistan Awan	Manager Accounts /Admn	Contract	6,000	10.07.2011	30.10.2011	3.75	22,500
	…do…	Gulistan Awan	Manager Accounts /Admn	Contract	6,000	01.01.2012	29.02.2012	2	12,000

Total: Saudi Riyal (SR) 1,176,800

Equivalent to Pak Rupees = 27,450,432

Annexure-5

EXCESS GRANT OF HONORARIUM

Sr. No.	Name M/S	Designation	Basic Pay Rs.	Honorarium Granted Rs.	Excess Payment Rs.
1	Muhammad Junaid Qureshi	MD/ PRACS	76,400	147,324	70,924
2	M. Hayat Malik	PD/Mech.	44,485	75,765	31,280
3	Zafar Zaman Ranjha	Sec./ PRACS	45,400	86,708	41,308
4	Habib-ur-Rehman	RM/ Commercial	50,200	84,981	34,781
5	Akhtar Ali	Manger/ Project	20,950	34,863	13,913
6	Sulltan Mehmood	Ex: Mech. Engineer	32,000	32,000	-
7	M. Afzal	Ex: ACM	17,990	32,313	14,323
8	Naeem Hashmi	Sr: Computer Operator	10,000	19,249	9,249
		Total:	**297,425**	**513,203**	**215,778**

Annexure-6

HONORARIUM GRANTED TO DIRECTORS DURING MEETINGS OF THE BOARD OF DIRECTORS (BOD)

Sr.#	Voucher No.	Date	Description	Amount Rs.
1	JV-08 Aug 10	31.08.2010	Honorarium charges for the meeting held on 28.07.2010 at PR Burt Hall Institute Lahore.	550,000
2	BP-RWP-120-Nov11	25-11-2011	Payment of Honorarium to Members of BOD Meeting on 24.11.2011	175,000
3	BP-RWP-143-Dec11	29-12-2011	Payment of Honorarium to Members of BOD Meeting on 02.01.2012	225,000
			Total:-	**950,000**

Annexure-7

EXPENDITURE ON PROJECT REGARDING REHABILITATION OF 96 LOCOMOTIVES OF DIFFERENT CLASSES FOR THE PERIOD 2011-2012 & 2012-2013

Sr.#	Description	2011-12	2012-13	TOTAL
1	Air Tickets	29,890	-	29,890
2	Awards & Incentives	-	10,000	10,000
3	Contract Fee	600,000	-	600,000
4	Business Promotion	128,297	14,993	143,290
5	Electricity	51,586	98,330	149,916
6	Fuel & CNG	317,497	477,394	794,891
7	Gratuity	655,464	-	655,464
8	Honorarium	193,878	20,000	213,878
9	Hotel Charges	29,415	-	29,415
10	House Requisition	298,038	379,205	677,243
11	Internet	19,500	5,500	25,000
12	Legal Charges	302,000	50,000	352,000
13	Medical	28,532	47,776	76,308
14	Mobile Bill	2,000	4,000	6,000
15	Newspaper	6,457	9,296 6	15,753
16	Office Expenses	7,426	18,034	25,460
17	Over time	12,257	37,337 3)	49,594
18	Postage	5,280	7,225	12,505
19	Printing & Stationery	40,276	30,310	70,586
20	[illegible]	[illegible]		[illegible]
21	Salary &Allowances	1,684,709	2,920,628	4,605,337
22	Telephone	37,254	90,961	128,215

23	Travelling & Conveyance	219,839	203,975	423,814
24	Vehicle Insurance	-	25,171	25,171
25	Vehicle Repair & Maintenance	35,557	66,640	102,197
	TOTAL	4,708,862	4,516,775	9,225,637

Annexure 8
Advance to Staff for office use
Updated Position as on 31-03-2013

Advance to Staff for Office	30-06-2012	Balance
Ch. Bilal Sarwar, SO to SR/CM	334,457	334,457
Mrs. Fatima Bilal, DD/Mrk	547,845	547,845
Mr. Imran Hayat Khan	13,450	13,450
Mr. Mahmood Rashid,	681,885	481,885
Mr. Muhammad Ashraf Lanjar,ED/C	-	56,700
Mr. Muhammad Saleem	90,328	90,328
Mr. Shafiq Ullah	21,642	21,642
Mr. Zafar Zaman Ranja, Secretary /PRACS	49,525	463
Subtotal	**1,739,132**	**1,546,770**
Mr. Abdul Aziz Ch.	322,503	312,503
Mr. Amjad Ullah, NOW	45,000	45,000
Mr. Fakhar-ul-Islam, S.M.P Procurement	-	13,700
Mr. Ghufran-ul-Haq	20,300	133,179
Mr. Khalid Bashir, AD/Catering	64,294	10,414
Mr. Khurram Mukhtar, DD/A & C	-	77,800
Mr. M.S. Abid, DD/P	30,500	10,000
Mr. Mehmood Rehman Lakho, RM/Kyc	-	291,300
Mr. Muhammad lshfaq Chaudhary, ED/Admin	55,362	480,523
Mr. Muhammad Safdar DD/P	39,490	589,490

Mr. Muhammad Hussain, ICG	-	98,496
Mr. Nadeem Hashmi	18,843	48,745
Mr. Noman Sharif	27,500	19,000
Mr. Nazir Hussain Khokhar, M.0	-	22,000
Mr. Salman Asif Warriach, Legal Advisor	-	15,000
Syed Abid Ali/MSO	11,000	36,550
Sub Total:	**649,792**	**2,203,700**
Total:	**2,388,924**	**3,750,470**

Annexure 9

DETAILS OF IRREGULAR REIMBURSEMENT OF MEDICAL EXPENDITURE

Sr.#	Voucher #	Name of Employee	Designation	Amount	Description	Discrepancy in terms of service rules
1	BP-RWP-109-Jul11	Mr. Habib-Ur-Rehman,	RM/PRACS	5,574	Private treatment	Prescription of the RMP not Available Emergency Certificate not available
2	BP-RWP-27-Aug11	Mr.Zulfiqar Ahmed	PSO to Fed.Minister	2,000	Private treatment	Prescription of the RMP not Available Emergency Certificate not available
3	BP-RWP-105-Aug11	Mr. Niaz Muhammad,	Jr. Computer Operator	5,616	Private treatment	Prescription of the RMP not Available List of Dependents not available
4	BP-RWP-133-Aug11	Mr. Shahid Saleem,	JD/B&T	4,200	Cost of Medicine	Invalid Cash memos Without prescription by RMP
5	BP-RWP-10-Sep11	Mr.Shahid Saleem	JD/B&T	2620	Cost of Medicine	Invalid Cash memos Without prescription by RMP
6	BP-RWP-59-Sep11	Mr. Habib ur Rehman.	RM/ PRACS	5,600	Cost of Medicine	List of Dependents not available Without prescription by RMP
7	BP-RWP-106-Sep11	Sardar Ahmed Sheikh	E.D/Coml.	6,600	Private treatment	List of Dependents not available Without prescription by RMP

8	BP-RWP-119-Sep11	Mr.Zafar Zaman Ranjha	Secretary/PR ACS	46,400	Private treatment	Without prescription by RMP no prior permission of MD Irregular cost of denture No valid receipt of clinic wrong calculation of bill
9	BP-RWP-10-Oct11	Mr.Shahid Saleem	JD/B&T	3,475	Private treatment	Without prescription by RMP Invalid Cash memos
10	BP-RWP-83-Oct11	Miss.Huma Javed	Account Assistant	8,289	Private treatment	Without prescription by RMP Invalid Cash memos
11	BP-RWP-75-Oct11	Mr.Habib ur Rehman,	RM/Rwp	4,335	Private treatment	Without prescription by RMP
12	BP-RWP-133-Oct11	Mr.Muhammed Humayoun	Driver	5,148		Without prescription by RMP
13	BP-RWP-116-Oct11	Mr.Zulfiqar Ahmed,	PSO to Fed.Minister	2,000	Private treatment	Without prescription by RMP
14	BP-RWP-12-Nov11	Mr. Shahid Saleem	JD/B & T.	1,596	Private treatment	Invalid Cash memos Without prescription by RMP
15	BP-RWP-83-Nov11	Mr.Sardar Ahmed Sheikh	ED/Commercial	11,614	Private treatment	Invalid Cash memos Without prescription by RMP
16	BP-RWP-97-Nov11	Mr.Habib ur Rehman	RM/Rwp	44,686	Private treatment	Without recommendation of MS of Govt. Hospital no prior permission of MD
17	BP-RWP-136-Nov11	Mr. Shahid Saleem,	JD/B & T.	1,996	Private treatment	Invalid Cash memos

18	BP-RWP-166-Nov11	Mr.Habib ur Rehman	RM/Rwp	2,548	Private treatment	Without prescription by RMP
19	BP-RWP-6-Nov11	Mr. Fawad Ali Khan	Office Assistant.	21,331	Private treatment	Without recommendation of MS of Govt. Hospital
20	BP-RWP-18-Dec11	Mr.Ishaq Masih	Machine Operator	38,121	Private treatment	no prior permission of MD Without recommendation of MS of Govt. Hospital
21	BP-RWP-17-Dec11	Ms.Rubina Nasir	JD/Commercial	21,188	Private treatment	no prior permission of MD Without recommendation of MS of Govt. Hospital
22	BP-RWP-89-Dec11	Mr. Noman Sharif,	Project Director/IT.	29,880	Private treatment	Without recommendation of MS of Govt. Hospital
23	BP-RWP-107-Dec11	Mr. Shahid Saleem	JD/B & T.	2,547	Cost of Medicine	Without prescription by RMP
24	BP-RWP-116-Dec11	Ms.Rubina Nasir	JD/Commercial	8,000	Private treatment	Without prescription by RMP
25	BP-RWP-120-Dec11	Syed Abid Ali	Manager System Operation	40,000	Private treatment	Without recommendation of MS of Govt. Hospital
26	BP-RWP-161-Dec11	Mr.Muhammad Hayat Malik	P.D.Mech	18,675	Private treatment	Without prescription by RMP Invalid Cash memos
27	BP-RWP-161-Dec11	Mr.Habib ur Rehman	RM/Rwp	1,769	Private treatment	Without prescription by RMP Invalid Cash memos

28	BP-RWP-25-Jan12	Mr. M. Junaid Qureshi	MD/PRACS	11,590	Private treatment	Without prescription by RMP
29	BP-RWP-90-Jan12	Mr. Muhammad Saeed Khan	ED/Electrical	14,300	Private treatment	Without prescription by RMP
30	BP-RWP-113-Jan12	Mdical Reimbursemant of Mr. Ghufran-Ul-Haq	Manager/S & M.	30,000	Private treatment	Without recommendation of MS of Govt. Hospital
						Invalid Cash memos
31	BP-RWP-114-Jan12	Medical Reimbursement of Mr. M. Junaid Qureshi	MD/PRACS	2,736	Private treatment	Without prescription by RMP
						Invalid Cash memos
32	BP-RWP-147-Jan12	Mr. Shahid Saleem	JD/B & T	4,718	Private treatment	Without prescription by RMP
33	BP-RWP-172-Jan12	Treatment of Family of Mr.Habib ur Rehman	RM/Rwp	1,103	Private treatment	Invalid Cash memos
						Without prescription by RMP
34	BP-RWP-91-Mar12	Medical Reimbursment of Mr.Zahoor ul Haq	ED/Procurement	18,460	Private treatment	Irregular cost of consultancy fee
						Without prescription by RMP
35	BP-RWP-75-Mar12	Mr.Habib ur Rehman	RM/Rwp	5,905	Private Homoeopathic treatment	unauthorized treatment without prescription by RMP
36	BP-RWP-96-Mar12	Mr.Mubeen ud Din	CME/Rehabilitation	1,324	Private treatment	Without prescription by RMP

37	BP-RWP-105-Mar12	Mr.Zafar Zaman Ranjha	Secretary/PR ACS	5,000	No evidence of purchase of medicine or Medical treatment	Without prescription by RMP
38	BP-RWP-106-Mar12	Reimbursment of Medical Bills of Mr.Mubeen ud Din	CME/Rehabil itation	4,063	Private treatment	Without prescription by RMP
39	BP-RWP-131-Mar12	Habib-ur-Rehman	RM/Rwp	1,840	Private Homoeo pathic treatment	unauthorized treatment without prescription by RMP
40	BP-RWP-165-Mar12	Habib-ur-Rehman	RM/Rwp	3,228	Private Homoeo pathic treatment	unauthorized treatment without prescription by RMP
41	BP-RWP-104-Apr12	Mr. Saeed Khan	Consulatant Electrical, Lahore.	7,640	Private treatment	Without prescription by RMP
						Invalid Cash memos
42	BP-RWP-123-Apr12	Mr. Muhammad Junaid Qureshi	MD/PRACS.	2,500	Private treatment	Without prescription by RMP
						Invalid Cash memos
43	BP-RWP-196-Apr12	Habib-ur-Rehman	RM/Rwp	3,365	Private treatment	Without prescription by RMP
44	BP-RWP-108-May12	Mr. Khalid Bashir	AD/Coml	21,120	Private treatment	Without prescription by RMP
						Irregular cost of consultancy fee
45	BP-RWP-229-	Mr. Abdul Aiz Ch	ED/Civil.	8,772	Private treatment	Without prescription by

	May12					RMP
46	BP-RWP-139-Jun12	Mr. Habib-Ur Rehman	RM/RWP.	3,806	Private treatment	Orginal Prescription not attached
47	BP-RWP-145-Jun12	Mr. Habib-Ur Rehman	RM/RWP.	12,288	Private treatment	Without prescription by RMP Bill Invoice not attached
			Total:-	**509,566**		

Annexure 10

Statement Showing the Re-Imbursement of Privilege of Passes/ PTOs on the basis of Fictitious Tickets of Journey

Sr. #	Voucher #	Name of Officer	Designation	Re-imbursement of fare RS.	Mode of Journey
1	BP-RWP-37-Sep11	Mr.Aamir Ali	JD/Commercial	47,370	By Rail
2	BP-RWP-10-Nov11	Ms Sayema Bashir	DD/ Personnel	9,220	Taxi by Road
3	BP-RWP-124-Dec11	Mr.Aamir Ali	JD/Commercial	37,600	By Rail
4	BP-RWP-126-Dec11	Mr.Habib ur Rehman	RM/Rwp	16,500	By Rail
5	BP-RWP-162-Jan12	Mr. Mobeen Uddin	CME/REH	3,710	By Air
6	BP-RWP-138-Feb12	Mr.Zahoor ul Haq	ED/Procurment	5,400	By Road
7	BP-RWP-72-Mar12	Mr.Zahoor ul Haq	ED/Procurment	18,040	By Air & Rail
8	BP-RWP-131-Apr12	Mr.Habib ur Rehman	RM/Rwp	24,000	By Road
9	BP-RWP-109-Mar12	Mr.Habib ur Rehman	RM/Rwp	24,000	By Road
10	BP-RWP-182-May12	Ms Sayema Bashir	DD/ Personnel	11,250	By Road
11	BP-RWP-101-Jun12	Mr.Habib ur Rehman	RM/Rwp	24,000	By Road
			Total:-	**221,090**	

Annexure 11

EXCESS PAYMENT TO MR. JUNAID QURESHI EX. MD/PRACS ON ACCOUNT OF RE-IMBURSEMENT OF AIR TICKETS

Sr. No.	Voucher No.	Date	Air Fare Re-imbrued	Fare of AC Sleeper LHR-KC	Excess Payment
1	BP-RWP-37-Dec-11	12.12.2011	34,520	9,020	25,500
2	BP-RWP-134-Dec-11	29.12.2011	2,800		2,800
3	BP-RWP-28-Jan-12	06.01.2012	12,900	4,510	8,390
4	BP-RWP-152-Mar-12	29.03.2012	17,380	4,510	12,870
5	BP-RWP-175-Apr-12	24.04.2012	17,657	4,510	13,147
6	BP-RWP-227-May-12	30.05.2012	17,285	4,510	12,775
			102,542	**27,060**	**75,482**

Annexure 12

STATEMENT SHOWING THE WRONG PAYMENTS DUE TO ERRORS/OMISSIONS IN PAID VOUCHERS

Sr. No.	Voucher No.	Amount Rs.	Description	Objection	Over/ Excess Payment Rs.
1	BP-RWP-119-Sep11	46,400	Dental Treatment	Cost of denture is not allowed under Medical Attendance Rules. Moreover, proper invoice was not found. Bill total was also wrong.	46,400
2	BP-RWP-105-Mar 12	5,000	Medical Reimbursement	Reimbursement of Medical Expenses without any evidence of treatment.	5,000
3	BP-RWP-40-Sep 2012	664,681	Payment of Monetization Allowance	Service Period of Mr. Mubeen-ud-Din, Ex-CME/PRACS was incorrectly applied for calculation of Fuel & CNG and Drivers Salary. (It should be Rs.33,333 instead of 30,333)	6,000
				Total:	**57,400**

Annexure 13

SUMMARY OF EXPENDITURE INCURRED ON SETTING UP OF PRACS REST HOUSE AT ISLAMABAD

Sr. #	Description	Amount Rs.
1	Rent Expenses	1,235,000
2	Commission Expenses	35,000
3	Purchase of Furniture & Fixture, Crockery and Equipment etc.	3,953,164
4	Purchase of Air Conditioners	478,715
5	Utility Expenses	132,175
6	Repair & Maintenance	72,526
7	Misc. Expenses	37,725
8	Refreshment Expenses	72,911
9	Stationery Expenses	4,680
	Total:	**6,021,896**
	Say Rs. in million	**6.022**

Annexure 14

LOSS DUE TO DISPOSAL OF VECHICLES UNDER MONETIZATION POLICY

Sr. #.	Vehicle No.	Make	Model	Invoice Price Rs.	Depreciated Value Rs.	Present Value of Annuity *	Market Value Rs.	Loss Rs.
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
1	GW-109	Toyota Corolla XLI 1300 CC	2010	1,289,000	837,850	-	1,400,000	562,150
2	LEG-10-1401	Suzuki Cultus VXR 1000 CC	2010	845,000	597,944	534,112	800,000	265,888
							Total:	**828,038**

*** Present Value Rs. 597,944 has been online calculated through PV of Annuity Calculator as the amount is being recovered @ 25,000 PM.**

Annexure 15

LOSS FROM OPERATING ACTIVITIES FOR THE PERIOD FROM 2009-10 TO 2011-12

Sr. #	Operating Activity	Loss Rs.			Total Loss Rs.
		2009-10	2010-11	2011-12	
1	Commission on Sale of tickets of PR	-	-	(17,083,000)	(17,083,000)
2	Consultancy services	-	-	(12,454,474)	(12,454,474)
3	Marketing	(5,656,899)	(4,416,788)	-	(10,073,687)
4	Business and tourism	(2,866,020)	(2,328,425)	(1,264,087)	(6,458,532)
5	Courier services	-	-	(210,502)	(210,502)
6	Media services	(1,007,425)	(1,211,339)	(33,913)	(2,252,677)
	Total:	**(9,530,344)**	**(7,956,552)**	**(31,045,976)**	**(48,532,872)**

Annexure 16

IRRELEVANT ITEMS INCLUDED IN THE DIRECT EXPENDITURE OF HAZARA-ROHI EXPRESS

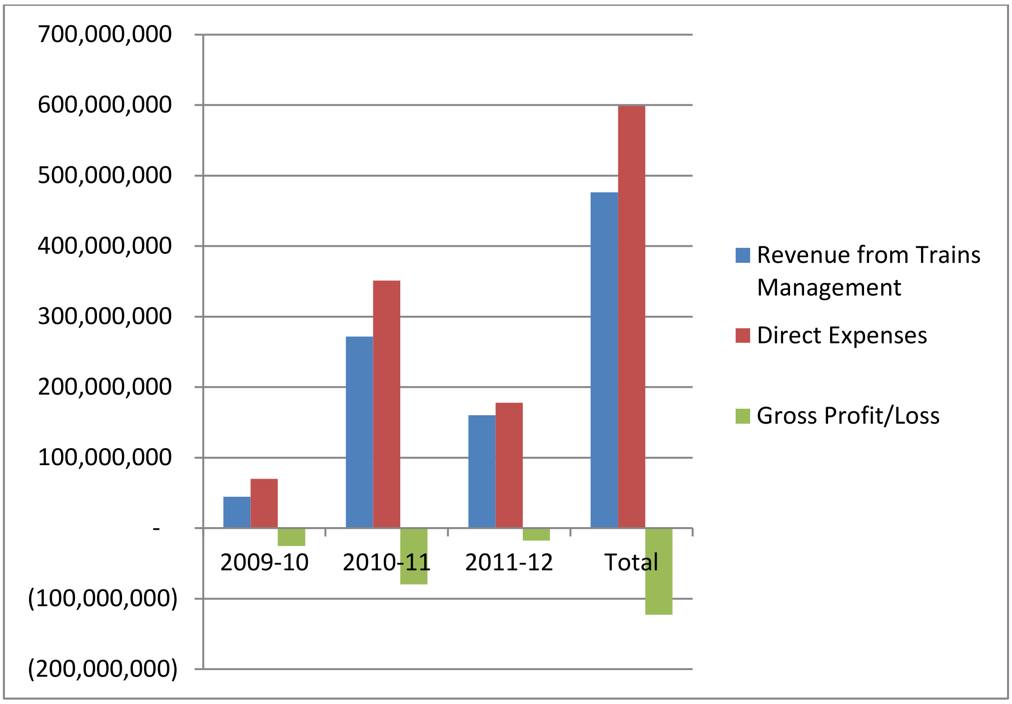
Item	Period		
	2009-10	2010-11	2011-12
Direct Expenses	594,349,982	593,651,940	606,974,247
Total Irrelevant Expenses included in the Direct Expenses	**3,313,919**	**1,734,995**	**9,199,006**
Total Business Promotion	22,855	22,015	188,885
Electricity Exp.	35,863	104,875	379,876
Total Fuel & CNG	150,251	352,255	1,344,446
Total House Requsition	240,550	424,610	1,407,620
Medical Reimbursement	26,321	11,380	316,894
Total Mobile Expenses	7,000	104,900	117,000
Office & Maintaince	112,768	331,050	167,278
Printing & Stationery	29,101	73,745	235,269
Telephone	41,687	71,880	237,608
Travelling & Conveyance	215,706	185,693	1,420,733
Vehicle Repair & iMainaince	22,355	52,592	395,477
Depriciation	2,381,869	-	2,458,835
Advertisement	-	-	162,643
Entertainment	-	-	10,555
Vehicle Insurance	-.	-	222,014
Sui Gas	-	-	115,200
Postage	27,593	-	18,673
Total:-	**3,313,919**	**1,734,995**	**9,199,006**
	Grand Total:-	**14,247,920**	

Total in Million: 14.248

Annexure 17

LOSS FROM FAREED EXPRESS

	2009-10	2010-11	2011-12	Total
Revenue from Trains Management	44,391,507	271,467,621	160,121,378	475,980,506
Direct Expenses	69,740,251	351,227,910	177,797,976	598,766,137
Gross Profit/Loss	**(25,348,744)**	**(79,760,289)**	**(17,676,598)**	**(122,785,631)**



Annexure 18

PROFIT & LOSS ACCOUNT OF CIVIL ENGINEERING CONSULTANCY, SAUDI ARABIA PROJECTS UP TO 12/2012

(Rs in million)

Head of Account	SRO Manual Project	Wagon Riding Stability Project	Construction Supervision of HOFUF by pass (KSA)	Provision of Engineering Services to M/S Al-Thunaiah Saudi Arabia	Renewal Siding Project	Gen. Admin Expenses	Total
INCOME							
Income from July, 2011 to June, 2012	12.019	1.739	15.536	0.123	8.250	-	37.666
Income from July, 2012 to December, 2012	-	-	3.318	0.073	1.769	-	5.161
TOTAL	12.019	1.739	18.854	0.196	10.019	-	42.827
EXPENSES							
TOTAL	10.213	1.352	17.673	-	8.669	5.958	53.864
NET PROFIT/ (LOSS)	1.806	0.387	1.182	0.196	1.350	(5.958))	(11.037)